Administrative & Business Communication (Mgmt 311)

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Introduction

This course is Organizational Behavior designed for BA degree students of Unity University College of Distance Education. It is organized into seven units. The first unit is introduction to organizational behavior consisting of definitions, importance, levels of organizational behavior, reasons for why we study organizational behavior, contributing disciplines, and challenges and opportunities. The second unit deals with individuals in organizations. Specifically, individual differences, biographical characteristics, ability, personality, learning, perception, and motivation are discussed in sufficient detail. The third unit is about interpersonal processes in organizations dealing with teams design and elements, team processes, team effectiveness models, self-managed teams, and virtual teams. The fourth unit discusses organizational processes covering decision-making in organizations, organizational power and politics, communication, conflict management, and negotiation. The fifth unit is about organizational system, which specifically deals with organizational structure, organizational design, and organizational culture. Finally, the sixth unit discusses organizational dynamics, organizational change, the learning organization, stress management, and work-life balance.

Every unit begins with unit outline, unit objective, and unit introduction, and ends with unit summary, glossary of terms, and self-assessment questions. The unit summary will assist you get the main points of the unit in a page or a couple of pages. The Glossary of terms section assists you get the meanings of key terms used in the unit easily. Self- assessment questions are extracted from the unit. After studying the unit and answering all the activity questions provided in the unit, you are provided with these self-assessment questions for your own assessment. They are provided with blank spaces to write the answers on. Write the answers on the space provided and compare your answers with the answer key provided at the end of the material.

UNIT ONE

OVERVIEW OF ORGANIZATIONAL BEHAVIOR

Contents

1.1. Definitions and Importance of Organizational Behavior
1.2. Levels of Organizational Behavior Analysis
1.3. Why Study Organizational Behavior?
1.4. Disciplines that contributed to Organizational Behavior Theory
1.5. Challenges and Opportunities for Organizational Behavior
1.6. Unit Summary
1.7. Glossary of Terms
1.8. Self-Assessment Questions

Unit Objectives

After completion of this unit students will be able to:

- Define organizational behavior
- Know importance of organizational behavior
- Know levels of Organizational Behavior Analysis
- Be aware of why reasons for studying Organizational Behavior?
- Understand disciplines that contributed to Organizational Behavior Theory
- Recognize Challenges and Opportunities for Organizational Behavior

INTRODUCTION

This unit gives an overview of organizational behavior. First, it discusses meaning and importance of organizational behavior. Second, levels of analysis of organizational behavior are demonstrated using a diagram. Third, it explains the reasons why we study organizational behavior. Fourth, disciplines that contributed to organizational behavior theory, namely: psychology, sociology, social, psychology, anthropology, and political science are discussed. Finally challenges and opportunities for organizational behavior are presented. At the end of every subtopic, activity questions are given with blank spaces to write on. At the end of the unit, unit summary, glossary of key terms, self-assessment questions, and cases for analysis are given. Answers for self-assessment questions are given at the end of the module.

1.1. Definitions and Importance of Organizational Behavior

1.1.1. Definitions of Organizational Behavior

What is meant by organization? What is meant by behavior? What exactly is meant by the term organizational behavior? And what are the importances of

organizational behavior? The answers to these fundamental questions will help establish our foundation for discussion and analysis and help you better appreciate why understanding the field can be of value to you in the future.

An **organization** is a consciously coordinated social unit, made up of a group of people, who work together on common goals on a relatively continuous basis. Schools, hospitals, churches, military units, retail stores, police departments, and government agencies are some example of organizations. **Behavior** refers to what people do in the organization, how they perform, and what their attitudes are. By moving one step ahead, it is, therefore, easy to define the term organizational behavior.

Organizational behavior (OB) is the study of how people behave in organizations as individuals and as teams and how organizations structure human resources (their employees and managers) to achieve their goals. It is, thus, about individual and group behavior in the organization, and how the organization structures its employees and managers in order to achieve its goals. As it is about the behavior of people both as individuals and as teams, organizational behavior consists of the actions and interactions of individuals and groups in organizations.

Organization behavior is a field of study that investigates the impact that individuals, groups and structure have on behavior within organizations for the purpose of applying such knowledge toward improving an organization's effectiveness. According to this definition, organizational behavior is a field of study, which is a distinct area of expertise with a common body of knowledge. What does it study? It studies three determinants of behavior in organizations: individuals, groups, and structure. In addition, organizational behavior applies the knowledge gained about individuals, groups, and the effect of structure on behavior in order to make organizations work more effectively.

Exercise: 1.1. "Behavior is generally predictable." Do you agree or disagree? Why?

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To sum up our discussion on the definition, organizational behavior is concerned with the study of what people do in an organization and how that behavior affects the performance of the organization. And because organizational behavior is specifically concerned with employment related situations, you should not be surprised to find that it emphasizes behavior as related to jobs,

absenteeism, employment turnover, productivity, human performance, and management.

1.1.2. The Importance of Organizational Behavior

Having these definitions of organizational behavior, what is its importance? The purpose of organizational behavior is to understand people in organizations, provide practitioners and managers with the tools to manage people more effectively, and help organizations achieve their goals.

Most people are educated in organizations, acquire most of their material possessions from organizations, and die as members of organizations. Many of our activities are regulated by the various organizations that make up our governments. And most adults spend the better part of their lives working in organizations. Because organizations influence our lives so powerfully, we have every reason to be concerned about how and why those organizations function.

There is increasing agreement as to the components or topics that constitute the subject area of organizational behavior. Although there is still considerable debate as to the relative importance of each, there appears to be general agreement that organizational behavior includes the core topics of:-

Managing individual differences to achieve performance
Motivating employees
Managing teams
Using power and leading people and organizations
Decision making
Communicating inside and outside the organization
Managing conflict and negotiating
Implementing change
Work design
Work stress

Because of its broad scope, organizational behavior helps us understand all types of organizations: non-profit, governmental, social, and business.

Exercise: 1.2. What is organizational Behavior? Is it related to management?

1.2. Levels of Organizational Behavior Analysis

There are three levels of organizational behavior analysis.

1. The **first level** of analysis, called micro-organizational behavior, studies the individual. It is the smallest possible level of analysis in organizations and includes topics such as perception, personality, motivation, and learning.
2. The **second and middle level** of analysis in organizational behavior is the

small group that is made up of individual employees within an organization. The study of small groups in organizational behavior includes issues of group size and composition, cohesion, trust, conflict management, team building, group decision making, and leadership.

3. The **third level** of analysis in organizational behavior, called macro-organizational behavior, is concerned with larger groups, such as departments, and organizational processes. Macro organizational behavior topics include issues such as the design and structure of organizations, organizational culture and strategy, organizational power and politics, change, and organizational effectiveness.

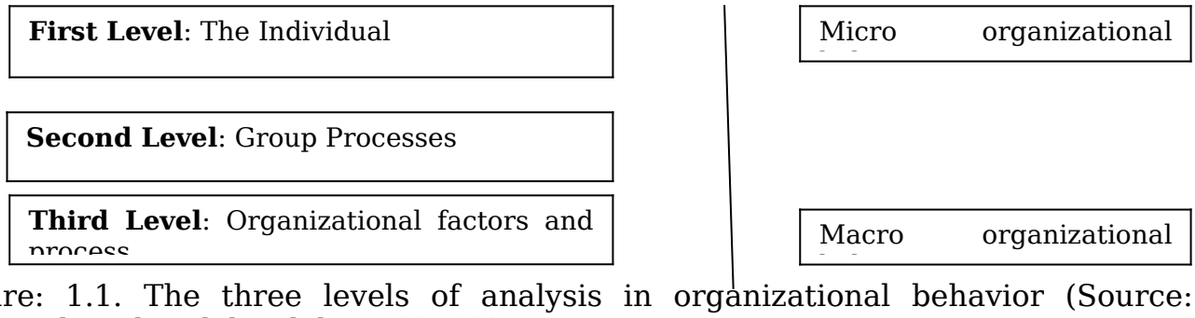

Figure: 1.1. The three levels of analysis in organizational behavior (Source: Nahavadi and Melekzadeh, 1999, P3)

Managers must understand their organization at all three levels of analysis to meet the daily challenges they face.

Exercise: 1.3. Are the three levels of analysis in the organizational behavior model related? Explain.

1.3. Reasons for studying Organizational Behavior

Studying organizational behavior can help shape successful organizations. The study of organizational behavior continues because it provides valuable information for organizations today. Every organization includes people and interpersonal behavior and to understand them, is to understand what gives life to an organization. More specifically, knowledge about organizational behavior helps organizations with key management activities: managing human resources, improving quality, and maintaining high performance work systems.

1.4. Disciplines that contributed to Organizational Behavior Theory

Organizational behavior is an applied behavioral science that is built upon contributions from a number of behavioral disciplines. It is a blended discipline that has grown out of contributions from numerous earlier fields of study. The predominant areas are psychology, sociology, social psychology, anthropology,

and political science. Psychology's contributions have been mainly at the individual or micro level of analysis; the other four disciplines have contributed to our understanding of macro concepts such as group processes and organization. Each of these sciences has had its own importance and unique influence on the discipline of organizational behavior.

1. Psychology

Psychology is the science that seeks to measure, explain and sometimes change the behavior of humans. Psychologists concern themselves with studying and attempting to understand individual behavior. Those who have contributed and continue to add to the knowledge of organizational behavior are learning theorists, personality theorists, counseling psychologists, and most important, industrial and organizational psychologists. Industrial and organizational psychologists concern themselves with problems of fatigue, boredom, perception, learning, motivation, job satisfaction, personality, performance appraisals, employee selection, job design, and work stress.

2. Social Psychology

Social psychology is an area within psychology, but it blends concepts from psychology and sociology. It focuses on the influence of people on one another. One of the major areas receiving considerable investigation from social psychologists has been change __ how to implement it and how to reduce barriers to its acceptance. In addition, social psychologists are making significant contributions in the areas of measuring, understanding, and changing attitudes; communication patterns; the ways in which group activities can satisfy individual needs; and group decision-making processes.

3. Sociology

Whereas psychologists focus on the individual, sociologists study the social system in which individuals fill their roles. Sociology studies people in relation to their fellow human beings. Specifically, sociologists have made their greatest contribution to organizational behavior through their study of group behavior in organizations, particularly in formal and complex organizations. Some of the areas within organizational behavior that have received valuable input from sociologists are:

Group dynamics
Design of work teams
Organizational culture
Formal organization theory and structure

Organizational technology
Communications
Power
Conflict and
Intergroup behavior

4. Anthropology

Anthropology is the study of societies to learn about human beings and their activities. Anthropologists work on cultures and environments, for instance, has helped us understand differences in fundamental values, attitudes, and behavior between people in different countries and within different organizations. Much of our current understanding of organizational culture, organizational environments, and differences between national cultures is the result of the work of anthropologists.

5. Political Science

Political science studies the behavior of individuals and groups within a political environment. Specific topics of concern include structuring of conflict, allocation of power, and how people manipulate power for individual self-interest. Managers have become increasingly aware that organizations are political entities and if we are able to accurately explain and predict the behavior of people in organizations; we need to bring a political perspective to our analysis.

Exercise: 1.4. In what areas do Psychology, Sociology, Social Psychology, Anthropology, and Political Science contributed to organizational behavior? What other academic disciplines may have contributed to organizational behavior?

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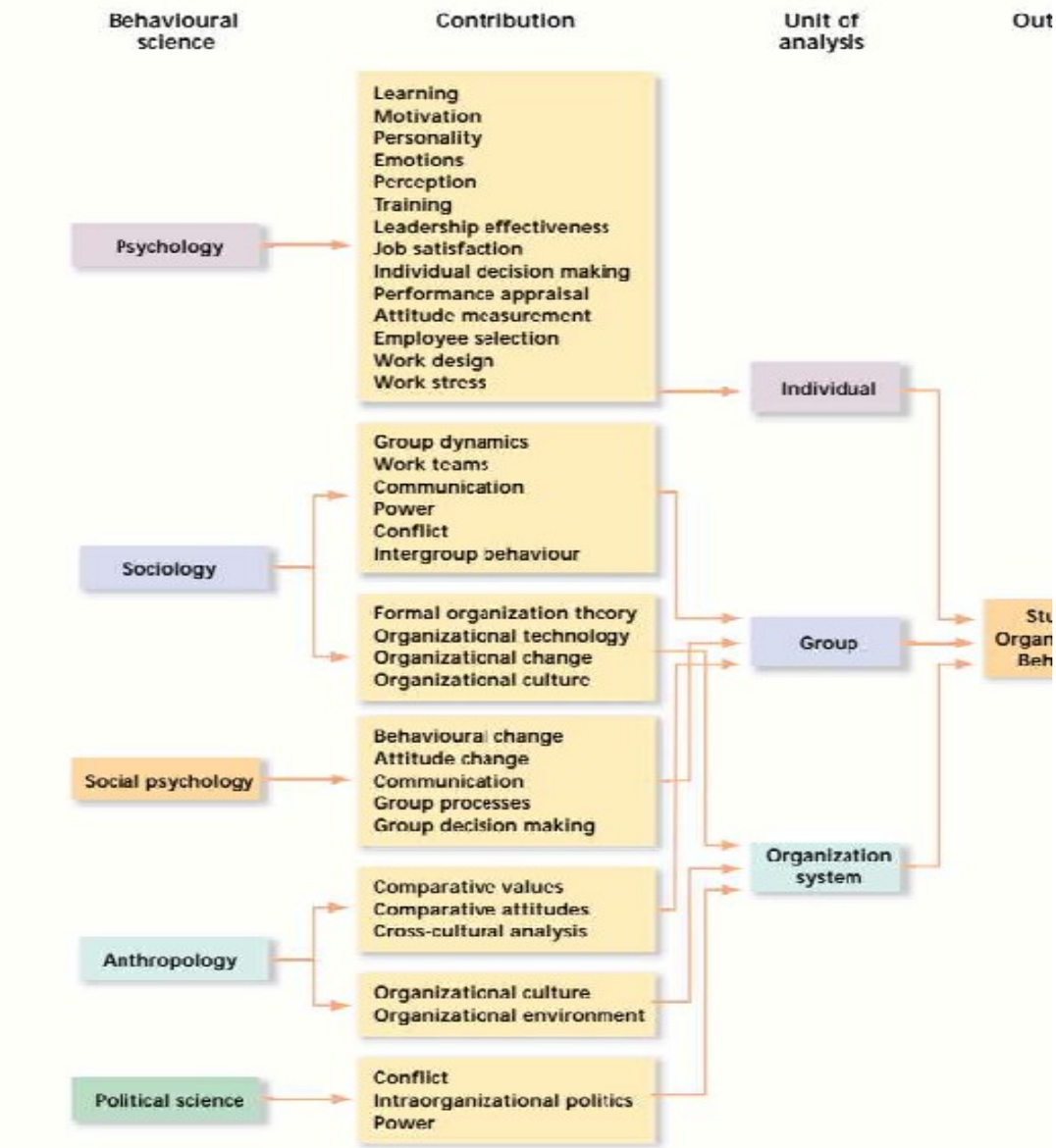
1.5. Challenges and Opportunities for Organizational Behavior

1. The Creation of a Global Village

Two or three decades ago, national borders acted to insulate firms from foreign competitive pressures. This time organizations are no longer constrained by national borders. Trading blocs have significantly reduced tariffs and barriers to trade. As multinational corporations develop operations worldwide, as companies develop joint ventures with foreign partners, and as workers increasing chase job opportunities across national borders, managers have to become capable of working with people from different cultures.

2. From "Everyone is the Same" to Workforce Diversity

One of the most important and broad-based challenges currently facing



organizations is adapting to people who are different. The term we use for

describing this challenge is workforce diversity.

Figure: 1.2. The Building Blocks of Organizational Behavior (Source: Robbins, 2009)

Whereas globalization focuses on differences between people from different countries; workforce diversity addresses differences among people within given countries. Workforce diversity means that organizations are becoming more heterogeneous in terms of gender, race, and ethnicity. We used to take a melting pot approach to differences in organizations, assuming people who were different would somehow automatically want to assimilate. But we now recognize that employees don't set aside their cultural values and lifestyle preferences when they come to work. The challenge for organizations, therefore, is to make themselves more accommodating to diverse groups of people by addressing their different lifestyles, family needs, and work styles. The melting pot assumption is being replaced by one that recognizes and values difference.

What implications does workforce diversity have for management practice? Managers will need to shift their philosophy from treating everyone alike to recognizing differences and responding to those differences in ways that will ensure employee retention and greater productivity while, at the same time, not discriminating. Diversity, if positively managed, can increase creativity and innovation in organizations as well as improve decision making by providing different perspectives on problems. When diversity is not managed properly, there is potential for higher turnover, more-difficult communication, and more interpersonal conflict.

3. Toward Improving Quality and Productivity

Managers are continuously challenged to improve their organization's productivity and the quality of the products and services they offer. Toward improving quality and productivity, they are implementing programs, such as total quality management and reengineering, programs that require extensive employee involvement. TQM is a philosophy of management that is driven by the constant attainment of customer satisfaction through the continuous improvement of all organizational processes. TQM has implications for OB because it requires employees to rethink what they do and become more involved in workplace decisions.

Reengineering––reconsiders how work would be done and organization structured if they were being created from scratch.

4. **From Management Control to Empowerment**

Nowadays there is a reshaping of the relationship between managers and the people they are supposedly responsible for managing. In some cases managers are being called coaches, advisers, sponsors, or facilitators. In some organizations, employees have become associates or teammates. Decision making is being pushed down to the operating level, where workers are being given the freedom to make choices about schedules, procedures, and solving work-related problems. Self-managed teams, in which workers operate largely without bosses, are becoming common. What is going on is that managers are empowering employees. They are putting employees in charge of what they do. And in so doing, managers have to learn how to give up control and employees have to learn how to take responsibility for their work and make appropriate decisions.

5. **From Stability to Flexibility**

It used to be that managers needed to introduce major change programs once or twice a decade. Today, change is an ongoing activity for most managers. The concept of continuous improvement, for instance, implies constant change. In the past, managing could be characterized by long periods of stability, interrupted occasionally by short periods of change.

Managing today would be more accurately described as long periods of ongoing change, interrupted occasionally by short periods of stability. In the past, employees were assigned to a specific work group, and that assignment was relatively permanent. There was a considerable amount of security in working with the same people day in and day out. That predictability has been replaced by temporary y work groups, teams that include members from different departments and whose members change all the time, and the increased use of employee rotation to fill constantly changing work assignments. Finally, organizations themselves are in a state of flux. They continually reorganize their various divisions, sell off poor-performing businesses, downsize operations, subcontract non critical services and operations to other organizations, and replace permanent employees with temporaries.

What does flexibility imply? Today‘s managers and employees must learn to cope with temporariness. They have to learn to live with flexibility, spontaneity, and unpredictability.

The study of OB can provide important insights into helping you better understand a work world of continual change, how to overcome resistance to

change, and how best to create an organizational culture that thrives on change. Suggested

Exercise: 1.5. Some people have suggested that understanding human behavior at work is the single most important requirement for managerial success. Do you agree or disagree with this statement? Why?

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1.6. Unit Summary

Organizational behavior is a field of study that investigates the impact that individuals, groups, and structure have on behavior within an organization. It uses that knowledge to make organizations work more effectively. Specifically, organizational behavior focuses on how to improve productivity, reduce both absenteeism and turnover, and increase employee job satisfaction.

Organizational behavior also helps us understand how people can work together more effectively in the workplace. Organizational behavior recognizes differences, helps us see the value of workforce diversity, and calls attention to practices that may need to be changed when managing and working in different countries. It can help improve quality and employee productivity by showing managers how to empower their people, as well as how to design and implement change programs. It offers specific insights to improve people skills.

There are three levels of organizational behavior analysis micro-organizational, small-group, and macro-organizational behavior. Knowledge about organizational behavior helps organizations with key management activities: managing human resources, improving quality, and maintaining high performance work systems.

Disciplines that contributed to organizational behavior are psychology,

sociology, social psychology, anthropology, and political science. One of the most important and broad-based challenges currently facing organizations is adapting to people who are different.

1.7.Glossary of Terms

Behavior refers to what people do in the organization, how they perform, and what their attitude are.

Organization: A consciously coordinated social unit, made up of a group of people that functions on a relatively continuous basis to achieve common goals.

Organizational behavior: A field of study that investigates the impact of individuals, groups, and structure on behavior within organizations; the aim is to apply such knowledge toward improving organizational effectiveness.

Psychology: the science that seeks to measure, explain and sometimes change the behavior of humans.

Social psychology: an area within psychology, but it blends concepts from psychology and sociology.

Sociology: a science that studies about the social system in which individuals fill their roles.

Anthropology: the study of societies to learn about human beings and their activities.

Political science: a science that studies the behavior of individuals and groups within a political environment.

1.8. Self-Assessment Questions

1. What does organizational behavior study at its macro-level?
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   _____
2. What are the major contributions of political science to organizational behavior?
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   _____
3. How can globalization and workforce diversity be challenges and opportunities for organizational behavior?
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   _____
4. Identify some managerial jobs that are highly affected by human behavior and others that are less so. Which would you prefer? Why?

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5. Suppose you have to hire a new manager. One candidate has outstanding technical skills but poor interpersonal skills. The other has exactly the opposite mix of skills. Which would you hire? Why?

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_____

UNIT TWO
INDIVIDUALS IN ORGANIZATIONS

Contents

2.1. Introduction
2.2. Individual Differences
2.3. Biographical Characteristics
2.4. Ability
2.5. Personality
2.6. Learning
2.7. Perception
2.8. Motivation
2.9. Unit summary
2.10. Glossary of terms
2.11. Self-assessment questions

Unit Objective

Up on the completion of this unit, you will be able to:

- Explain the term =individual differences‘.
- Discuss the relationships of biographical characteristics and job performance.
- Identify the different types of ability.

- Define personality and describe its role in the study of organizational behavior.
- Discuss learning theories
- Define perception and describe its role in the study of organizational behavior.
- Identify the earliest and the contemporary theories of motivation.

2.1. Introduction

In unit one above, general overview of organizational behavior is discussed. Specifically, definitions and importance of organizational behavior; levels of analysis in organizational behavior; why study organizational behavior; disciplines that contributed to organizational behavior theory; and challenges and opportunities of organizational behavior are discussed insufficient detail with examples and activity questions. This unit explains the first level of organizational behavior analysis that is individuals in organizations. Seven sub-topics, namely: Individual differences, biographical characteristics, ability, personality, learning, perception, and motivation, are discussed. After each subtopic there is an activity question to be done before studying the next sub-topic. Finally, attempt all the self-assessment questions and compare your answers with the key given at the end of the module.

2.2. Individuals Differences

It has been observed that if we collect information about people's characteristics from a large sample and examine the pattern of distribution we find that a large majority of the people fall in the middle range while a small proportion lies in extreme categories. For example, most of the people fall in the category of average height and very few are very tall or very short. This holds true for many more characteristics including intelligence and other psychological attributes.

The fact that people are different from each other is a very common observation. The differences in psychological characteristics are often consistent and form a stable pattern. By 'consistent', we mean that people tend to show regularity in their behavior and their patterns of behavior do not change very frequently. This consistency and stability in behavior is unique to every person. People develop their unique traits/characteristics and patterns of behavior due to their genetic makeup and the environment in which they are brought up. Once we know these differences systematically we can utilize the capabilities of people efficiently for their healthy development. Knowing about the specific characteristics of a person is necessary in order to extend support and utilize his or her potential to optimal level.

Individual differences occur due to interaction of genetic and environmental

factors. We inherit certain characteristics from our parents through genetic codes. The phenotype or the expressed forms of our characteristics depend on contributions of the socio-cultural environment. This is the reason why we are not exactly like our parents and our parents not exactly like our grandparents. We do share similarities with our parents in respect of many physical attributes like height, color of eyes, shape of nose etc. We also inherit certain cognitive, emotional and other characteristics from our parents like intellectual competence, love for sport, creativity, etc. However, our own characteristics develop largely by the support from the environment which we inhabit.

The environment is responsible as how we are reared, the kind of atmosphere at house, whether it is liberal or strict, the type of education that we get, what we learn from people, around us, books, cultural practices, peers, teachers and media All these aspects refer to =environment' which help in developing our potentials. Environment, by providing models and other opportunities, helps us develop many traits and skills. Our inheritance alone cannot decide what we become but our environment also contributes. Now you know that our genetic codes vary. At the same time, surrounding environment also differs from person to person. It sets limits or defines a range by offering different opportunities. That is why the pattern of development of each of us is different from others. It makes us think why we are similar in certain ways and different in others.

2.3. Biographical Characteristics

This section is essentially concerned with finding and analyzing the variables that have an impact on employee productivity, absence, turnover, and satisfaction. Many of the concepts, such as motivation, power and politics, organizational cultures, etc., are hard to assess. It might be valuable, then, to begin by looking at factors that are easily definable and readily available; data that can be obtained, for the most part, simply from information available in an employee's personal file. What factors would these be? Obvious characteristics would be an employee's age, gender, marital status, and length of service with an organization. Fortunately, there is a sizable amount of research that has specifically analyzed many of these biographical characteristics.

Age

The relationship between age and job performance is likely to be an issue of increasing importance during the next decade. Why? There are at least

three reasons. First, there is a widespread belief that job performance declines with increasing age. Regardless of whether it‘s true or not, a lot of people believe it and act on it. Second is the reality that the workforce is aging. What is the perception of older workers? Evidence indicates that employers hold mixed feelings. They see a number of positive qualities that older workers bring to their jobs: specifically, experience, judgment, a strong work ethic, and commitment to quality. But older workers are also perceived as lacking flexibility and as being resistant to new technology. And in a time when organizations strongly seek individuals who are adaptable and open to change, the negatives associated with age clearly hinder the initial hiring of older workers and increase the likelihood that they will be let go during downsizing. Now let‘s take a look at the evidence. What effect does age actually have on turnover, absenteeism, productivity, and satisfaction?

The older you get, the less likely you are to quit your job . That conclusion is based on studies of the age-turnover relationship. Of course, it should not be too uprising. As workers get older, they have fewer alternative job opportunities. In addition, older workers are less likely to resign than are younger workers because their long tenure tends to provide them with higher wage rates, longer paid vacations, and more-attractive pension benefits. It‘s tempting to assume that age is also inversely related to absenteeism. After all, if older workers are less likely to quit, won‘t they also demonstrate higher stability by coming to work more regularly?

Not necessarily! Most studies do show an inverse relation-ship, but close examination finds that the age-absence relationship is partially a function of whether the absence is avoidable or unavoidable. In general, older employees have lower rates of avoidable absence than do younger employees. However, they have higher rates of unavoidable absence, probably due to the poorer health associated with aging and the longer recover y period that older workers need when injured.

How does age affect productivity? There is a widespread belief that productivity declines with age. It is often assumed that an individual‘s skills — particularly speed, agility, strength, and coordination—decay over time and that prolonged job boredom and lack of intellectual stimulation all contribute to reduced productivity. The evidence, however, contradicts that belief and

those assumptions. One comprehensive review of the research found that age and job performance were unrelated. Moreover, that finding seems to be true for almost all types of jobs, professional and nonprofessional. The natural conclusion is that the demands of most jobs, even those with heavy manual labor requirements, are not extreme enough f or any declines in physical skills due to age to have an impact on productivity; or, if there is some decay due to age, it is offset by gains due to experience. Our final concern is the relationship between age and job satisfaction.

On this issue, the evidence is mixed. Most studies indicate a positive association between age and satisfaction, at least up to age 60. Other studies, however, have found a U-shaped relation-ship. Several explanations could clear up these results, the most plausible being that these studies are intermixing professional and nonprofessional employees. When the two types are separated, satisfaction tends to continually increase among professionals as they age, whereas it falls among nonprofessionals during middle age and then rises again in the later years.

Gender

Few issues initiate more debates, misconceptions, and unsupported opinions than whether women perform as well on jobs as men do. In this section, we review the research on that issue. The evidence suggests that the best place to begin is with the recognition that there are few, if any, important differences between men and women that will affect their job performance. There are, for instance, no consistent male-female differences in problem-solving ability, analytical skills, competitive drive, motivation, sociability, or learning ability. Psychological studies have found that women are more willing to conform to authority and those men are more aggressive and more likely than women to have expectations of success, but those differences are minor. Given the significant changes that have taken place in the last 25 years in terms of increasing female participation rates in the workforce and rethinking what constitutes male and female roles, you should operate on the assumption that there is no significant difference in job productivity between men and women.

Similarly, there is no evidence indicating that an employee's gender affects job satisfaction. One issue that does seem to differ between genders, especially where the employee has preschool children, is preference for work

schedules. Working mothers are more likely to prefer part-time work, flexible work schedules, and telecommuting in order to accommodate their family responsibilities. But, what about absence and turnover rates, are women less stable employees than men? First, on the question of turnover, the evidence is mixed. Some studies have found that women have higher turnover rates; others have found no difference. There doesn't appear to be enough information from which to draw meaningful conclusions. The research on absence, however, is a different story. The evidence consistently indicates that women have higher rates of absenteeism than men do. The most logical explanation for this finding is that culture has historically placed home and family responsibilities on the woman. When a child is ill or someone needs to stay home to wait for the plumber, it has been the woman who has traditionally taken time off from work. However, this research is undoubtedly time-bound. The historical role of the woman in caring for children and as secondary breadwinner has definitely changed recently and a large proportion of men nowadays are as interested in day care and the problems associated with child care in general as are women.

Marital Status

There are not enough studies to draw any conclusions about the effect of marital status on productivity. But research consistently indicates that married employees have fewer absences, undergo fewer turnovers, and are more satisfied with their jobs than are their unmarried coworkers. Marriage imposes increased responsibilities that may make a steady job more valuable and important. But the question of causation is not clear. It may very well be that conscientious and satisfied employees are more likely to be married. Another offshoot of this issue is that research has not pursued other statuses besides single or married. Does being divorced or widowed have an impact on an employee's performance and satisfaction? What about couples who live together without being married? These are questions in need of investigation.

Tenure

The last biographical characteristic we'll look at is tenure. With the exception of the issue of male-female differences, probably no issue is more subject to misconceptions and speculations than the impact of seniority on job performance. Extensive reviews of the seniority-productivity relationship have been conducted. If we define seniority as time on a particular job, we can say that the most recent evidence demonstrates a positive relationship between seniority and

job productivity. So tenure, expressed as work experience, appears to be a good predictor of employee productivity. The research relating tenure to absence is quite straightforward. Studies consistently demonstrate seniority to be negatively related to absenteeism. In fact, in terms of both frequencies of absence and total days lost at work, tenure is the single most important explanatory variable.

Tenure is also a potent variable in explaining turnover. Tenure has consistently been found to be negatively related to turnover and has been suggested as one of the single best predictors of turnover. Moreover, consistent with research that suggests that past behavior is the best predictor of future behavior evidence indicates that tenure on an employee's previous job is a powerful predictor of that employee's future turnover. The evidence indicates that tenure and satisfaction are positively related. In fact, when age and tenure are treated separately, tenure appears to be a more consistent and stable predictor of job satisfaction than is chronological age.

Exercise: 2.1. **Is there a difference in job performance due to gender, age, and marital status difference among employees? Why or why not?**

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_____

2.4. Ability

Employee abilities also make a difference in behavior and task performance. Ability includes both the natural aptitudes and the learned capabilities required to successfully complete a task. Aptitudes are the natural talents that help employees learn specific tasks more quickly and perform them better. There are many physical and mental aptitudes, and our ability to acquire skills is affected by these aptitudes. For example, finger dexterity is an aptitude by which individuals learn more quickly and potentially achieve higher performance at picking up and handling small objects with their fingers. Employees with high finger dexterity are not necessarily better than others at first; rather, their learning tends to be faster and performance potential tends to be higher. Learned capabilities are the skills and knowledge that you currently possess. These capabilities include the physical and mental skills and knowledge you have acquired. Learned capabilities tend to wane over time when not in use.

Aptitudes and learned capabilities are closely related to competencies, which has become a frequently used term in business. Competencies are characteristics of a person that result in superior performance. Many experts describe these characteristics as personal traits (i.e., knowledge, skills, aptitudes, personality, self -concept, values). Others suggest that competencies represent actions produced by a person‘s traits, such as serving customers, coping with heavy workloads, and providing creative ideas.

Our discussion of abilities will focus on two major types: **intellectual abilities** (or simply, intelligence), which involve the capacity to perform various cognitive tasks, and **physical abilities**, which refer to the capacity to perform various physical actions.

Intelligence: When most people speak about intelligence or intellectual abilities, they generally are referring to one‘s capacity to understand complex ideas. Of course, this is certainly very important. To succeed on a job, one must have the mental capacity to undertake the intellectual challenges associated with it. However, this kind of mental prowess is not the only kind of intelligence there is. In fact, on the job, several distinct types of intelligence have proven to be very important. We now consider these.

Cognitive Intelligence: Oh yes, Jessica is very smart; someone might tell you in reference to the new person hired in your department. But what exactly is meant by smart? Traditionally, the term is used to refer to a specific kind of

intellectual ability that psychologist's term cognitive intelligence. This involves the ability to understand complex ideas, to adapt effectively to the environment, to learn from experience, to engage in various forms of reasoning, and to overcome obstacles by careful thought.

As you know from discussions about intelligence (or IQ) tests in the media, people possess this type of intelligence to varying degrees. You also probably realize that different jobs require contrasting levels of cognitive intelligence for success. As you might suspect, the concept of cognitive intelligence is rather broad; it consists of a wide variety of different cognitive skills and abilities. Among these are abilities involving words, numbers, and visual images, including the following.

Verbal comprehension—the ability to understand written material quickly and accurately

Verbal reasoning—the ability to analyze verbal information so as to make valid judgments on the basis of logical implications of material

Word fluency—the ability to express oneself rapidly, easily, and with flexibility

Numerical ability—The ability to perform basic mathematical operations quickly and accurately

Numerical reasoning—The ability to analyze logical relationships and to recognize the underlying principles underlying them.

Space visualization — The ability to visualize three-dimensional forms in space and to be able to manipulate them mentally

Symbolic reasoning—The ability to think and reason abstractly using symbols rather than words or numbers, to manipulate abstract symbols mentally, and to make logically valid judgments based on them.

It probably comes as no surprise that different jobs require different blends of these abilities. As some obvious examples, writers have to be adept at word fluency, statisticians have to be good at numerical ability and numerical reasoning, and architects have to be skilled at spatial visualization. Interestingly, it is assumed widely that people who have high amounts of cognitive intelligence have an edge over those who don't when it comes to job performance.

Practical Intelligence: Consider the following hypothetical incident.

Two people — a business executive and a scientist — are walking in the woods, when they spot a large grizzly bear. The bear starts running toward them, growling angrily, obviously intending to attack. Both the executive and the scientist start running, but after a few yards, the scientist stops, and calls to

the executive: There's no point in running. I have done the calculations, and there is no way we can outrun that bear. The executive shouts back over his shoulder: I don't have to outrun the bear . . . I only have to outrun you!

Although you may find this story a bit unsettling, it provides a clear illustration of individual differences in practical intelligence—the ability to devise effective ways of getting things done. Growing evidence suggests that practical intelligence is indeed different from the kind of intelligence measured by IQ tests, and that it is especially important in business settings.57 In particular, people with high amounts of practical intelligence are very proficient at solving a wide range of business problems. The secret to their success resides in what is known as tacit knowledge—knowledge about how to get things done.

In contrast to formal academic knowledge, which, as you know, often involves memorizing definitions, formulas, and other information, tacit knowledge is far more practical in nature. Specifically, tacit knowledge includes the following major characteristics.

Action-oriented: It involves knowing how to do something as opposed to knowing that something is the case. For example, skilled athletes can perform amazing feats on the playing field but may not be able to put into words just how they perform these actions. It is acquired without direct help from others**.** Such knowledge often is acquired on one's own, largely because it goes unspoken. As such, people must recognize it, and its value, for themselves. For instance, although no one may ever tell an employee that getting help from a more senior person will aid his or her career; this person may recognize this fact and act on it.

People with high amounts of practical intelligence are adept at solving the problems of everyday life, including how they relate to their jobs. Of importance, there is more to intelligence than the verbal, mathematical, and reasoning abilities that often are associated with academic success. Practical intelligence, too, is important and contributes to success in many areas of life—including something that may be of interest to you, success as a manager. Don't be misled by the term practical into thinking that this form of intelligence applies only to people who work with their hands, such as mechanics and plumbers. Clearly, such individuals do have to know how to perform certain physical actions, but they also have to have cognitive skills as well so they can assess problems they confront on the job. At the same time, people who perform jobs involving high degrees of cognitive intelligence also must have practical

intelligence so they can succeed.

Emotional Intelligence: A third important kind of intelligence that can often play an important role in behavior in organizations is known as emotional intelligence (EI). It is about managing the feeling side of life. Originally, emotional intelligence was defined as a cluster of abilities relating to the emotional or feeling side of life, and was viewed as involving four basic components: (1) the ability to recognize and regulate our own emotions (e.g., to hold our temper in check), (2) the ability to recognize and influence others' emotions (e.g., the ability to make them enthusiastic about our ideas), (3) self-motivation (the ability to motivate oneself to work long hours and resist the temptation to give up), and (4) the ability to form effective long-term relationships with others. However, extensive research on EI suggests that a more appropriate model of this kind of intelligence includes the following factors instead:

Appraisal and expression of emotions in oneself—An individual's ability to understand his or her own emotions and to express these naturally.

Appraisal and recognition of emotions in others—The ability to perceive and understand others' emotions.

Regulation of emotions in oneself—The ability to regulate one's own emotions

Use of emotions to facilitate performance—The ability to use emotions by directing them toward constructive activities and improved performance (e.g., by encouraging oneself to do better).

Is emotional intelligence real? Growing evidence suggests that it is predictive of important aspects of organizational behavior. In one study, for example, employees at a large factory in China were asked to rate the EI of their coworkers. Then, these ratings were correlated with the performance ratings by the coworkers 'supervisors. The results were clear: Individuals who had the highest levels of EI (as rated by their coworkers) had the highest levels of job performance (as assessed by supervisors). This suggests that EI is indeed related to on-the-job performance.

Evidence also suggests that EI is related to other aspects of organizational behavior. For instance, entrepreneurs who have considerable ability to read others accurately (a basic aspect of EI) earn more money from their businesses than others who are relatively low on this ability. Likewise, scientists who are adept at accurately reading others, and who, partly because of this ability, tend to be liked by their colleagues, are more productive than scientists who are lower in

this aspect of emotional intelligence. So overall, being high in various aspects of emotional intelligence can be an important determinant of career success.

Obviously, the ability to be keenly aware of others and sensitive to them can be an important contributor to success on many jobs. However, a recent study suggests that there may be more to it than this. Participants in this research were a diverse group of employees at a large university who completed standard measures of cognitive intelligence and of emotional intelligence, and whose job performance was rated along several key dimensions by their supervisors. The relationship between these variables is very interesting. Employees who scored highly on the intelligence test outperformed those who scored more poorly, but only among those who were low in emotional intelligence. In contrast, people who possessed high degrees of emotional intelligence performed at high levels regardless of their cognitive intelligence. In other words, when it comes to job performance, having high levels of emotional intelligence appears to compensate for having lower levels of cognitive intelligence.
In view of these findings, it's little wonder why emotional intelligence is so very important—and a factor that begs to be given far more attention in organizations than traditionally has been the case.

1. Physical Abilities

When we speak of physical abilities we are referring to people's capacities to engage in the physical tasks required to perform a job. Although different jobs require different physical abilities, there are several types of physical ability that are relevant to a wide variety of jobs.

These include the following.

Strength - The capacity to exert physical force against various objects
Flexibility - The capacity to move one's body in an agile manner
Stamina - The capacity to endure physical activity over prolonged periods
Speed - The ability to move **quickly**

If we were to consider all jobs that people perform, it might be possible to identify those that require primarily intellectual abilities and those that require primarily physical abilities. For example, being a chemist in a research laboratory of a large company involves mainly intellectual abilities, whereas being a construction worker involves mainly physical abilities.

However, such oversimplification can be misleading. Almost all jobs require both cognitive and physical abilities for success. For example, consider a firefighter. Obviously, such individuals must have high degrees of strength, flexibility, stamina, and speed to be able to perform their jobs well. At the same time, however, such individuals also must possess appropriate cognitive abilities so they can assess the complex demands of the scene (e.g., wind velocity, structure of the building on fire, likely presence of victims, sources of oxygen, and so on).

Person - Job Matching Strategies

With either ability, the challenge is to match a person's abilities with the job's task requirements. A good person-job match not only produces higher performance; it also tends to increase the employee's well-being. One way to match a person's competencies with the job's task requirements is to select applicants who already demonstrate the required competencies.

For example, companies ask applicants to perform work samples, provide references for checking their past performance, and complete various selection tests. A second strategy is to provide training so that employees develop required skills and knowledge. Research indicates that training has a strong influence on individual performance and organizational effectiveness.

The third person-job matching strategy is to redesign the job so that employees are given tasks only within their current learned capabilities. For example, a complex task might be simplified — some aspects of the work are transferred to others — so that a new employee performs only tasks that he or she is currently able to perform. As the employee becomes more competent at these tasks, other tasks are added back into the job.

Exercise: 2.2. Explain the differences between intellectual ability and physical ability

_____

2.5. Personality

2.5.1. What is Personality?

Personality is an important individual characteristic, which explains why many companies are increasingly testing the personality traits of job applicants and employees. Personality is the relatively enduring pattern of thoughts, emotions, and behaviors that characterize a person, along with the psychological processes behind those characteristics. It is, in essence, the bundle of

characteristics that make us similar to or different from other people. We estimate an individual's personality by what he or she says and does, and we infer the person's internal states —including thoughts and emotions—from these observable behaviors. A basic premise of personality theory is that people have inherent characteristics or traits that can be identified by the consistency or stability of their behavior across time and situations. For example, you probably have some friends who are more talkative than others. You might know some people who like to take risks and others who are risk-averse. This consistency is an essential requirement for personality theory because it attributes a person's behavior to something within him or her—the individual's personality—rather than to purely environmental influences.

Of course, people do not act the same way in all situations; in fact, such consistency would be considered abnormal because it indicates a person's insensitivity to social norms, reward systems, and other external conditions. People vary their behavior to suit the situation, even if the behavior is at odds with their personality. For example, talkative people remain relatively quiet in a library where no talking rules are explicit and strictly enforced. People typically exhibit a wide range of behaviors, yet within that variety are discernible patterns that we refer to as personality traits. Traits are broad concepts that allow us to label and understand individual differences. Furthermore, traits predict an individual's behavior far into the future.

For example, studies report that an individual's personality in childhood predicts various behaviors and outcomes in adulthood, including educational attainment, employment success, marital relationships, illegal activities, and health-risk behaviors.

2.5.2. Personality Determinants: Nature versus Nurture

What determines an individual's personality? Most experts now agree that personality is shaped by both nature and nurture, although the relative importance of each continues to be debated and studied. Nature refers to our genetic or hereditary origins — the genes that we inherit from our parents. Studies of identical twins, particularly those separated at birth; reveal that heredity has a very large effect on personality; up to 50 percent of variation in behavior and 30 percent of temperament preferences can be attributed to a person's genetic characteristics. In other words, genetic code not only determines our eye color, skin tone, and physical shape but also has a significant effect on our

attitudes, decisions, and behavior.

Some similarities of identical twins raised apart are surreal. There were twins who were separated when only four weeks old and didn't meet each other until age 39. In spite of being raised in different families and communities, these twins held similar jobs, smoked the same type of cigarettes, drove the same make and color of car, spent their vacations on the same beach, had the same woodworking hobby, gave their first sons almost identical names, and had been married twice. Both their first and second wives also had the same first names!

Although personality is heavily influenced by heredity, it is also affected to some degree by nurture — the person's socialization, life experiences, and other forms of interaction with the environment. Studies have found that the stability of an individual's personality increases up to at least age 30 and possibly to age 50, indicating that some personality development and change occurs when people are young. The main explanation of why personality becomes more stable over time is that people form clearer and more rigid self-concepts as they get older.

The executive function — the part of the brain that manages goal-directed behavior — tries to keep our behavior consistent with our self-concept. As self-concept becomes clearer and more stable with age, behavior and personality therefore also become more stable and consistent. The main point here is that personality is not completely determined by heredity; life experiences, particularly early in life, also shape each individual's personality traits.

2.5.3. Personality Traits

1. **The Myers – Briggs Type Indicator (MBTI)**

The five-factor model of personality is the most respected and supported in research, but it is not the most popular in practice. That distinction goes to Jungian personality theory, which is measured through the Myers-Briggs Type Indicator (MBTI). Nearly a century ago, Swiss psychiatrist Carl Jung proposed that personality is primarily represented by the individual's preferences regarding perceiving and judging information. Jung explained that perceiving, which involves how people prefer to gather information or perceive the world around them, occurs through two competing orientations: sensing (S) and intuition (N). Sensing involves perceiving information directly through the five senses; it relies on an organized structure to acquire factual and preferably quantitative details. Intuition, on the other hand, relies more on insight and subjective experience to see relationships among variables. Sensing types focus on

the here and now, whereas intuitive types focus more on future possibilities.

Jung also proposed that judging — how people process information or make decisions based on what they have perceived — consists of two competing processes: thinking (T) and feeling (F). People with a thinking orientation rely on rational cause-effect logic and systematic data collection to make decisions. Those with a strong feeling orientation, on the other hand, rely on their emotional responses to the options presented, as well as to how those choices affect others. Jung noted that along with differing in the four core processes of sensing, intuition, thinking, and feeling, people also differ in their degrees of extroversion-introversion, which was introduced earlier as one of the Big Five personality traits.

In addition to measuring the personality traits identified by Jung, the MBTI measures Jung's broader categories of perceiving and judging. People with a perceiving orientation are open, curious, and flexible; prefer to adapt spontaneously to events as they unfold; and prefer to keep their options open. Judging types prefer order and structure and want to resolve problems quickly.

The MBTI is one of the most widely used personality tests in work settings as well as in career counseling and executive coaching. Still, evidence regarding the effectiveness of the MBTI and Jung's psychological types is mixed. On the one hand, MBTI does a reasonably good job of measuring Jung's psychological types and seems to improve self-awareness for career development and mutual understanding. On the other hand, it poorly predicts job performance and is generally not recommended for employment selection or promotion decisions.

Furthermore, MBTI overlaps with the five-factor personality model, yet it does so less satisfactorily than existing measures of the Big Five personality dimensions.

It is essentially a 100 question personality test that asks people how they usually feel or act in particular situations. On the basis of the answers individuals give to the test, they are classified as extroverted or introverted (E or I), sensing or intuitive (S or N), thinking or feeling (T or F), and perceiving or judging (P or J). These classifications are then combined into sixteen personality types. Example – INTJs are visionaries- They usually have original minds and great drive for their own ideas and purposes. They are characterized as skeptical, critical,

independent, determined, and often stubborn. ESTJs are organizers – They are realistic, logical, analytical, and decisive and have a natural head for business or mechanics.

2. The "Big Five" Personality Traits

One of the most important elements of personality theory is that people possess specific personality traits. Traits such as sociable, depressed, cautious, and talkative represent clusters of thoughts, feelings, and behaviors that allow us to identify, differentiate, and understand people. The most widely respected model of personality traits is the five-factor model (FFM).

Several decades ago, personality experts identified more than 17,000 words in Roget's thesaurus and Webster's dictionary that describe an individual's personality. These words were aggregated into 171 clusters and then further reduced to five abstract personality dimensions. Using more sophisticated techniques, recent investigations identified the same five personality dimensions.

Analyses of trait words in several other languages have produced strikingly similar results, although they also lend support for the notion of six or possibly seven dimensions of personality. Generally, though, the five-factor model is fairly robust across cultures. These Big Five dimensions, represented by the handy acronym CANOE, are outlined in Figure 2.2 and described below:

1. **Conscientiousness.** Conscientiousness characterizes people who are **careful, dependable, and self-disciplined.** Some scholars argue that this dimension also includes the will to achieve. People with low conscientiousness tend to be careless, less thorough, more disorganized, and irresponsible.

2. **Agreeableness**. This dimension includes the traits of being **courteous, good-natured, empathic and caring.** Some scholars prefer the label friendly compliance for this dimension, with its opposite being hostile noncompliance. People with low agreeableness tend to be uncooperative, short-tempered, and irritable.

3. **Neuroticism**. Neuroticism characterizes people with high levels of **anxiety, hostility, depression, and self-consciousness.** In contrast, people with low neuroticism (high emotional stability) are poised, secured, and calm.

4. **Openness to experience.** This dimension is the most complex and has the least agreement among scholars. It generally refers to the extent to which people are **imaginative, creative, curious, and aesthetically sensitive.** Those who score low on this dimension tend to be more resistant to change, less

These five personality dimensions are not independent of each other. Some experts suggest that conscientiousness, agreeableness, and low neuroticism (high emotional stability) represent a common underlying characteristic broadly described as getting along ; people with these traits are aware of and more likely to abide by rules and norms of society. The other two dimensions share the common underlying factor called getting ahead ; people with Studies report fairly strong associations between personality and several workplace behaviors and outcomes, even when employee ability and other factors are taken into account. Conscientiousness and emotional stability (low neuroticism) stand out as the personality traits that best predict individual performance in almost every job group. Both are motivational components of personality because they energize a willingness to fulfill work obligations within established rules (conscientiousness) and to allocate resources to accomplish those tasks (emotional stability). Various studies have reported that conscientious employees set higher personal goals for themselves, are more motivated, and have higher performance expectations than do employees with low levels of conscientiousness. They also tend to have higher levels of organizational citizenship and work better in organizations that give employees more freedom than is found in traditional command-and- control workplaces.

Figure 2.2 Five-Factor Model's Big Five Personality Dimensions

Exercise: 2.3. What are the big five personality traits? Discuss

_____

The other three personality dimensions predict more specific types of employee behavior and performance. Extroversion is associated with performance in sales and management jobs, where employees must interact with and influence people. Agreeableness is associated with performance in jobs where employees

are expected to be cooperative and helpful, such as working in teams, customer relations, and other conflict-handling situations. People high on the openness-to-experience personality dimension tend to be more creative and adaptable to change. Finally, personality influences employee well-being in various ways. Studies report that personality influences a person‘s general emotional reactions to her or his job, how well the person copes with stress, and what type of career paths make that person happiest.

2.5.4. Major Personality Attributes Influencing Organizational Behavior

In this section, specific personality attributes that have been found to be powerful predicators of behavior in organizations are evaluated.

1. Locus of control

It is the degree to which people believe they are masters of their own fate. People who see themselves as pawns of fate, believing that what happens to them in their lives is due to luck or chance are called externals. People that believe that they control their destinies are called internals. Research comparing internals with externals has consistently shown that individuals who rate high in externality are less satisfied with their jobs, have higher absenteeism rates are more alienated from the work setting and are less involved on their jobs than are internals.

2. Machiavellianism

The personality characteristic of Machiavellianism (Mach) is named after Niccolo Machiavelli, who wrote in the sixteenth century on how to gain and use power. An individual high in Machiavellianism is pragmatic, maintains emotional distance, and believes that ends can justify means. If it works, use it is consistent with a high-Mach perspective. Should we conclude that high Mach‘s make good employees? That answer depends on the type of job and whether you consider ethical implications in evaluating performance. In jobs that require bargaining skills (such as labor negotiation) or that after substantial rewards for winning (as in commissioned sales), high Machs will be productive.

3. Self – Esteem - People differ in the degree to which they like or dislike themselves.

This trait is called self-esteem. The research on self-esteem (SE) offers some interesting insights into organizational behavior. For example, self-esteem is directly related to expectations for success. High SEs believes that they possess the ability they need in order to succeed at work. Individuals with high self -

esteem will take more risks in job selection and are more likely to choose unconventional jobs than people with low self-esteem. Low SEs is more susceptible to external influence than are high SEs. Self-esteem has also been found to be related to job satisfaction. A number of studies confirm that high SEs is more satisfied with their jobs than are low SEs.

4. Self-Monitoring

It is a personality trait that measures an individual's ability to adjust his or her behavior to external, situational factors. Individuals high in self-monitoring show considerable adaptability in adjusting their behavior to external situational factors. They are highly sensitive to external cues and can behave differently in different situations. Low self-monitors can't disguise themselves in that way. They tend to display their true dispositions and attitudes in every situation; hence, there is high behavioral consistency between who they are and what they do.

5. Risk Taking

People differ in their willingness to take chances. Managers with high risk propensity might experiment with new ideas and gamble on new products. They might also lead the organization in new and different directions. Such managers might be catalysts for innovation, or on the other hand, might jeopardize the continued well-being of the organization if the risky decisions prove to be bad ones. Managers with low risk propensity might lead an organization to stagnation and excessive conservatism, or they might help the organization successfully weather turbulent and unpredictable times by maintaining stability and calm. Thus the potential consequences of a manager's risk propensity depend heavily on the organization's environment.

6. Type A Personality

Type A personality is an aggressive involvement in a chronic, incessant struggle to achieve more and more in less and less time and, if necessary, against the opposing efforts of other things or other people.

TYPE A's

1. They are always moving walking, and eating rapidly;
2. They feel impatient with the rate at which most events take place;
3. They strive to think or do two or more things at once;
4. They cannot cope with leisure time;
5. They are obsessed with numbers, measuring their success in terms of how many or how much of everything they acquire.

In contrast to the Type A personality is the Type B, who is exactly opposite.

TYPE B's

1. They never suffer from a sense of time urgency with its accompanying impatience;
2. They feel no need to display or discuss either their achievements or accomplishments unless such exposure is demanded by the situation;
3. They play for fun and relaxation, rather than to exhibit their superiority at any cost;
4. They can relax without guilt.

These characteristics result in some rather specific behavioral outcomes. **For example**: Type A's are fast workers, because they emphasize quantity over quality. In managerial position Type A's work long hours, make poor decisions many times because they make them too fast. Type A's are rarely creative. They rely on past experiences when faced with problems. **Are Type A's or Type B's more successful in organizations? Why?** _____.

Despite the Type A's hard work, the Type B's are the ones who appear to make it to the top. Great salespersons are usually Type A's; senior executives are usually Type B's. Promotions in corporate and professional organizations usually go to those who are tactful rather than to those who are hostile, and to those who are creative rather than to those who are merely agile in competitive strife.

2.5.5. Matching Personalities and Jobs

Personality–job fit theory identifies six personality types and proposes that the fit between personality type and occupational environment determines satisfaction and turnover. John Holland presents six personality types and proposes that satisfaction and the propensity to leave a job depend on the degree to which individuals successfully match their personalities to an occupational environment.

Type	Personality Characteristics	Congruent Occupations
Realistic: prefers physical activities that require skill, strength and coordination	Shy, genuine, persistent, stable, conforming, practical	Mechanic, drill press operator, assembly line worker, farmer
Investigative: prefers physical activities that involve thinking, organizing, and understanding	Analytical, original, curious, independent	Biologist, economist, mathematician, news reporter
Social: prefers physical activities that involve helping	Sociable, friendly, cooperative, understanding	Social worker, teacher, counselor, clinical

and developing others		psychologist
Conventional: prefers rule- regulated, orderly, and unambiguous activities	Conforming, efficient, practical, unimaginative, inflexible	Accountant, corporate manager, bank teller, file clerk
Enterprising: prefers verbal activities where there are opportunities to influence others and attain power	Self-confident, ambitious, energetic, domineering	Lawyer, real estate agent, public relations specialist, small business manager
Artistic: prefer ambiguous and unsystematic activities that allow creative expression	Imaginative, disorderly, idealistic, emotional, impractical	Painter, musician, writer, interior decorator

Figure: 2.3 Holland's Typology of Personality and Congruent Occupations

2.6. Learning

2.6.1. What is l earning?

Learning is any relatively permanent change in behavior that occurs as a result of experience. Learning itself is not observable, but only change in behavior is observable which is the result of the process of learning.

2.6.2. Components of Learning

1. Learning involves change which may be good or bad from an organizational point of view. People can learn unfavorable behaviors to hold prejudices or to restrict their output for example__ as well as favorable behaviors.
2. The change in behavior must be relatively permanent.
3. Only change in behavior acquired through experience is considered learning. Therefore, a change in an individual's thought process or attitudes, if accompanied by no change in behavior, would not be learning.
4. Some form of experience is necessary for learning. Experience may be acquired directly through practice or observation or indirectly, as through reading.
5. Learning is not confined to our schooling only. As a matter of fact, learning is a lifelong process.

2.6.3. Theories of Learning

1. **Classical Conditioning**: introduces a simple cause and effect relationship between one stimulus and response. It also makes the response reflective or involuntary after the stimulus response relationship has been established. This leaves no ground for making choices, which differentiates human being from dogs. Under certain situations, classical conditioning does explain human behavior. For

example, if a student is always reprimanded by his principal when he is summoned to the principal's office, he may become nervous whenever asked to come to the principal's office because of this association. However, classical conditioning has real limitations in its acceptability to human behavior in organizations for the following reasons:

- Human beings are more complex than dogs and less amenable to simple cause and effect conditioning.
- The behavioral environment in organizations is also complex.
- The human decision making process, being complex in nature, makes it possible to override simple conditioning.

2. **Operant Conditioning**:

It argues that behavior is a function of its consequences. People learn to behave to get something they want or to avoid something they don't want. Operant behavior means voluntary or learned behavior in contrast to reflexive or unlearned behavior. Reinforcement, therefore, strengthens behavior and increases the likelihood that it will be repeated. Operant conditioning is also known as reinforcement theory and it suggests that behavior is a function of its consequences. The consequences of a given behavior would determine whether the same behavior is likely to occur in future or not. Thus, the behavior can be controlled by manipulating its consequences. This relationship is built around two principles:

a. **The behavior that results in positive rewards tends to be repeated and behavior** with negative consequences tends not to be repeated.
b. **Based upon such consequences, the behavior can be predicted and controlled.**

The consequences of behavior are used to influence or shape behavior through three strategies: reinforcement, punishment and extinction. Thus, operant conditioning is the process of modifying behavior through the use of positive or negative consequences following specific behaviors.

Exercise: 2.4. What is the difference between classical conditioning and operand conditioning?

_____

_____

3. Social Learning: is the view that people can learn through observation and direct experience. Individuals can learn by observing what happens to other people and just by being told about something, as well as by direct experiences. Much of what we have learned comes from watching models__ parents, teachers,

peers, bosses and others.

2.7. Perception and Attribution

Perception can be defined as a process by which individuals organize and interpret their sensory impressions in order to give meaning to their environment. However, what one perceives can be substantially different from objective reality. Why is perception important in the study of OB? Simply because people's behavior is based on their perception of what reality is, not on reality itself. The world as it is perceived is the world that is behaviorally important.

2.7.1. Factors Influencing Perception

A number of factors operate to shape and sometimes distort perception.

1. Characteristics of the perceiver

a. **Attitudes** – An interviewer's attitude towards for example women will affect his perception of female candidates in an interview process.

b. **Moods** – We think differently when we are happy than we do when we are depressed.

c. **Motives** – Unsatisfied needs or motives stimulate individuals and may exert a strong influence on their perceptions. For example, in an organizational context, a boss who is insecure perceives a subordinate's efforts to do an outstanding job as threat to his or her own position. Personal insecurity can be translated into the perception that others are out to get my job, regardless of intention of the subordinates.

d. **Self-concept** – An individual with a positive self-concept tends to notice positive attributes in another person. In contrast, a negative self-concept can lead a perceiver to pick out negative traits in another person.

2. **Characteristics of the Target**

Physical appearance plays big role in our perception of others. Extremely attractive or unattractive individuals are more likely to be noticed in a group than ordinary looking individuals. Interviewers rate attractive candidates more favorably. Objects that are close to each other will tend to be perceived together rather than separately. For example, employees in a particular department are seen as a group. If two people in a four–member department suddenly resign, we tend to assume that their departures were related when in fact, they may be totally unrelated.

2.7.2. Frequently Used Shortcuts in Judging Others

a. Selective Perception:

It is the process of screening out information that we are uncomfortable with or that contradicts our beliefs. Since we can't observe everything going on about us, we engage in selective perception. Selective perception allows us to speed-read others, but not without the risk of drawing an inaccurate picture. Because we see what we want see, we can draw unwarranted conclusions from an ambiguous situation.

b. Halo Effect:

It is drawing a general impression about an individual on the basis of a single characteristic. When we draw a general impression about an individual based on a single characteristic, such as intelligence, sociability or appearance, a halo effect is operating. An example of halo effect is the extremely attractive secretary who is perceived by her male boss as being intelligent and a good performer, when, in fact, she is a poor typist.

c. Contrast Effect:

It is the evaluation of a person's characteristics that are affected by comparisons with other people recently encountered who rank higher or lower on the same characteristics. We don't evaluate a person in isolation. Our reaction to one person is often influenced by other persons we have recently encountered. A candidate in an interview schedule is likely to receive a more favorable evaluation if preceded by mediocre applicants and a less favorable evaluation if preceded by strong applicants.

d. Projection:

It is the tendency to attribute one's own characteristics to other people. It is easy to judge others if we assume that they are similar to us. For instance, if you want challenge and responsibility in your job, you assume that others want the same. Or, you are honest and trustworthy, so you take it for granted that other people are equally honest and trustworthy. When managers engage in projection, they compromise their ability to respond to individual differences. They tend to see people as more homogenous than they really are.

e. Stereotyping:

It is when we judge someone on the basis of our perception of the group to which he or she belongs. A stereotype is a generalization about a group of people. Stereotype is a means of simplifying a complex world and it permits us to maintain consistency. Stereotypes can be accurate, and when they are

accurate, they can be useful perceptual guidelines.

However, most of the time, stereotypes are inaccurate. In organizations, we frequently hear comments that represent stereotypes based on gender, age, nationality, etc. From a perceptual standpoint, if people expect to see this stereotype, that is what they will perceive, whether it is accurate or not.

2.7.3. Perception and its Application in Organizations

People in organizations are always judging each other. Managers must appraise their subordinates' performances. We evaluate how much effort our coworkers are putting into their jobs. In many cases, these judgments have important consequences for the organization. Let us look at the more obvious applications of perceptions in organizations.

1. Employment Interview:

A major input into who is hired and who is rejected in any organization is the employment interview. Interviewers often make inaccurate perceptual judgments. Agreement among interviewers is often poor; that is, different interviewers see different things in the same candidate and thus arrive at different conclusions about the applicant. Therefore, eventually the quality of an organization's labor force depends on the perception of the interviewers.

2. Performance Evaluation: An employee's performance appraisal very much depends on the perceptual process. While the performance appraisal can be objective, many jobs are evaluated in subjective terms. What the evaluator perceives to be good or bad employee characteristics will significantly influence the appraisal outcome.

3. Performance Expectations: A manager's expectations of an individual affect both the manager's behavior towards the individual and the individual's response. When a manager expects positive things from a group, the group delivers. Similarly, if a manager expects people to perform minimally, they will tend to behave so as to meet these low expectations. Thus, the expectations become reality.

4. Employee Loyalty: Another important judgment that managers make about employees is whether or not they are loyal to the organization.

The assessment of an employee's loyalty or commitment is highly judgmental. What is perceived as loyalty by one decision maker may be seen as excessive conformity by another. An employee who questions a top-management decision may be seen as disloyal by some, yet caring and concerned by others. As a case in

point, whistle-blowers __ individuals who report unethical practices by their employer to outsiders __ typically act out of loyalty to their organization but are perceived by management as troublemakers.

2.7.4. Attribution in Organizations

As human beings, we are innately curious. We are not content merely to observe the behavior of others; we want to know why they behave the way they do. Attribution simply refers to how a person explains the cause of another's or his or her own behavior. Our perceptions of people differ from our perceptions of inanimate objects like machines or buildings. Non-living objects are subject to the laws of nature; they have no beliefs, motives or intentions. People do. The result is that when we observe people, we attempt to develop explanations of why they behave in certain ways.

Internal and external attributions: The attribution theory suggests that when we observe an

individual's behavior, we attempt to determine whether it was internally or externally caused.

1. **Internal attribution** – Internally caused behaviors are those that are believed to be under the personal control of the individual. If one of your employees is late for work, you might attribute his lateness to oversleeping. This would be an internal attribution.
2. **External attribution** – Externally caused behavior is seen as resulting from outside causes; that is the person is seen as having been forced into the behavior by the situation. If you attribute your employee's late arrival to a major automobile accident that tied up traffic on the road that this employee regularly uses, then you would be making an external attribution.

   Biases in Attribution: There are errors or biases that distort attributions.

1. **Fundamental attribution error**: When we make judgment about the behavior of other people, we have a tendency to underestimate the influence of external factors and overestimate the influence of internal or personal factors. For example, when a sales manager is prone to attribute the poor performance of his sales agents to laziness rather than to the innovative product line introduced by a competitor, he is making a fundamental attribution error.

2. Self-serving bias: Individuals tend to attribute their own successes to internal factors such as ability or effort while putting the blame for failure on external factors such as luck. This is called self -serving bias and suggests that

feedback provided to employees in performance reviews will be predictably distorted by recipients depending on whether it is positive or negative. A supervisor attributing an employee's good performance to internal causes, such as effort or ability may give good reward than a supervisor attributing the good performance to external causes, such as help from others or good training.

Exercise: 2.5. Discuss the applications of perception in organizations.

2.8. Motivation Concepts and Applications

Motivation is the willingness to exert high levels of effort toward organizational goals, conditioned by the effort's ability to satisfy some individual need. An unsatisfied need creates tension that stimulates drives within the individual. Motivated employees are in a state of tension. To relieve this tension, they exert effort. If this effort successfully leads to the satisfaction of the need, tension is reduced. But since we are interested in work behavior this tension reduction effort must also be directed toward organizational goals. Therefore, inherent in the definition of motivation is the requirement that the individual's needs be compatible and consistent with the organization's goals.

2.8.1. Early Theories of Motivation

1. Hierarchy of Needs Theory

It is probably safe to say that the best-known theory of motivation is Abraham Maslow's hierarchy of needs. He hypothesized that ever y human being has a hierarchy of five needs:

a. Physiological need:

Physiological need is lower order need which includes hunger, thirst, shelter, sex, and other bodily needs. They are the lowest level in Maslow's hierarchy.

Individuals concentrate on satisfying these needs before turning to higher order needs. Lower order needs are satisfied externally, through forces outside of the person. Leaders should understand that, to the extent employees are motivated by physiological needs, their concerns do not center on the work they are doing. They will accept any job that meets those needs.

Leaders who focus on physiological needs in trying to motivate subordinates assume that individuals work primarily for money.

b. Safety need:

Safety needs are also lower order needs which include security and protection from physical and emotional harm. Like physiological needs, unsatisfied safety needs cause individuals to be preoccupied with satisfying them.

Individuals who are motivated primarily by security needs value their jobs mainly as defenses against the loss of basic needs satisfaction.

During the recent worldwide economic recession, many individuals felt that their security

needs were threatened because of plant closings, permanent reductions in their company's workforce, and the outsourcing of many jobs to foreign lands. Privatization of many previously public owned firms in Ethiopia threatened many employees employment security.

Psychological safety is also important. By offering health, life, and disability insurance, organizations promote their partners' sense of security and well-being.

c. Social need:

Social needs are upper order needs which include affection, belongingness, acceptance, and friendship. When physiological and security needs have been satisfied, affiliation needs emerge. Upper order needs are satisfied internally, that is, from within the person.

Leaders should realize that when affiliation needs are the primary source of motivation, individuals value their work as an opportunity for finding and establishing warm and friendly interpersonal relationships. Team leaders who believe that employees are striving primarily to satisfy these needs are likely to act supportively. They emphasize employee acceptance by coworkers, extracurricular activities, and team-based norms.

d. Esteem need:

Esteem needs are upper order needs which include internal (self-respect, autonomy, and achievement) and external (status, recognition, and attention) esteem factors.

The desires for feelings of achievement, self -worth, and recognition or respect are all esteem needs. Individuals with esteem needs want others to accept them for what they are and to perceive them as competent and able. Leaders who focus on esteem needs try to motivate employees with public rewards and recognition for achievements. Such leaders may use lapel pins, articles in the company paper, achievement lists on the bulletin board, and the like to foster employees' pride in their work.

e. Self-actualization:

Self-actualization needs involve individuals realizing their full potential and becoming all that they can become. Individuals who strive for self-actualization seek to increase their problem-solving abilities. Leaders who

emphasize self-actualization may involve employees in designing jobs, make special assignments that capitalize on employees‘ unique skills, or give employee teams leeway in planning and implementing their work. The self-employed often have strong self-actualization needs.

2. Theory X and Theory Y.

Douglas McGregor proposed two distinct views of human beings: one basically negative, labeled Theory X, and the other basically positive, labeled Theory Y. After viewing the way in which managers dealt with employees, McGregor concluded that a manager‘s view of the nature of human beings is based on a certain grouping of assumptions and that he or she tends to mold his or her behavior toward subordinates according to these assumptions. Under Theory X, the four assumptions held by managers are:

1. Employees inherently dislike work and, whenever possible, will attempt to avoid it.
2. Since employees dislike work, they must be coerced, controlled, or threatened with punishment to achieve goals.
3. Employees will avoid responsibilities and seek formal direction whenever possible.
4. Most workers place security above all other factors associated with work and will display little ambition.

In contrast to these negative views about the nature of human beings, McGregor listed the four positive assumptions that he called Theory Y:

1. Employees can view work as being as natural as rest or play.
2. People will exercise self-direction and self-control if they are committed to the objectives.
3. The average person can learn to accept, even seek, responsibility.
4. The ability to make innovative decisions is widely dispersed throughout the population and is not necessarily the sole province of those in management positions.

What are the motivational implications if you accept McGregor‘s analysis? The answer is best expressed in the framework presented by Maslow. Theory X assumes that lower-order needs dominate individuals.

Theory Y assumes that higher-order needs dominate individuals. McGregor himself held to the belief that Theory Y assumptions were more valid than Theory X. Therefore, he proposed such ideas as participative decision making,

responsible and challenging jobs, and good group relations as approaches that would maximize an employee's job motivation.

Unfortunately, there is no evidence to confirm that either set of assumptions is valid or that accepting Theory Y assumptions and altering one's actions accordingly will lead to more motivated workers.

3. Hygiene Theory of Motivation.

The motivation-hygiene theory was proposed by psychologist Frederick Herzberg. Herzberg investigated the question what do people want from their jobs? in an effort to determine what might lead to a person's success or failure at work. He found that intrinsic factors — such as achievement, recognition, the work itself, responsibility, advancement, and growth—seem to be related to job satisfaction. Herzberg also found that there were characteristics that led to job dissatisfaction.

The factors that caused dissatisfaction were extrinsic—such as company policy and administration, supervision, interpersonal relations, and working conditions.
Motivator factors include the work itself, recognition, advancement, and responsibility. These factors are related to an individual's positive feelings about the job and to the content of the job itself. These positive feelings, in turn, are associated with the individual's experiences of achievement, recognition, and responsibility. They reflect lasting rather than temporary achievement in the work setting. In other words, motivators are intrinsic factors, which are directly r elated to the job and are largely internal to the individual. The organization's policies may have only an indirect impact on them. But, by defining exceptional performance, for example, an organization may enable individuals to feel that they have performed their tasks exceptionally well.

Hygiene factors include company policy and administration, technical supervision, salary, fringe benefits, working conditions, job security, and interpersonal relations. These factors are associated with an individual's negative feelings about the job and are related to the environment in which the job is performed. Hygiene factors are extrinsic factors, or factors external to the job. They serve as rewards for high performance only if the organization recognizes high performance. Save Mart Supermarkets rewarded three employees with a Dodge Challenger car for their excellence in customer service.
It believes that giving employees rewards, such as cars, cruises, and consumer electronics, motivates them to drive for service excellence. Do you agree with

these types of rewards for motivating employees? Can you identify the hygiene factors used by Starbucks to attract new employees? It is important to note that those factors that lead to job satisfaction are not the same as those factors that lead to job dissatisfaction. Job security, benefits, and feeling safe cannot increase employee job satisfaction, but if these are not present, they can lead to job dissatisfaction.

Herzberg's research led him to conclude that the opposite of satisfaction is not dissatisfaction, as was traditionally believed. Removing dissatisfying characteristics from a job does not necessarily make the job satisfying. As illustrated in Exhibit 4-2, Herzberg proposes a dual continuum: the opposite of Satisfaction is No Satisfaction, and the opposite of Dissatisfaction is No Dissatisfaction. Herzberg explained that the factors leading to job satisfaction were motivators that are separate and distinct from the hygiene factors that lead to job dissatisfaction. Thus managers who try to get rid of factors that create job dissatisfaction can create more pleasant workplaces, but not necessarily more motivated ones. Hygiene factors include company policy and administration, supervision, interpersonal relations, working conditions, and salary. When these factors are adequate, people will not be dissatisfied; however, neither will they be satisfied. Motivating factors include achievement, recognition, the work itself, responsibility, and growth. These are the characteristics that people find intrinsically rewarding or motivating.

Exercise: 2.6. Compare and contrast hierarchy of needs theory, Theory X and Theory Y, and Hygiene Theory

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2.8.2. Contemporary Theories of Motivation

1. ERG Theory

Clayton Alderfer has reworked Maslow's hierarchy of needs to align it more closely with the empirical research. His revised need hierarchy is called ERG theory. Alderfer argues that there are three groups of core needs — existence, relatedness, and growth — hence, the name: ERG theory. The existence group is concerned with our basic material existence requirements.

They include the items that Maslow considered to be physiological and safety needs. The relatedness group is concerned with our desire for maintaining important interpersonal relationships. These social and status

desires require interaction with others if they are to be satisfied, and they align with Maslow‘s social need and the external component of Maslow‘s esteem need. Finally, the growth group is concerned with our intrinsic desire for personal development. This group includes the intrinsic component of Maslow‘s esteem need and the characteristics included under self- actualization.

Aside from substituting three needs for five, how does Alderfer‘s ERG theory differ from Maslow‘s? In contrast to the hierarchy of needs theory, the ERG theory demonstrates that (1) more than one need may be working at the same time, and (2) if the gratification of a higher-level need is stifled, the desire to satisfy a lower-level need increases. ERG theory is more consistent with our knowledge of individual differences among people. Variables such as education, family background, and cultural environment can alter the importance or driving force that a group of needs holds for a particular person. Several studies have supported ERG theory, but there is also evidence that it does not work in some organizations. Overall, however, ERG theory represents a more valid version of the need hierarchy.

2. McClelland’s Theory of Needs

McClelland‘s theory of needs was developed by David McClelland and his associates to help explain motivation. The theory focuses on three needs: achievement, power, and affiliation.

They are defined as follows:

• **Need for achievement**. The drive to excel, to achieve in relation to a set of standards, to strive to succeed

• **Need for power**. The need to make others behave in a way that they would not have behaved otherwise.

• **Need for affiliation**. It is the desire for friendly and close interpersonal relationships.

Some people have a compelling drive to succeed. They are striving for personal achievement rather than the rewards of success per se. They have a desire to do something better or more efficiently than it has been done before. This drive is he achievement need (nAch). From research into the achievement need, McClelland found that high achievers differentiate themselves from others by their desire to do things better. The need for power (nPow) is the desire to have impact, to be influential, and to control others. Individuals high in nPow enjoy being in charge, strive for influence over others, prefer to be placed in competitive and

status-oriented situations, and tend to be more concerned with prestige and gaining influence over others than with effective performance.

The third need isolated by McClelland is affiliation (nAff). This need has received the least attention from researchers. Individuals with a high affiliation motive strive for friendship, prefer cooperative situations rather than competitive ones, and desire relationships that involve a high degree of mutual understanding.

Relying on an extensive amount of research, some reasonably well-supported predictions can be made based on the relationship of these needs to job performance. First, individuals with a high need to achieve prefer and will be motivated by job situations with personal responsibility, feedback, and an intermediate degree of risk. Second, people with a high achievement need are interested in how well they do personally and not in influencing others to do well. Thus, they may not make good managers. Third, the best managers are high in their need for power and low in their need for affiliation.

3. Goal Setting Theory

You have heard the phrase a number of times: Just do your best. That‘s all anyone can ask. But what does do your best mean? Do we ever know if we have achieved that vague goal? Might you have done better in your high school English class if your parents had said, you should strive for 75 percent or higher on all your work in English instead of do your best?

The research on goal setting by Edwin Locke and his colleague Professor Gary Latham at the University of Toronto shows that intentions to work toward a goal are a major source of work motivation. A goal is what an individual is trying to accomplish; it is the object or aim of an action. Goals tell an employee what needs to be done and how much effort will need to be expended.

How Does Goal Setting Motivate? According to Locke, goal setting motivates in four ways Goals direct attention. Goals indicate where individuals should direct their efforts when they are choosing among things to do. For instance, recognizing that an important assignment is due in a few days, goal setting may encourage you to say no when friends invite you to a movie this evening.

• Goals regulate effort. Goals suggest how much effort an individual should put into a given task. For instance, if earning a high mark in strategic management is more important to you than earning a high mark in organizational behavior, you will likely put more effort into studying strategic management.

• Goals increase persistence. Persistence represents the effort spent on a task over time.

When people keep goals in mind, they will work hard on them, even in the face of obstacles.

• Goals encourage the development of strategies and action plans. Once goals are set, individuals can develop plans for achieving those goals. For instance, a goal to become fit may include plans to join a gym, workout with friends, and change eating habits.

In order for goals to be effective, they should be SMART. SMART stands for

• **Specific:** Individuals know exactly what is to be achieved.

• **Measurable**: The goals proposed can be tracked and reviewed.

• **Attainable**: The goals, even if difficult, are reasonable and achievable.

• **Results-oriented**: The goals should support the vision of the organization.

• **Time-bound**: The goals are to be achieved within a stated time.

Goal-setting theory is consistent with expectancy theory. The goals can be considered the effort-performance link—in other words, the goals determine what must be done. Feedback can be considered the performance-rewards relationship, where the individual's efforts are recognized. Finally, the implication of goal setting is that the achievement of the goals will result in intrinsic satisfaction (and may of course be linked to external rewards).

Contingency Factors in Goal Setting: Are there any contingencies in goal-setting theory, or can we take it as a universal truth that difficult and specific goals will always lead to higher performance?

Feedback is one of the most important factors that influences the relationship between goals and performance. Recent research suggests that when individuals receive negative feedback, they lower their goals, and when they receive positive feedback, they raise their goals.

Self-efficacy may explain how feedback affects goal behavior. Self-efficacy refers to an individual's belief that he or she is capable of performing a task. The higher your self -efficacy, the more confidence you have in your ability to succeed in a task. So, in difficult situations, we find that people with low self-efficacy are more likely to lessen their effort or give up altogether, while those with high self-efficacy will try harder to master the challenge.

In addition, individuals high in self-efficacy seem to respond to negative feedback with increased effort and motivation, whereas those low in self-efficacy are likely to lessen their effort when given negative feedback. In

addition to feedback, four other factors have been found to influence the goals-performance relationship. These are goal commitment, adequate self-efficacy, task characteristics, and national culture. Goal-setting theory presupposes that an individual is committed to the goal; that is, he or she is determined not to lower or abandon the goal. This is most likely to occur when goals are made public, when the individual has an internal locus of control, and when the goals are self-set rather than assigned.

Does goal setting work equally on all tasks? Research indicates that individual goal setting does not work equally well on all tasks. The evidence suggests that goals seem to have a greater effect on performance when tasks are simple rather than complex, well-learned rather than new, and independent rather than interdependent. On interdependent tasks, group goals are preferable. Finally, goal-setting theory is culture bound. It assumes that employees will be reasonably independent (not too high a score on power distance), that managers and employees will seek challenging goals (low in uncertainty avoidance), and that performance is considered important by both (high in performance orientation).

Our overall conclusion is that intentions—as articulated in terms of hard and specific goals—are a potent motivating force. Under the proper conditions, they can lead to higher performance. To a large extent, motivation theories are about rewards. The theories suggest that individuals have needs, and will exert effort to have those needs met. The needs theories specifically identify those needs. Goal-setting and expectancy theories portray processes by which individuals act and then receive desirable rewards (intrinsic or extrinsic) for their behavior.

Three additional process theories ask us to consider how individuals respond to rewards. Equity theory suggests that individuals evaluate and interpret rewards. Fair process goes one step further, suggesting that employees are sensitive to a variety of fairness issues in the workplace that extend beyond the reward system but also affect employee motivation. Cognitive evaluation theory examines how individuals respond to the introduction of extrinsic rewards for intrinsically satisfying activities.

4. Reinforcement Theory

A counterpoint to goal-setting theory is reinforcement theory. The former is a cognitive approach, proposing that an individual's purposes direct his or her actions. In reinforcement theory, we have a behaviorist approach, which argues that reinforcement conditions behavior. The two theories are clearly at

odds philosophically. Reinforcement theorists see behavior as environmentally caused; internal cognitive events are not matters for concern. What controls behavior are reinforcers – any consequences that, when immediately following a response, increase the probability that the behavior will be repeated.

Reinforcement theory ignores the inner state of the individual and concentrates solely on what happens to a person when he or she takes some action. Because it doesn't concern itself with what initiates behavior, it is not, strictly speaking, a theory of motivation. But it does provide a powerful means of analysis of what controls behavior, and it is for that reason that it is typically considered in discussion of motivation. A large amount of research indicates that people will exert more effort on tasks that are reinforced than on tasks that are not. Reinforcement is undoubtedly an important influence on work behavior. What people do on their jobs and the amount of effort they allocate to various tasks are affected by the consequences of their behavior. But reinforcement is not the single explanation for differences in employee motivation. Goals, for instance, have an impact on motivation; so too, do levels of achievement motivation, inequities in rewards, and expectations.

Exercise: 2.7. What is the difference between goal-setting theory and reinforcement theory?

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5. Equity Theory

Equity theory suggests that employees compare their job inputs (i.e., effort, experience, education, competence, and creativity) and outcomes (i.e., salary levels, raises, recognition, challenging assignments, working conditions) with those of others and then respond so as to eliminate any inequities.. We perceive what we get from a job situation (the outcomes mentioned above) in relation to what we put into it (the inputs mentioned above), and then we compare our outcome-input ratio with the outcome-input ratio of relevant others. This idea is illustrated in Figure 3.8. If we perceive our ratio to be equal to that of the relevant others with whom we compare ourselves, a state of equity is said to exist. We perceive our situation as fair—that justice prevails. When we see the ratio as unequal, we experience this as inequity.

Imagine that you wrote a case analysis for your strategic management professor and spent 18 hours researching and writing it up. Your classmate spent 6 hours doing her analysis. Each of you received a mark of 75 percent. It is likely that you would perceive this as unfair, as you worked considerably harder (i.e., exerted

more effort) than your classmate. J. Stacy Adams has proposed that those experiencing inequity are motivated to do something to correct it. Thus, you might be inclined to spend considerably less time on your next assignment for your strategic management professor.

Bear in mind that being treated equitably is not the same as being treated equally. Equity theory tells us that people who perform better should observe that they are rewarded better than those who do not perform as well. Thus poor per formers should also observe that they receive lesser rewards than those who perform at a higher level. Paying equally would mean that everyone is paid the same, regardless of performance.

Equity theory has generally been supported, with a few minor qualifications. First, inequities created by overpayment do not seem to have a significant impact on behavior in most work situations. Apparently, people have a great deal more tolerance of overpayment inequities than of underpayment inequities, or are better able to rationalize them. Second, not all people are equity sensitive. For example, some employees simply do not worry about how their rewards compare with those of others. Predictions from equity theory are unlikely to be very accurate with these individuals.

It is important to note that while most research on equity theory has focused on pay, employees seem to look for equity in the distribution of other organizational rewards. For instance, it has been shown that the use of high-status job titles, as well as large and lavishly furnished offices, may function as desirable outcomes for some employees in their equity equations. Equity theory demonstrates that, for most employees, motivation is influenced significantly by relative rewards, as well as by absolute rewards. However, some key issues are still unclear. For instance, how do employees handle conflicting equity signals, such as when unions point to other employee groups who are substantially better off, while management argues how much things have improved? How do employees define inputs and outcomes? How do they combine and weigh their inputs and outcomes to arrive at totals? Despite these problems, equity theory continues to offer some important insights into employee motivation.

6. Expectancy Theory

Currently, one of the most widely accepted explanations of motivation is Victor Vroom‘s expectancy theory. Expectancy theory is a theory that states that individuals are motivated based upon their evaluation of whether their effort will lead to good performance, whether good performance will be

followed by a given outcome, and whether that outcome is attractive to them. From a practical perspective, expectancy theory says that an employee will be motivated to exert a high level of effort when he or she believes the following:

- That the effort will lead to good performance
- That good performance will lead to organizational rewards, such as a bonus, a salary increase, or a promotion
- That the rewards will satisfy his or her personal goals

The theory, therefore, focuses on the three relationships (expectancy, instrumentality, and valence).

Simply stated, expectancy theory argues that the strength of a tendency to act in a certain way depends on the strength of an expectation that the act will be followed by a given outcome and on the attractiveness of that outcome to the individual.

Therefore, it included these three variables:

1. **Attractiveness** – the importance the individual places on the potential outcome or reward that can be achieved on the job. This variable considers the unsatisfied need of the individual.

2. **Performance/reward linkage** – the degree to which the individual believes that performing at a particular level will lead to the attainment of a desired outcome.

3. **Effort/performance linkage** – the probability perceived by the individual that exerting a given amount of effort will lead to performance.

Effort-Performance Relationship: The effort-performance relationship is commonly called expectancy. It refers to the individual's perception of how probable it is that exerting a given amount of effort will lead to good performance. For example, employees are sometimes asked to perform tasks for which they do not have suitable skills or training. When that is the case, they will be less motivated to try hard, because they already believe that they will not be able to accomplish what they are being asked to do. Expectancy can be expressed as a probability, and ranges from 0 to 1. In general, an employee's expectancy is influenced by self -esteem, previous success, help from supervisors and subordinates, information, and proper materials and equipment.

Performance-Rewards Relationship: The performance-rewards relationship is commonly called instrumentality. It refers to the individual's perception of whether performing at a particular level will lead to the attainment of a desired outcome. In particular, will the performance be acknowledged by

those who have the power to allocate rewards? Instrumentality ranges from –1 to +1. A negative instrumentality indicates that high performance reduces the chances of getting the desired outcome. An instrumentality of 0 indicates that there is no relationship between performance and receiving the desired outcome.

Rewards–Personal Goals Relationship: The rewards–personal goals relationship is commonly called valence. It refers to the degree to which organizational rewards satisfy an individual's personal goals or needs and the attractiveness of those potential rewards for the individual. Unfortunately, many managers are limited in the reward they can distribute, which makes it difficult to personalize rewards. Moreover, some managers incorrectly assume that all employees want the same thing. They overlook the motivational effects of differentiating rewards. In either case, employee motivation may be lower because the specific need the employee has is not being met through the reward structure. Valence ranges from –1 (very undesirable reward) to +1 (very desirable reward).

Exercise: 2.8. What does expectancy theory state? What is its difference from equity theory?

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2.8.3. Motivation: From Concepts to Applications

Management by Objectives

Goal-setting theory has an impressive base of research support. But as a manager how do you make goal setting operational? The best answer to that question is: Install a management by objectives (MBO) program. Management by objectives emphasizes participatory goals that are tangible, verifiable, and measurable. It was originally proposed by Peter Drucker as a means of using goals to motivate people rather than to control them. MBO's appeal undoubtedly lies in its emphasis on converting overall organizational objectives into specific objectives for organizational units and individual members. Because lower-unit managers jointly participate in setting their own goals, MBO works from the bottom up as well as from the top down. For the individual employee, MBO provides specific personal performance objectives. There are four ingredients common to MBO programs. These are goal specificity, participative decision making, an explicit time period, and performance feedback.

Goal-setting theory demonstrates that hard goals result in a higher level of individual performance than do easy goals; specific hard goals result in higher levels of performance than do no goals at all or the generalized goal of do your best; and feedback on one's performance leads to higher performance. Compare these findings with MBO. MBO directly advocates specific goals and feedback. MBO implies, rather than explicitly states, those goals must be perceived as feasible. Consistent with goal setting, MBO would be most effective when the goals are difficult enough to require the person to do some stretching. The only area of possible disagreement between MBO and goal-setting theory relates to the issue of participation __ MBO strongly advocates it, while goal-setting theory demonstrates that assigning goals to subordinates frequently works as well. The major benefit of using participation, however, is that it appears to induce individuals to establish more difficult goals.

Employee Recognition Programs

Consistent with reinforcement theory, rewarding a behavior with recognition immediately following that behavior is likely to encourage its repetition. Recognition can take many forms. You can personally congratulate an employee in private for a good job. You can send a written note acknowledging something positive that the employee has done. For employees with a strong need for social acceptance, you can publicly recognize accomplishment. And to enhance group cohesiveness and motivation, you can celebrate team successes. You can use meeting to recognize the contributions and achievements of successful work teams.

Employee Involvement Programs

Employee involvement : is a participative process that uses the entire capacity of employees and is designed to encourage increased commitment to the organization's success. The underlying logic is that by involving workers in those decisions that affect them and by increasing their autonomy and control over their work lives, employees will become more motivated, more committed to the organization, more productive, and more satisfied with their jobs.

Examples of employee involvement programs include:

1. **Participative Management**: is a process where subordinates share a significant degree of decision making power with their immediate superiors.

- For participative management to work, there must be adequate time to participate, the issues in which employees get involved must be relevant to

their interests, employees must have the ability (intelligence, technical knowledge, communication skills) to participate, and the organization's culture must support employee involvement.

2. **Representative Participation:** Workers participate in organizational decision making through a small group of representative employees. The goal of representative participation is to redistribute power within an organization, putting labor on a more equal footing with the interests of management and stockholders. There are two common forms of representative participation:

a. Works councils __ Groups of nominated or elected employees who must be consulted when management makes decision involving personnel.
b. Board representatives __ Are employees who sit on a company's board of directors and represent the interests of the firm's employees.

Quality Circles

A work group of employees, who meet regularly to discuss their quality problems, investigate causes, recommend solutions, and take corrective actions.

Employee Stock Ownership Plans (ESOPs): Are company established benefit plans in which employees acquire stock as part of their benefits. ESOPs have the potential to increase employee job satisfaction and work motivation.

2.8.4. Special Issues in Motivation

Various groups provide specific challenges in terms of motivation. Some of them are explained below.

1. Motivating Professionals: Professional have a strong and long-term commitment to their field of expertise. Their loyalty is more often to their profession than to their employer. These professionals get a great deal of intrinsic satisfaction from their work. They may be motivated in the following ways:

a. Their loyalty is to their profession. To keep current in their fields, they need to regularly update their knowledge. Therefore, providing them opportunities for training and development is one sure way of motivating them. Reward them with educational opportunities __ staging workshops, attending conferences __ that allow them to keep current in their field.
b. The chief reward in the professional's job is the work itself. They prefer challenging jobs.

   Therefore, provide them with ongoing challenging projects.
c. Professionals want others to think what they are working-on is important.

Therefore, ask questions and engage in other actions that demonstrate that you are sincerely interested in what they are doing.

2. Motivating Temporary Workers: Temporary workers may be motivated in the following ways:

a. When there is a system whereby permanent employees are selected from a pool of temporary employees, the latter will often work hard in hopes of becoming permanent.

b. The ability of a temporary employee to find a new job is dependent on his or her skills.

Therefore, temporary employees may be provided with the opportunity for training.

c. When temporary employees work alongside permanent employees who earn more pay for doing the same job, they are likely to be demotivated. Separating such employees might help to lessen this problem.

3. Motivating the Diversified Workforce:

Not everyone is motivated by money. Not everyone wants a challenging job. The needs of women, physically disabled, and other diverse groups are not the same. If you are going to maximize your employees' motivation, you have got to understand and respond to this diversity. This can be done in the following ways:

a. We should be flexible and design work schedules, compensation plans, benefits, and physical work settings, etc. to reflect the employees' varied needs.
b. Allowing employees who are going for further training to colleges to vary their work schedule.
c. Offering employees facilities like child care, flexible work hours and job sharing for employees with family responsibilities.

Exercise: 2.9. Why do some managers do a better job of motivating people than others?

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2.9. Unit Summary

Scientists refer to the ways, in which people differ from one another as **individual differences**, and such unique qualities can have major influences on our thinking and behavior as well as our lives and careers. Individual differences occur due to interaction of genetic and environmental factors.

Employee abilities make a difference in behavior and task performance. Ability includes both the natural aptitudes and the learned capabilities required to successfully complete a task. The two major types of ability are intellectual and physical abilities. Intellectual abilities involve the capacity to perform various cognitive tasks while physical abilities refer to the capacity to perform various physical actions.

Personality is the relatively enduring pattern of thoughts, emotions, and behaviors that characterize a person, along with the psychological processes behind those characteristics. An adult's personality is now generally considered to be made up of both hereditary and environmental factors, moderated by situational conditions.

Learning is a relatively permanent change in behavior (or behavior tendency) that occurs as a result of a person's interaction with the environment. Much of what we learn is tacit knowledge, which is embedded in our actions without conscious awareness.

Perception involves selecting, organizing, and interpreting information to make sense of the world around us. Perceptual organization engages categorical thinking — the mostly non-conscious process of organizing people and objects into preconceived categories that are stored in our long-term memory. Mental models —internal representations of the external world — also help us to make sense of incoming stimuli.

Motivation is the process that accounts for an individual's intensity, direction, and persistence of effort toward reaching a goal. Intensity is concerned with how hard a person tries. This is the element most of us focus on when we talk about motivation. However, high intensity is unlikely to lead to good job performance unless the effort is channeled in a useful direction. Finally, the effort requires persistence.

2.10. Glossary of Terms

Ability – It is a mental and physical capacity to perform various tasks.

Cognitive intelligence - The ability to understand complex ideas, to adapt effectively to the environment, to learn from experience, to engage in various

forms of reasoning, and to overcome obstacles with careful thought.

Emotional intelligence (EI) - A cluster of skills relating to the emotional side life, for example, the ability to recognize and regulate our own emotions, to influence those of others, to self-motivate.

Five-factor model (FFM) - The five abstract dimensions representing most personality traits: conscientiousness, emotional stability, openness to experience, agreeableness, and extroversion.

Individual differences - The many ways in which individuals can differ from each other.

Intellectual abilities - involve the capacity to perform various cognitive tasks.

Interactions' perspective - The view that behavior is a result of a complex interplay between personality and situational factors.

Learning - A relatively permanent change in behavior (or behavioral tendency) that occurs as a result of a person's interaction with the environment.

Motivation is the process that accounts for an individual's intensity, direction, and persistence of effort toward reaching a goal.

Myers-Briggs Type Indicator (MBTI) - An instrument designed to measure the elements of Jungian personality theory, particularly preferences regarding perceiving and judging information.

Perception involves selecting, organizing, and interpreting information to make sense of the world around us.

Personality - The unique and relatively stable patterns of behavior, thoughts, and emotions shown by individuals.

Person-job fit - The extent to which the traits and abilities of individuals match the requirements of the jobs they must perform.

Physical abilities - People's capacities to engage in the physical tasks required to perform a job.

Skills - Dexterity at performing specific tasks, which has been acquired through training or experience.

2.11. Self-Assessment Questions

1. Define personality and describe its role in the study of organizational behavior.

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2. Identify the Big Five dimensions of personality and elements of core self-evaluations and describe how they are related to key aspects of organizational behavior.

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3. Differentiate among cognitive intelligence, emotional intelligence, and practical intelligence, noting their influences on behavior in organizations, and explain the importance of social skills in the workplace.

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4. What is the difference between Alderfer's ERG theory and Maslow's Need Hierarchy theory?

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5. Explain how the characteristics of the perceiver influence perception? How the characteristics of the target influence perception? How can these be applied in the workplace?

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UNIT THREE
INTERPERSONAL PROCESSES IN ORGANIZATIONS

Contents

1. Introduction
2. Teams and Informal Groups
3. Advantages and Disadvantages of Teams
4. A Model of Team
5. Team Design
6. Team Process
7. Self-Directed Team
8. Virtual Team
9. Team Decision-Making
10. Unit Summary
11. Glossary of Terms
12. Self-Checking References

Unit Objective

Up on the completion of this unit, you will be able to:

- Define teams and discuss their benefits and limitations.
- Explain why people are motivated to join informal groups
- Diagram the team effectiveness model.
- Discuss how task characteristics, team size, and team composition influence team effectiveness.
- Summarize the team development process.
- Discuss how team norms develop and how they may be altered
- List six factors that influence team cohesion.
- Describe the three foundations of trust in teams and other interpersonal relationships.
- Discuss the characteristics and factors required for success of self-directed teams and virtual teams.

- Identify four constraints on team decision making
- Discuss the advantages and disadvantages of four structures that potentially improve team decision making

3.1. Introduction

In unit two above, you studied the first level of organizational behavior analysis that is individuals in organizations. Specifically, you studied seven sub-topics, namely: individual differences, biographical characteristics, ability, personality, learning, perception, and motivation. If you have any doubt on any of these subtopics, please go back and clarify it before starting this unit. This unit deals with interpersonal processes in organizations. It is the second level in organizational behavior analysis i.e. dealing with teams. After completing individual behavior, now you moved to team/group behavior. More specifically, teams and informal groups, advantages and disadvantages of teams, a model of team, team design, team process, self -directed team, virtual team, and team decision-making are discussed. Study them carefully and attempt all the activity, case analysis, and self-assessment questions.

3.2. Teams and Informal Groups

Teams are groups of two or more people who interact and influence each other, are mutually accountable for achieving common goals associated with organizational objectives, and perceive themselves as a social entity within an organization. This definition has a few important components worth repeating. First, all teams exist to fulfill some purpose, such as assembling a product, providing a service, designing a new manufacturing facility, or making an important decision. Second, team members are held together by their interdependence and need for collaboration to achieve common goals. All teams require some form of communication so that members can coordinate and share common objectives. Third, team members influence each other, although some members may be more influential than others regarding the team‘s goals and activities. Finally, a team exists when its members perceive themselves to be a team.

Figure 3.1 briefly describes various types of teams in organizations. Some teams are permanent, while others are temporary; some are responsible for making products or providing services, while others exist to make decisions or share knowledge. Each type of team has been created deliberately to serve an organizational purpose. Some teams are not initially sanctioned by management,

yet are called teams because members work toward an organizational objective.

Informal Groups: Although most of our attention in this unit is on formal teams, employees also belong to informal groups. All teams are groups, but many groups do not satisfy our definition of teams. Groups include people assembled together, whether or not they have any interdependence or organizationally focused objective. The friends you meet for lunch are an informal group, but they wouldn't be called a team because they have little or no interdependence (each person could just as easily eat lunch alone) and no organizationally mandated purpose. Instead, they exist primarily for the benefit of their members. Although the terms are used interchangeably, teams has largely replaced groups in the language of business when referring to employees who work together to complete organizational tasks.

Team type	Description
Departmental teams	Teams that consist of employees who have similar or complementary skills and are located in the same unit of a functional structure; usually minimal task interdependence because each person works with employees in other departments.
Production/service/leadership teams	Typically multiskilled (employees have diverse competencies), team members collectively produce a common product/service or make ongoing decisions; production/service teams typically have an assembly-line type of interdependence, whereas leadership teams tend to have tight interactive (reciprocal) interdependence.
Self-directed teams	Similar to production/service teams except (1) they are organized around work processes that complete an entire piece of work requiring several interdependent tasks and (2) they have substantial autonomy over the execution of those tasks (i.e., they usually control inputs, flow, and outputs with little or no supervision).
Advisory teams	Teams that provide recommendations to decision makers; include committees, advisory councils, work councils, and review panels; may be temporary, but often are permanent, some with frequent rotation of members.
Task force (project) teams	Usually multiskilled, temporary teams whose assignment is to solve a problem, realize an opportunity, or design a product or service.
Skunkworks	Multiskilled teams that are usually located away from the organization and are relatively free of its hierarchy; often initiated by an entrepreneurial team leader who borrows people and resources (*bootlegging*) to design a product or service.
Virtual teams	Teams whose members operate across space, time, and organizational boundaries and are linked through information technologies to achieve organizational tasks; may be a temporary task force or permanent service team.
Communities of practice	Teams (but often informal groups) bound together by shared expertise and passion for a particular activity or interest; main purpose is to share information; often rely on information technologies as the main source of interaction.

Figure: 3.1. Types of Teams in Organizations

Why do informal groups exist? One reason is that human beings are social animals. Our drive to bond is hardwired through evolutionary development, creating a need to belong to informal groups. This is evidenced by the fact that people invest considerable time and effort forming and maintaining social relationships without any special circumstances or ulterior motives. A second explanation is provided by social identity theory, which states that individuals define themselves by their group affiliations. Thus, we join groups — particularly those that are viewed favorably by others and that have values similar to our own — because they shape and reinforce our self-concept.

A third reason why people are motivated to form informal groups is that such groups accomplish goals that cannot be achieved by individuals working alone. For example, employees will sometimes create a group to oppose organizational changes because the group collectively has more power than individuals complaining alone.

A fourth explanation for informal groups is that in stressful situations we are comforted by the mere presence of other people and are therefore motivated to be near them. When in danger, people congregate near each other even though doing so serves no protective purpose. Similarly, employees tend to mingle more often after hearing rumors that the company might be acquired by a competitor. As you learned in Chapter 4, this social support minimizes stress by providing emotional and/or informational support to buffer the stress experience.

Informal Groups and Organizational Outcomes: Although informal groups are not created to serve organizational objectives, they have a profound influence on organizations and individual employees. Informal groups are the backbone of social networks, which are important sources of trust building, information sharing, power, influence, and employee well-being in the workplace. Some companies have established social networking sites similar to face book and MySpace to encourage the formation of informal groups and associated communication. These companies recognize that informal groups build trust and mutual understanding, which transfers tacit knowledge more effectively through these informal networks than through formal reporting relationships.

Social networks also play an important role in employee power and influence. Informal groups tend to increase an employee's social capital — the knowledge and other resources available to people from a durable network that connects them to others. Employees with strong informal networks tend to have more power and influence because they receive better information and preferential treatment from others and their talent is more visible to key decision makers.

Finally, informal groups potentially minimize employee stress because, as mentioned above, group members provide emotional and informational social support. This stress-reducing capability of informal groups improves employee well-being, thereby improving organizational effectiveness.

Exercise: ***3.1. What is the difference between team and informal group?***

3.3. Advantages and Disadvantages of Teams

Why is teamwork so important? The answer to this question has a long history, dating back to research on British coal mining in the 1940s and the Japanese economic miracle of the 1970s. These early studies and a huge number of investigations since then have revealed that under the right conditions, teams make better decisions, develop better products and services, and create a more engaged workforce than do employees working alone. Similarly, team members can quickly share information and coordinate tasks, whereas these processes are slower and prone to more errors in traditional departments led by supervisors. Teams typically provide superior customer service because they offer more breadth of knowledge and expertise to customers than individual stars can offer.

In many situations, people are potentially more motivated when working in teams than when working alone. One reason for this motivation is that, as we mentioned a few paragraphs ago, employees have a drive to bond and are motivated to fulfill the goals of groups to which they belong. This motivation is particularly strong when the team is part of the employee‘s social identity. Second, people are more motivated in teams because they are accountable to fellow team members, who monitor performance more closely than a traditional supervisor. This is particularly true where the team‘s performance depends on the worst performer, such as on an assembly line, where how fast the product is assembled depends on the speed of the slowest employee. Third, under some circumstances, performance improves when employees work near others because co-workers become benchmarks of comparison. Employees are also motivated to work harder because of apprehension that their performance will be compared to others’ performance.

The Challenges of Teams: In spite of the many benefits of teams, they are not always as effective as individuals working alone. Teams are usually better suited to complex work, such as designing a building or auditing a company‘s financial records. Under these circumstances, one person rarely has all the necessary knowledge and skills. Instead, the work is performed better by dividing its tasks into more specialized roles, with people in those specialized jobs coordinating with each other. In contrast, work is typically performed more

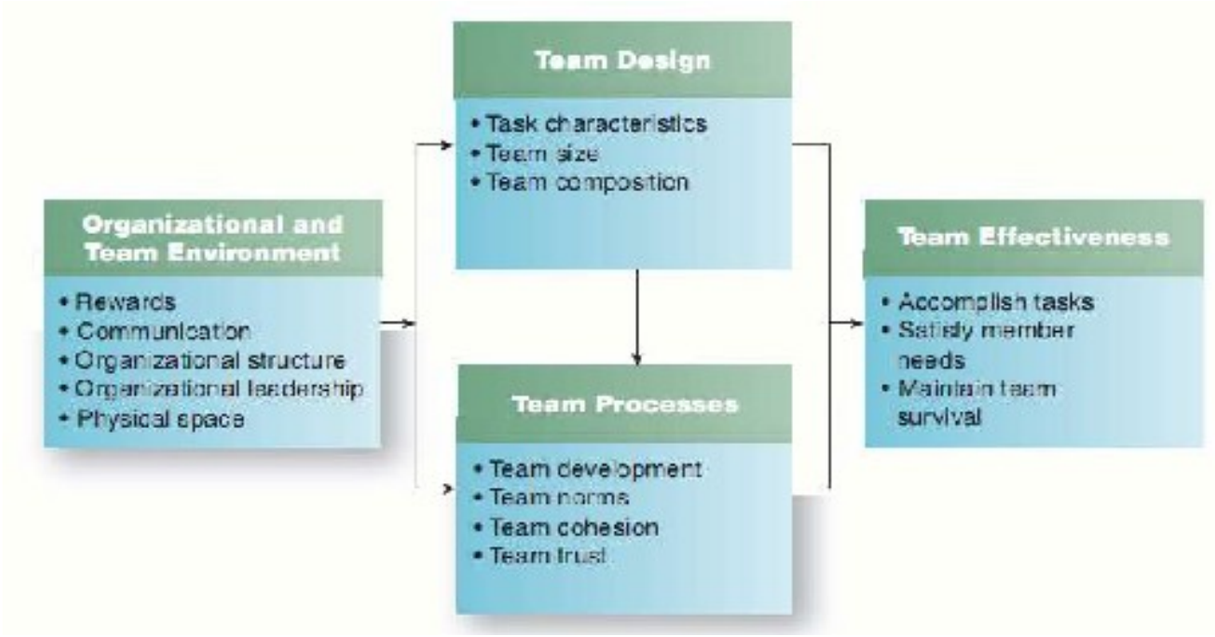
effectively by individuals alone when they have all the necessary knowledge and skills and the work cannot be divided into specialized tasks or is not complex enough to benefit from specialization. Even where the work can and should be specialized, a team structure might not be necessary if the tasks performed by several people require minimal coordination.

The main problem with teams is that they have additional costs called process losses — resources (including time and energy) expended toward team development and maintenance rather than the task. It is much more efficient for an individual to work out an issue alone than to resolve differences of opinion with other people. For a team to perform well, team members need to agree and have mutual understanding of their goals, the strategy for accomplishing those goals, their specific roles, and informal rules of conduct. Developing and maintaining these team requirements divert time and energy away from performing the work.

The process-loss problem is particularly apparent when more staff is added or replaces others on the team. Team performance suffers when a team adds members, because those employees need to learn how the team operates and how to coordinate efficiently with other team members. The software industry even has a name for this: Brooks's law (also called the mythical man-month) says that adding more people to a late software project only makes it later!

Social Loafing: Perhaps the best-known limitation of teams is the risk of productivity loss due to social loafing. Social loafing occurs when people exert less effort (and usually perform at a lower level) when working in teams than when working alone. It is most likely to occur in large teams where individual output is difficult to identify.

In particular, employees tend to put out less effort when the team produces a single output, such as solving a customer's problem. Under these conditions, employees aren't as worried as that their individual performance will be noticed. There is less social loafing when each team member's contribution is more noticeable; this can be achieved by reducing the size of the team, for example, or measuring each team member's performance. Social loafing is also less likely to occur when the task is interesting, because individuals are more motivated by the work itself to perform their duties. Social loafing is also less common when the team' s objective is important, possibly because individuals



3.4. A Model of Team Effectiveness

Let's begin by clarifying the meaning of team effectiveness. A team is effective when it benefits the organization, its members, and its own survival. First, most teams exist to serve some organizational purpose, so effectiveness is partly measured by the achievement of those objectives. Second, a team's effectiveness relies on the satisfaction and well-being of its members. People join groups to fulfill their personal needs, so effectiveness is partly measured by this need fulfillment. Finally, team effectiveness includes the team's viability - its ability to survive. It must be able to maintain the commitment of its members, particularly during the turbulence of the team's development. Without this commitment, people leave and the team will fall apart. The team must also secure sufficient resources and find a benevolent environment in which to operate.

Why are some teams effective while others fail? This question has challenged organizational researchers for some time, and as you might expect, numerous models of team effectiveness have been proposed over the years. Figure 3.2 presents a model that integrates the main components of team effectiveness. This model is best viewed as a template of several theories because each component (team development, team cohesion, etc.) includes its own set of theories and models to explain how that component operates.

Figure: 3.2. Team Effectiveness Model

Organizational and Team Environment: The organizational and team environment represents all conditions beyond the team's boundaries that influence its effectiveness. Team members tend to work together more effectively when they are at least partly rewarded for team performance. For instance, part of an employee's paycheck at Whole Foods Market is determined by the team's productivity. Communication systems can influence team effectiveness, particularly in virtual teams, which are highly dependent on information technologies to coordinate work. Another environmental factor is the organizational structure; teams flourish when organized around work processes because this structure increases interaction and interdependence among team members and reduce interaction with people outside the team. High-performance teams also depend on organizational leaders who provide support and strategic direction while team members focus on operational efficiency and flexibility.

The physical layout of the team's workspace can also make a difference. Medrad, In., reorganized its production workspace so that teams now work in U-shaped cells rather than along a straight assembly line. The Indianola, Pennsylvania, medical device manufacturer discovered that this cellular layout improved team performance by making it easier for team members to observe and assist each other. Toyota Motor Corporation also recognizes the importance of physical layout in team effectiveness by congregating people in a large open-space room (called an obeya). In some projects, such as development of the Prius hybrid vehicle, department managers are brought together into the obeya to resolve issues and improve collaboration across functions.

In other projects, a few dozen development staff from engineering, design, production, marketing, and other areas spend several weeks or longer working together in the obeya. Toyota claims the obeya arrangement has significantly cut product development time and costs. The reason obeya works so well is that it's all about immediate face-to-face human contact, explains an executive at Toyota's North American headquarters.

Exercise: 3.3. How is team effectiveness measured? Explain

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3.5. Teams Design Elements

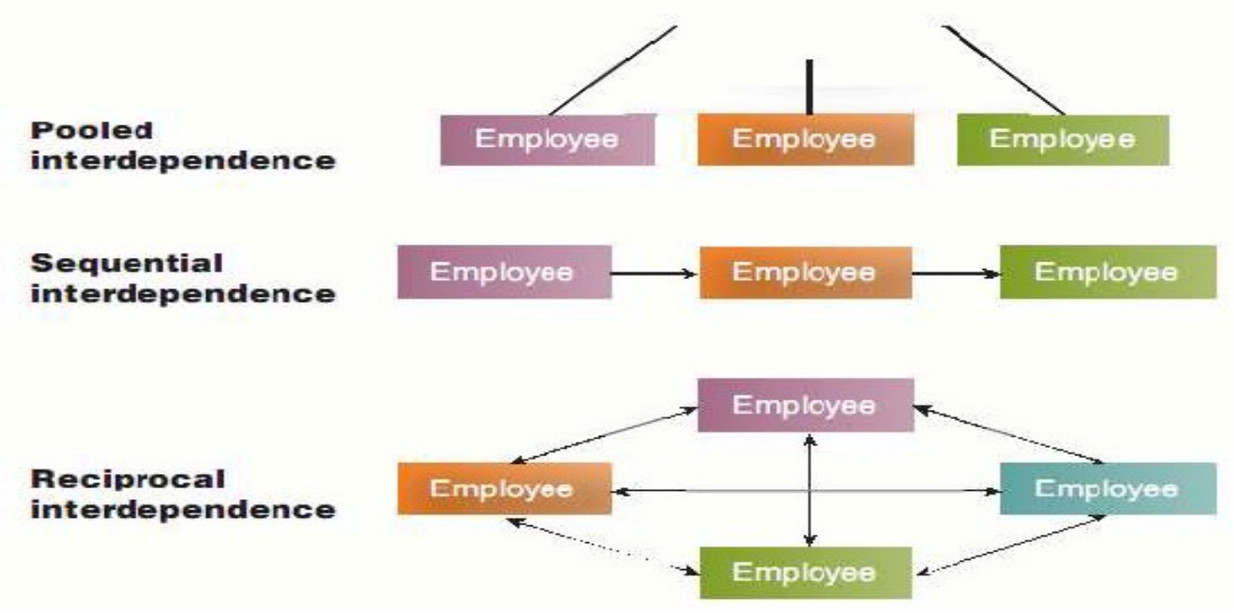
Along with setting up a team-friendly environment, leaders need to carefully design the team itself, including task characteristics, team size, team composition, and team roles.

Task Characteristics - What type of work is best for teams? As we noted earlier, teams operate better than individuals working alone on work that is sufficiently complex, such as launching the business in a new market, developing a computer operating system, or constructing a bridge. Complex work requires skills and knowledge beyond the competencies of one person. Teams are particularly well suited when the complex work can be divided into more specialized roles and the people in the specialized roles require frequent coordination with each other. Some evidence also suggests that teams work best with well-structured tasks because it is easier to coordinate such work among several people. The challenge, however, is to find tasks with the uncommon combination of being both well structured and complex.

One task characteristic that is particularly important for teams is task interdependence - the extent to which team members must share materials, information, or expertise to perform their jobs. Aside from complete independence, there are three levels of task interdependence, as illustrated in Figure 3.3. The lowest level of interdependence, called pooled interdependence, occurs when an employee or work unit shares a common resource, such as machinery, administrative support, or a budget, with other employees or work units. This would occur in a team setting where each member works alone but shares raw materials or machinery to perform her or his otherwise independent tasks. Interdependence is higher under sequential interdependence, in which the output of one person becomes the direct input for another person or unit. Sequential interdependence occurs where team members are organized in an

assembly line.

Reciprocal interdependence, in which work output is exchanged back and forth among individuals, produces the highest degree of interdependence. People who design a new product or service would typically have reciprocal interdependence because their design decisions affect others involved in the design process. Any decision made by the design engineers would influence the work of the manufacturing engineer and purchasing specialist, and vice versa. Employees with reciprocal interdependence should be organized into teams to facilitate coordination in their interwoven relationship.



As a rule, the higher the level of task interdependence, the greater the need to organize people into teams rather than have them work alone. A team structure improves interpersonal communication and thus results in better coordination. High task interdependence also motivates most people to be part of the team. However, the rule that a team should be formed when employees have high interdependence applies when team members have the same task goals, such as serving the same clients or collectively assembling the same product. When team members have different goals (such as serving different clients) but must depend on other team members to achieve those unique goals, teamwork might create excessive conflict. Under these circumstances, the company should try to reduce the level of interdependence or rely on supervision as a buffer or mediator among employees.

Figure: 3.3. Levels of Task Interdependence

Team Size - What is the ideal size for a team? One popular (but untested) rule is

that the optimal team size is between five and seven people. Yet some observers have recently argued that tasks are getting so complex that many teams need to have more than 100 members. Unfortunately, the former piece of advice is overly simplistic, and the latter seems to have lost sight of the meaning and dynamics of real teams. Generally, teams should be large enough to provide the necessary competencies and perspectives to perform the work, yet small enough to maintain efficient coordination and meaningful involvement of each member. As a Sun Microsystems executive explains: You need to have a balance between having enough people to do all the things that need to be done, while keeping the team small enough so that it is cohesive and can make decisions effectively and speedily. Small teams (say, less than a dozen members) operate effectively because they have less process loss. Members of smaller teams also tend to feel more engaged because they get to know their teammates (which improves trust), have more influence on the group's norms and goals, and feel more responsible for the team's successes and failures.

Should companies have 100-person teams if the task is highly complex? The answer is that a group this large probably isn't a team, even if management calls it one. A team exists when its members interact and influence each other, are mutually accountable for achieving common goals associated with organizational objectives, and perceive themselves as a social entity within an organization. It is very difficult for everyone in a 100-person work unit to influence each other and experience enough cohesion to perceive themselves as team members.

Team Composition- Choosing a new team member is too important a decision at Whole Foods Market to be left to management. Instead, as this chapter's opening vignette noted, new hires are approved for permanent employment by their teammates. Royal Dutch/Shell is also serious about selecting job applicants who have excellent team skills. As Global Connections 8.1 describes, the global energy giant hosts a special five-day exercise in Europe, North America, Asia, and the Middle East to observe how well participants work under pressure with others from diverse backgrounds.

To work effectively in a team, employees must have more than technical skills and self-leadership to perform their own work; they must also be able and willing to perform that work in a team environment. The most frequently mentioned characteristics or behaviors of effective team members are the five C's illustrated in Figure 3.4 cooperating, coordinating, communicating, comforting, and conflict

resolving. The first three competencies are mainly (but not entirely) task-related, while the last two mostly assist team maintenance:

- **Cooperating.** Effective team members are willing and able to work together rather than alone. This includes sharing resources and being sufficiently adaptive or flexible to accommodate the needs and preferences of other team members, such as rescheduling use of machinery so that another team member with a tighter deadline can use it.
- **Coordinating**. Effective team members actively manage the team's work so that it is performed efficiently and harmoniously. For example, effective

- **Conflict Resolving.** Conflict is inevitable in social settings, so effective team members have the skills and motivation to resolve dysfunctional disagreements among team members. This requires effective use of various conflict-handling styles as well as diagnostic skills to identify and resolve the structural sources of conflict.

These characteristics of effective team members are associated with conscientiousness and extroversion personality traits, as well as with emotional intelligence. Furthermore, the old saying one bad apple spoils the barrel seems to apply to teams; one team member who lacks these teamwork competencies may undermine the dynamics of the entire team.

Figure: 3.4. Five C's of Team Member Competency

Team Diversity - Another important dimension of team composition is diversity. There are two distinct and sometimes opposing issues relating to team diversity. One issue is the notion that diverse teams possess better resources for tackling complex or novel problems. One reason why diverse teams are more effective under these conditions is that people from different backgrounds see a problem or opportunity from different angles. Team members have different mental models, so they are more likely to identify viable solutions to difficult problems. A second reason is that diverse teams have a broader pool of technical competencies. For example, each team at Rackspace, the San Antonio, Texas, provider of enterprise-level Web infrastructure, consists of more than a dozen people with diverse skills such as account management, systems engineering, technical support, billing expertise, and data center support. Rackspace teams require these diverse technical competencies to serve the needs of customers assigned to the team.

A third reason favoring teams with diverse members is that they provide better representation of the team's constituents, such as other departments or clients from similarly diverse backgrounds. A team responsible for designing and launching a new service, for instance, should have representation from the organization's various specializations so that people in those work units will support the team's decisions.

The second issue regarding diverse teams is that diversity often creates challenges to the internal functioning of the team. One problem is that diverse employees take longer to become a high-per forming team. This partly occurs because team members take longer to bond with people who are different from them, particularly when others hold different perspectives and values (i.e., deep diversity). Diverse teams are susceptible to fault lines —hypothetical dividing lines that may split a team into subgroups along gender, ethnic, professional, or other dimensions. These fault lines reduce team effectiveness by reducing the motivation to communicate and coordinate with team-mates on the other side of the hypothetical divisions. In contrast, members of teams with minimal diversity experience higher satisfaction, less conflict, and better inter -personal relations. Consequently, homogeneous teams tend to be more effective on tasks requiring a high degree of cooperation and coordination, such as emergency response teams.

***Exercise: 3.4. Discuss how task characteristics, team size, and team composition* influence team effectiveness.**

3.6. Teams Process

The third set of elements in the team effectiveness model, collectively known as team processes, includes team development, norms, cohesion, and trust. These elements represent characteristics of the team that continuously evolve.

3.6.1. Team Development

A few years ago, the National Transportation Safety Board (NTSB) studied the circumstances under which airplane cockpit crews were most likely to have accidents and related problems. What the NTSB discovered was startling: 73 percent of all incidents took place on the crew‘s first day, and 44 percent occurred on the crew‘s very first flight together. This is not an isolated example. NASA studied fatigue of pilots after returning from multiple-day trips. Fatigued pilots made more errors in the NASA flight simulator, as one would expect. But the NASA researchers didn‘t expect the discovery that fatigued crews who had worked together made fewer errors than did rested crews who had not yet flown together.

The NTSB and NASA studies reveal that team members must resolve several issues and pass through several stages of development before emerging as an effective work unit. They need to get to know and trust each other, understand and agree on their respective roles, discover appropriate and inappropriate behaviors, and learn how to coordinate with each other. The longer team members work together, the better they develop common or complementary mental models, mutual understanding, and effective performance routines to complete the work.

A popular model that captures many team development activities is shown in Exhibit 3.5. The model shows teams moving systematically from one stage to the next, while the dashed lines illustrate that teams might fall back to an earlier stage of development as new members join or other conditions disrupt the team‘s maturity. **Forming**, the first stage of team development is a period of testing and orientation in which members learn about each other and evaluate the benefits and costs of continued membership. People tend to be polite, will defer to authority, and try to find out what is expected of them and how they will fit into the team. The **storming** stage is marked by interpersonal conflict as members become more proactive and compete for various team roles. Members try to establish norms of appropriate behavior and performance standards.

During the **norming** stage, the team develops its first real sense of cohesion as roles are established and a consensus forms around group objectives and a common or complementary team-based mental model. By the **performing** stage, team members have learned to efficiently coordinate and resolve conflicts. In high-performance teams, members are highly cooperative, have a high level of trust in each other, are committed to group objectives, and identify with the team. Finally, the **adjourning** stage occurs when the team is about to disband. Team members shift their attention away from task orientation to a relationship focus.

The five-stage model is consistent with what students experience on team projects, but it is far from a perfect representation of the team development process. For instance, it does not show that some teams remain in a particular stage longer than others. It also masks two distinct processes during team development: (1) developing team identity and (2) developing team competence. Developing team identity refers to the transition that individuals make from viewing the team as something out there to something that is part of themselves. In other words, team development occurs when employees shift their view of the team from them to us. This relates to becoming familiar with the team, making it part of their social identity, and shaping the team to better fit their prototype of an ideal team.

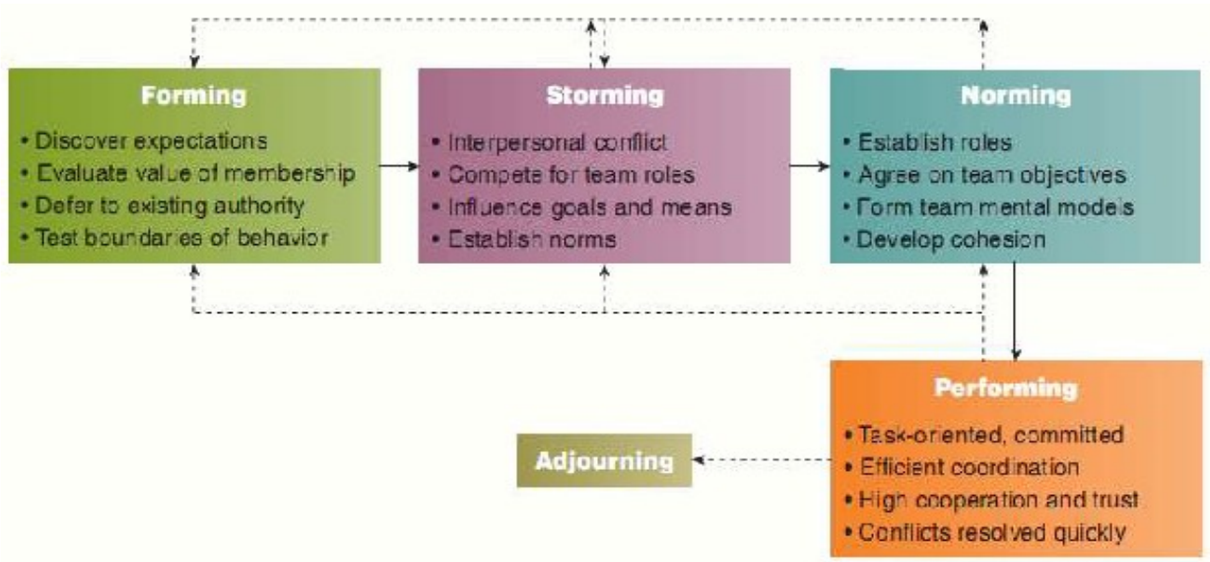
The other process - developing team competence - includes several changes related to team learning. Team members develop habitual routines that increase work efficiency. They also form shared or complementary mental models regarding team resources, goals and tasks, social interaction, and characteristics of other team members. Team mental models are visual or relational mental images that are shared by team members. For example, members of a newly formed team might have different views about customer service (quality of interaction, speed of service, technical expertise provided, etc.). As the team develops, these views converge into more of a shared mental model of customer service.

Team Roles - An important part of the team development process is forming and reinforcing team roles. A role is a set of behaviors that people are expected to perform because they hold certain positions in a team and organization. In a team setting, some roles help the team achieve its goals; other roles maintain relationships within the team. Some team roles are formally assigned to specific

people.

For example, team leaders are usually expected to initiate discussion, ensure that everyone has an opportunity to present his or her views, and help the team reach agreement on the issues discussed.

Team members are typically assigned specific roles as their formal job responsibilities. Yet, throughout the continuous team development process, people vary their formal roles to suit their personality and values as well as the wishes of other team members. Furthermore, many roles exist informally, such as being a cheerleader, initiator of new ideas, or an adviser who encourages the group to soberly rethink their actions. The informal roles are shared



among team members, but many are eventually associated with specific team members. Again, the informal role assignment process is influenced by each team member's personal preferences (personality and values) as well as through negotiated dynamics with other team members.

Figure: 3.5. Stages of Team Development

Accelerating Team Development through Team Building - Team development, including sorting out team roles, takes time; so many companies try to speed up the process through team-building activities. Team building consists of formal activities intended to improve the development and functioning of a work team. It can help new teams, but it is more commonly applied to existing teams that have regressed to earlier stages of team development due to membership turnover or loss of focus. Some team-building interventions clarify the team's performance goals, increase the team's motivation to accomplish these goals, and establish a mechanism for

systematic feedback on the team‘s goal performance. Others try to improve the team‘s problem-solving skills. A third category of team building clarifies and reconstructs each member‘s perceptions of her or his role as well as the role expectations that member has of other team members. Role definition team building also helps the team to develop shared mental models—common internal representations of the external world, such as how to interact with clients, maintain machinery, and engage in meetings. Research studies indicate that team processes and performance depend on how well teammates share common mental models about how they should work together.

A popular form of team building is aimed at improving relations among team members. This includes activities that help team members learn more about each other, build trust in each other, and develop ways to manage conflict within the team. Popular interventions such as wilderness team activities, paintball wars, and obstacle-course challenges are typically offered to build trust. If two colleagues hold the rope for you while you're climbing 10 meters up, that is truly team-building, suggests a partner in a German communications consulting firm who participated in that team-building event.

Although team-building activities are popular, their success is less certain than many claim.

One problem is that team-building activities are used as general solutions to general team problems. A better approach is to begin with a sound diagnosis of the team's health and then select team-building interventions that address weaknesses. Another problem is that team building is applied as a one-shot medical inoculation that every team should receive when it is formed. In truth, team building is an ongoing process, not a three-day jump start. Finally, we must remember that team building occurs on the job, not just on an obstacle course or in a national park. Organizations should encourage team members to reflect on their work experiences and to experiment with just-in-time learning for team development.

3.6.2. Team Norms

Norms are the informal rules and shared expectations that groups establish to regulate the behavior of their members. Norms apply only to behavior, not to private thoughts or feelings. Furthermore, norms exist only for behaviors that are important to the team. Norms are enforced in various ways. Co-workers grimace if we are late for a meeting, or they make sarcastic comments if we don't have our part of the project completed on time. Norms are also directly reinforced through praise from high-status members, more access to valued resources, or other rewards available to the team. But team members often conform to prevailing norms without direct reinforcement or punishment because they identify with the group and want to align their behavior with the team's values. The more closely the person's social identity is connected to the group, the more the individual is motivated to avoid negative sanctions from that group.

How Team Norms Develop - Norms develop as soon as teams form because people need to anticipate or predict how others will act. Even subtle events during the team's formation, such as how team members initially greet each other and

where they sit in the first meetings, can initiate norms that are later difficult to change. Norms also form as team members discover behaviors that help them function more effectively (such as the need to respond quickly to e-mail). In particular, a critical event in the team's history can trigger formation of a norm or sharpen a previously vague one. A third influence on team norms is the past experiences and values that members bring to the team. If members of a new team value work–life balance, norms are likely to develop that discourage long hours and work overload.

Preventing and Changing Dysfunctional Team Norms - Team norms often become deeply anchored, so the best way to avoid norms that undermine organizational success or employee well-being is to establish desirable norms when the team is first formed. One way to do this is to clearly state desirable norms as soon as the team is created. Another approach is to select people with appropriate values. If organizational leaders want their teams to have strong safety norms, they should hire people who already value safety and who clearly identify the importance of safety when the team is formed.

The suggestions so far refer to new teams, but how can organizational leaders maintain desirable norms in older teams? First, as one recent study affirmed, leaders often have the capacity to alter existing norms. By speaking up or actively coaching the team, they can often subdue dysfunctional norms while developing useful norms. Team-based reward systems can also weaken counterproductive norms; however, studies report that employees might continue to adhere to a dysfunctional team norm (such as limiting output) even though this behavior reduces their paycheck. Finally, if dysfunctional norms are deeply ingrained and the previous solutions don't work, it may be necessary to disband the group and replace it with people having more favorable norms.

3.6.3. Team Cohesion

Team cohesion - refers to the degree of attraction people feel toward the team and their motivation to remain members. It is a characteristic of the team, including the extent to which its members are attracted to the team, are committed to the team's goals or tasks, and feel a collective sense of team pride. Thus, team cohesion is an emotional experience, not just a calculation of whether to stay or leave the team. It exists when team members make the team part of their social identity. Team cohesion is therefore associated with team development because, as mentioned earlier, team members develop a team

identity as part of the team development process.

Influences on Team Cohesion - Several factors influence team cohesion: member similarity, team size, member interaction, difficult entry, team success, and external competition or challenges. For the most part, these factors reflect the individual's social identity with the group and beliefs about how team membership will fulfill personal needs.

• **Member similarity**. For more than 2,000 years, philosophers and researchers have observed that people with similar backgrounds and values are more comfortable with and attractive to each other. In team settings, this similarity-attraction effect means that teams have higher cohesion—or become cohesive more quickly—when members are similar to each other. Diversity tends to undermine cohesion, but this depends on the type of diversity. For example, teams consisting of people from different job groups seem to get together just as well as teams of people from the same job.

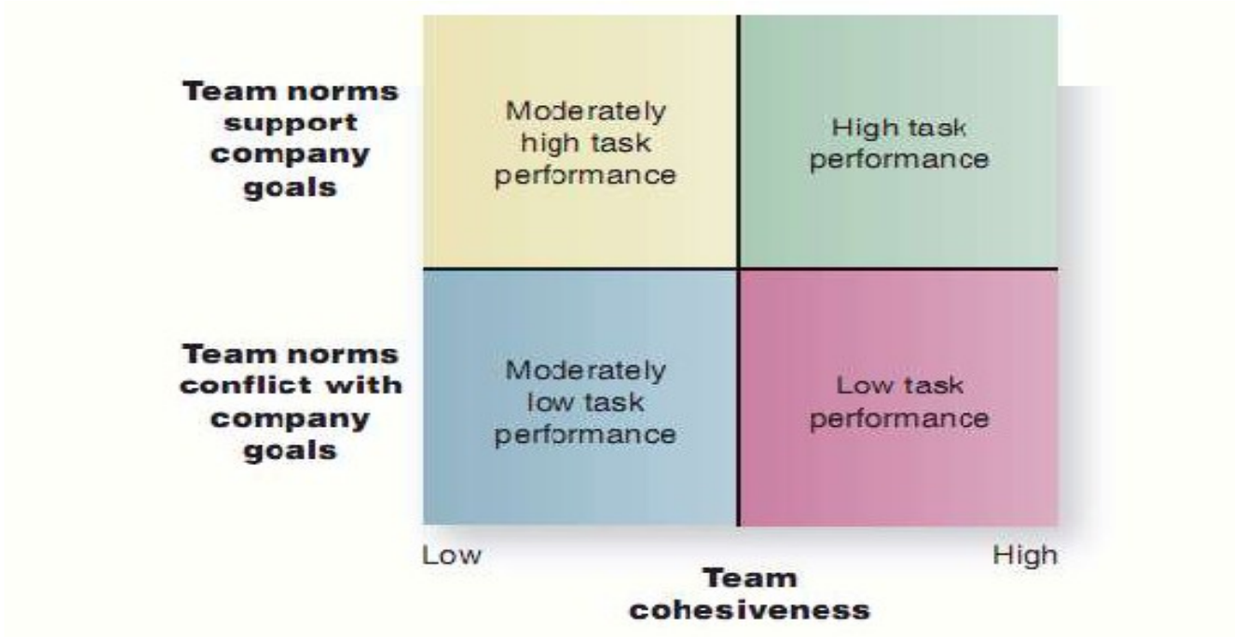
• **Team size**. Smaller teams tend to have more cohesion than larger teams because it easier for a few people to agree on goals and coordinate work activities. However, small teams have less cohesion when they lack enough members to perform the required tasks.

• **Member interaction**. Teams tend to have more cohesion when team members interact with each other fairly regularly. This occurs when team members perform highly interdependent tasks and work in the same physical area.

• **Somewhat difficult entry**. Teams tend to have more cohesion when entry to the team restricted. The more elite the team, the more prestige it confers on its members, and the more they tend to value their membership in the unit. At the same time, research suggests that severe initiations can weaken team cohesion because of the adverse effects of humiliation, even for those who successfully endure the initiation.

• **Team success.** Cohesion is both emotional and instrumental, with the latter referring to the notion that people feel more cohesion to teams that fulfill their needs and goals. Consequently, cohesion increases with the team's level of success. Furthermore, individuals are more likely to attach their social identity to successful teams than to those with a string of failures.

• **External competition and challenges.** Team cohesion tends to increase when members face external competition or a valued objective that is challenging. This



Members of high-cohesion teams are generally more sensitive to each other's needs and develop better interpersonal relationships, thereby reducing dysfunctional conflict. When conflict does arise, members tend to resolve their differences swiftly and effectively. With better cooperation and more conformity to norms, high-cohesion teams usually perform better than low-cohesion teams. However, as Figure 3.6 illustrates, this relationship holds true only when team norms are compatible with organizational values and objectives. Cohesion motivates employees to perform at a level more consistent with team norms, so when those norms conflict with the organization's success (such as when norms support high absenteeism or acting unethically), high cohesion will

Figure: 3.6. Effect of Team Cohesion on Task Performance

3.6.4. Team Trust

Any relationship - including the relationship among team members - depends on a certain degree of trust. Trust refers to positive expectations one person has toward another person in situations involving risk. A high level of trust occurs when others affect you in situations where you are at risk but you believe they will not harm you. Trust includes both your beliefs and conscious feelings about the relationship with other team members. In other words, a person both logically evaluates the situation as trustworthy and feels that it is trustworthy. Trust can also be understood in terms of the foundation of the trust. From this perspective, people trust others on the basis of three foundations:

calculus, knowledge, and identification (see Figure 3.7).

Calculus-based trust represents a logical calculation that other team members will act appropriately because they face sanctions if their actions violate reasonable expectations. It offers the lowest potential trust and is easily broken by a violation of expectations. Generally, calculus-based trust alone cannot sustain a team's relationship, because it relies on deterrence. Knowledge-based trust is based on the predictability of another team member's behavior. Even if we don't agree with a particular team member's actions, his or her consistency generates some level of trust. Knowledge-based trust also relates to confidence in the other person's ability or competence, such as the confidence that exists when we trust a physician. Knowledge-based trust offers a higher potential level of trust and is more stable because it develops over time.

Identification-based trust is based on mutual understanding and an emotional bond among team members. It occurs when team members think, feel, and act like each other. High-performance teams exhibit this level of trust because they share the same values and mental models.

Identification-based trust is potentially the strongest and most robust of all three types of trust. The individual's self-concept is based partly on membership in the team, and he or she believes the members' values highly overlap, so any transgressions by other team members are quickly forgiven. People are more reluctant to acknowledge a violation of this high-level trust because it strikes at the heart of their self-concept.

Dynamics of Team Trust - Employees typically join a team with a moderate or high level—not a low level—of trust in their new co-workers. The main explanation for the initially high trust (called swift trust) in organizational settings is that people usually believe their teammates are reasonably competent (knowledge-based trust) and they tend to develop some degree of social identity with the team (identification-based trust). Even when working with strangers, most of us display some level of trust, if only because it supports our self -concept of being a nice person. However, trust is fragile in new relationships because it is based on assumptions rather than well-established experience. Consequently, recent studies report that trust tends to decrease rather than increase over time. This is unfortunate because employees become less forgiving and less cooperative toward others as their level of trust decreases, and this undermines team and organizational effectiveness. The team effectiveness model is a useful template

for understanding how teams work—and don't work—in organizations. With this knowledge in hand, let's briefly investigate two types of teams that have received considerable attention among OB experts and practitioners: self-directed teams and virtual teams.

Figure: 3.7. Three Foundations of Trust in Teams

***Exercise: 3.5. Describe the three foundations of trust in teams and other* interpersonal relationships.**

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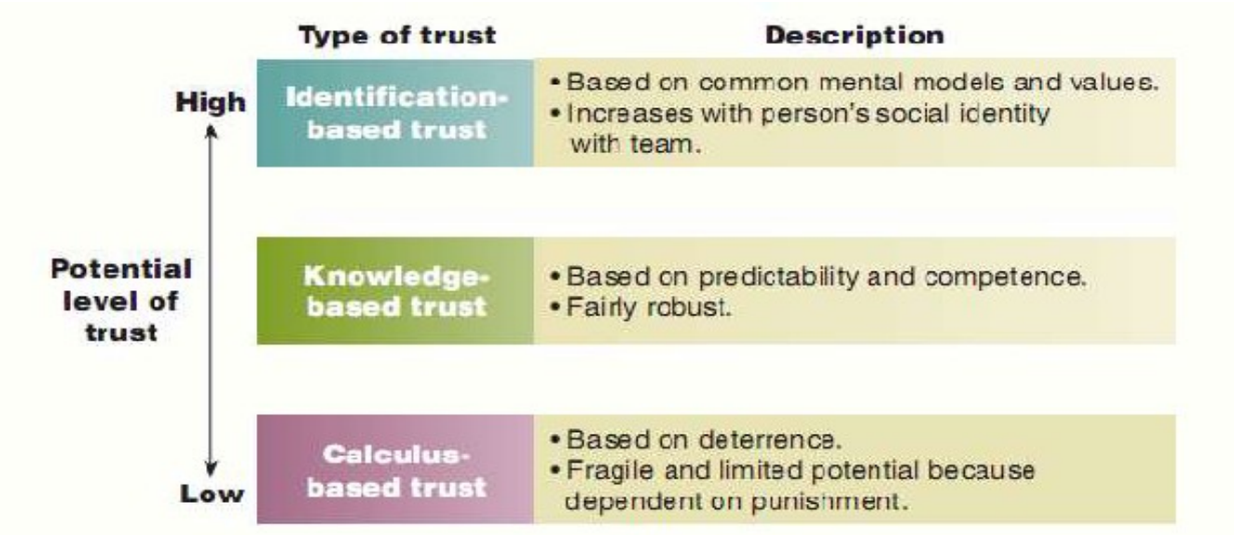

3.7. Self-Directed Teams

Chrysler believes that one of the key success factors for the automaker's future is smart manufacturing, which includes applying lean manufacturing principles in plants operated by self-directed teams (SDTs). The automaker introduced SDTs a decade ago at its operations in Mexico. Today, employees at Chrysler's plant in Saltillo, Mexico, are organized into teams of a dozen people responsible for a specific set of integrated tasks, including maintenance, quality control, safety, and productivity in their work area. Some of Chrysler's Mexican operations already exceed the efficiency levels of Toyota, which pioneered lean manufacturing.

Self-directed teams are defined by two distinctive features. First, the team completes an entire piece of work requiring several interdependent tasks. This type of work arrangement clusters the team members together while minimizing interdependence and interaction with employees outside the team. The result is a close knit group of employees who depend on each other to accomplish their individual tasks. For example, Chrysler employees responsible for assembling engines would naturally work more closely with each other than with members of other teams. La-Z-Boy also recently shifted from a traditional assembly line to self -directed teams. As described earlier in this chapter, the furniture manufacturer reorganized production employees into teams responsible for constructing an entire product. Members of each team work closely with each other and minimally with members of other teams.

The second distinctive feature of SDTs is that they have substantial autonomy over the execution of their tasks. In particular, these teams plan, organize, and control work activities with little or no direct involvement of a higher-status supervisor. The teams at Whole Foods Market, which was described at the beginning of this chapter, are considered self -directed because of their autonomy: Every team gets a profit-and-loss statement, it's responsible for managing inventory, labor productivity, gross margins; and its members are responsible for many of the product-placement decisions, says Whole Foods Market cofounder and CEO John Mackey.

Self-directed teams are found in many industries, ranging from petrochemical plants to aircraft parts manufacturing. Almost all the top-rated manufacturing firms in North America rely on SDTs. The popularity of SDTs is consistent with research indicating that they potentially increase both productivity and job

satisfaction. For instance, one study found that car dealership service shops that organize employees into SDTs are significantly more profitable than shops where employees work without a team structure. Another study reported that both short- and long-term measures of customer satisfaction increased after street cleaners in a German city were organized into SDTs.

Success Factors for Self -Directed Teams: Self-directed teams probably would add value in most organizations, but several conditions must be in place to realize their benefits. In addition to managing the team dynamics issues described earlier in this chapter, SDTs operate best when they are responsible for an entire work process, such as making an entire product or providing a service. Organization around a work process keeps each team sufficiently independent from other teams, yet it demands a relatively high degree of interdependence among employees within the team. SDTs should also have sufficient autonomy to organize and coordinate their work. Autonomy allows them to respond more quickly and effectively to client and stakeholder demands. It also motivates team members through feelings of empowerment. Finally, SDTs are more successful when the work site and technology support coordination and communication among team members and increase job enrichment. Too often, management calls a group of employees a team, yet the work layout, assembly-line structure, and other technologies isolate the employees from each other.

Exercise: 3.6. Discuss the characteristics and factors required for success of self - directed teams.

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3.8. Virtual Team

PricewaterhouseCoopers (PwC) employs 190 training professionals in 70 offices across the United States. These professionals, along with many more consultants and academics who provide employee development services, routinely form virtual teams for new projects. Virtual teaming is the norm for us, says Peter Nicolas, PwC's learning solutions manager in Florham Park, New Jersey.

PwC has had plenty of experience with the growing trend toward virtual teams Virtual teams are teams whose members operate across space, time, and organizational boundaries and are linked through information technologies to achieve organizational tasks. Virtual teams differ from traditional teams in two ways: (1) They are not usually collocated (do not work in the same physical

area), and (2) due to their lack of collocation, members of virtual teams depend primarily on information technologies rather than face-to-face interaction to communicate and coordinate their work effort.

According to one estimate, more than 60 percent of employees in professions are members of a virtual team at some point during the year. In global companies such as IBM, almost everyone in knowledge work is part of a virtual team. One reason why virtual teams have become so widespread is that information technologies have made it easier than ever before to communicate and coordinate with people at a distance. The shift from production-based to knowledge-based work is a second reason why virtual teamwork is feasible. It isn't yet possible to make a physical product when team members are located apart, but most of us are now in jobs that mainly process knowledge.

Information technologies and knowledge-based work make virtual teams possible, but organizational learning and globalization are two reasons why they are increasingly necessary. Virtual teams represent a natural part of the organizational learning process because they encourage employees to share and use knowledge where geography limits more direct forms of collaboration. Globalization makes virtual teams increasingly necessary because employees are spread around the planet rather than around one city. Thus, global businesses depend on virtual teamwork to leverage their human capital.

Success Factors for Virtual Teams - Virtual teams have all the challenges of traditional teams, along with the complications of distance and time. Fortunately, OB researchers have been keenly interested in virtual teams, and their studies are now yielding ways to improve virtual-team effectiveness. First, along with having the team competencies described earlier in this chapter, members of successful virtual teams must have the ability to communicate easily through technology, strong self-leadership skills to motivate and guide their behavior without peers or bosses nearby, and higher emotional intelligence so that they can decipher the feelings of teammates from e-mail and other limited communication media. Second, studies have found that leaders typically impose technology on virtual teams rather than allow them to adopt technology that suits their needs at a particular time. The best situation occurs when virtual teams have a toolkit of communication vehicles (e-mail, virtual whiteboards, videoconferencing, etc.), which gain and lose importance over different parts of the project.

The final recommendation is that virtual-team members should meet face-to-face fairly early in the team development process. This idea may seem contradictory to the entire notion of virtual teams, but so far, no technology has replaced face-to-face interaction for high-level bonding and mutual understanding. I always try to do the kickoff meeting face -to-face, says Scott Patterson, PwC's e-learning manager in Atlanta. We also try to bring the group back together for major milestones in a project. Similarly, when IBM formed a virtual team to build an electronic customer-access system for Shell, employees from both firms began with an all hands face-to-face gathering to assist the team development process. The two firms also made a rule that the dispersed team members should have face-to-face contact at least once every six weeks throughout the project. Without this, after about five or six weeks we found some of that communication would start to break down, says the IBM co-manager for the project.

3.9. Team Decision Making

Self-directed teams, virtual teams, and practically all other groups are expected to make decisions. Under certain conditions, teams are more effective than individuals at identifying problems, choosing alternatives, and evaluating their decisions. To lever-age these benefits, however, we first need to understand the constraints on effective team decision making. Then, we look at specific team structures that try to overcome these constraints.

Constraints on Team Decision Making

Anyone who has spent enough time in the workplace can reel off several ways in which teams stumble in decision making. The four most common problems are time constraints, evaluation apprehension, pressure to conform, and groupthink.

Time Constraints - There's a saying that committees keep minutes and waste hours. This reflects the fact that teams take longer than individuals to make decisions. Unlike individuals, teams require extra time to organize, coordinate, and maintain relationships. The larger the group, the more time is required to make a decision. Team members need time to learn about each other and build rapport.

They need to manage an imperfect communication process so that there is sufficient understanding of each other's ideas. They also need to coordinate roles and rules of order within the decision process. Another time-related constraint found in most team structures is that only one person can speak at a time. This problem, known as production blocking, undermines idea generation in several ways. First, team members need to listen in on the conversation to find an opportune time to speak up, and this monitoring makes it difficult for them to

concentrate on their own ideas. Second, ideas are fleeting, so the longer they wait to speak up, the more likely these flickering ideas will die out. Third, team members might remember their fleeting thoughts by concentrating on them, but this causes them to pay less attention to the conversation. By ignoring what others are saying, team members miss other potentially good ideas as well as the opportunity to convey their ideas to others in the group.

Evaluation Apprehension - Individuals are reluctant to mention ideas that seem silly because they believe (often correctly) that other team members are silently evaluating them. This evaluation apprehension is based on the individual's desire to create a favorable self -presentation and need to protect self-esteem. It is most common when meetings are attended by people with different levels of status or expertise or when members formally evaluate each other's performance throughout the year (as in 360-degree feedback). Creative ideas often sound bizarre or illogical when first presented, so evaluation apprehension tends to discourage employees from mentioning them in front of co-workers.

Pressure to Conform - Team cohesion leads employees to conform to the team's norms. This control keeps the group organized around common goals, but it may also cause team members to suppress their dissenting opinions, particularly when a strong team norm is related to the issue. When someone does state a point of view that violates the majority opinion, other members might punish the violator or try to persuade him or her that the opinion is incorrect. Conformity can also be subtle. To some extent, we depend on the opinions that others hold to validate our own views. If co-workers don't agree with us, we begin to question our own opinions even without overt peer pressure.

Groupthink - Groupthink is the tendency of highly cohesive groups to value consensus at the price of decision quality. The concept includes the dysfunctional effects of conformity on team decision making, which were described above. It also includes the dysfunctional consequences of trying to maintain harmony within the team. This desire for harmony exists as a group norm and is most apparent when team members have a strong social identity with the group. Groupthink supposedly occurs most often when the team is isolated from outsiders, the team leader is opinionated (rather than impartial), the team is under stress due to an external threat, the team has experienced recent failures or other decision-making problems, and the team lacks clear guidance from corporate policies or procedures.

The term groupthink is now part of everyday language, so much so that some experts worry that it commonly refers to almost any problem in team decision making.

Meanwhile, scholarly studies have found that the symptoms of groupthink do not cluster together as the concept assumes; some of these characteristics actually tend to improve rather than undermine decision making in some situations. Although many cases of groupthink have been documented, a recent study found that this evidence is illusory because observers retrospectively make sense of bad decisions by incorrectly perceiving evidence of groupthink.

In spite of the problems with the groupthink concept, some of its specific elements continue to be relevant because they explain specific problems with team decision making. One of these elements, conformity, was described above as a concern. Another important element is the team's overconfidence. Studies consistently report that highly confident teams have a false sense of invulnerability, which makes them less attentive in decision making than are moderately confident teams.

Team Structures to Improve Decision Making

There is plenty of research revealing problems with team decision making, but several solutions also emerge from these bad-news studies. Team members need to be confident in their decision making but not so confident that they collectively feel invulnerable. This calls for team norms that encourage critical thinking as well as team membership with sufficient diversity. Checks and balances need to be in place to prevent one or two people from dominating the discussion. The team should also be large enough to possess the collective knowledge to resolve the problem yet small enough that the team doesn't consume too much time or restrict individual input.

Team structures also help to minimize the problems described over the previous few pages. Four structures potentially improve team decision making in team settings: constructive conflict, brainstorming, electronic brainstorming, and nominal group technique.

Constructive Conflict: A popular way to improve team decision making at Corning Inc. is to assign promising ideas to two-person teams, who spend up to four months analyzing the feasibility of their assigned idea. The unique feature about this process is that the team is deliberately designed so that

one person is from marketing and the other has technical expertise. This oil-and-water combination sometimes ruffles feathers, but it seems to generate better ideas and evaluations. We find great constructive conflict this way, says Deborah Mills, who leads Corning's early-stage marketing team.

Constructive conflict occurs when people focus their discussion on the issue while maintaining respect for people having other points of view. This conflict is called constructive because different viewpoints are encouraged so that ideas and recommendations can be clarified, redesigned, and tested for logical soundness. The main advantage of this debate is that it presents different points of view and thus encourages all participants to reexamine their assumptions and logic. The main challenge with constructive conflict is that healthy debate too often slides into personal attacks, a problem that may explain why the evidence of constructive conflict on team decision making is inconsistent.

Brainstorming: Brainstorming tries to leverage the creative potential of teams by establishing four simple rules: (1) Speak freely—describe even the craziest ideas; (2) don't criticize others or their ideas; (3) provide as many ideas as possible—the quality of ideas increases with the quantity of ideas; and (4) build on the ideas that others have presented. These rules are supposed to encourage divergent thinking while minimizing evaluation apprehension and other team dynamics problems. Lab studies using university students concluded many years ago that brainstorming isn't very effective, largely because production blocking and evaluation apprehension still interfere with team dynamics.

However, brainstorming may be more beneficial than the earlier studies indicated. The earlier lab studies measured the number of ideas generated, whereas recent investigations within companies using brainstorming indicate that this team structure results in more creative ideas, which is the main reason why companies use brainstorming. Also, evaluation apprehension is less of a problem in high-performing teams that embrace a learning orientation culture than it is for students brainstorming in lab experiments. Another overlooked advantage of brainstorming is that participants interact and participate directly, thereby increasing decision acceptance and team cohesion. Finally, brainstorming sessions often spread enthusiasm, which tends to generate more creativity. Overall, while brainstorming might not always be the best team structure, it seems to be more valuable than some of the earlier research studies indicated

Electronic Brainstorming: Electronic brainstorming is a more recent form of brainstorming that relies on networked computers for submitting and sharing creative ideas. After receiving the question or issue, participants enter their ideas using special computer software. The ideas are distributed anonymously to other participants, who are encouraged to piggyback on those ideas. Team members eventually vote electronically on the ideas presented. Face-to-face discussion usually follows. Electronic brainstorming can be quite effective at generating creative ideas with minimal production blocking, evaluation apprehension, or conformity problems. Despite these numerous advantages, electronic brainstorming seems to be too structured and technology-bound for some executives. Some leaders may also feel threatened by the honesty of statements generated through this process and by their limited ability to control the discussion.

Nominal Group Technique: Nominal group technique is a variation of traditional brainstorming that tries to combine the benefits of team decision making without the problems mentioned earlier. The method is called nominal because participants form a group in name only during two of its three stages. After the problem is described, team members silently and independently write down as many solutions as they can. In the second stage, participants describe their solutions to the other team members, usually in a round-robin format. As with brainstorming, there is no criticism or debate, although members are encouraged to ask for clarification of the ideas presented. In the third stage, participants silently and independently rank-order or vote on each proposed solution. Nominal group technique tends to generate a higher number of ideas and better -quality ideas than do traditional interacting and possibly brainstorming groups.

Due to its high degree of structure, nominal group technique usually maintains a high task orientation and relatively low potential for conflict within the team. However, production blocking and evaluation apprehension still occur to some extent.

Exercise: 3.8. Discuss the advantages and disadvantages of four structures that potentially improve team decision making.

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3.10. Unit Summary

Teams are groups of two or more people who interact and influence each other, are mutually accountable for achieving common goals associated with

organizational objectives, and perceive themselves as a social entity within an organization. All teams are groups, because they consist of people with a unifying relationship; not all groups are teams, because some groups do not exist to serve organizational objectives. People join informal groups (and are motivated to be on formal teams) for four reasons: (1) People have an innate drive to bond, (2) group membership is an inherent ingredient in a person's self-concept, (3) some personal goals are accomplished better in groups, and (4) individuals are comforted in stressful situations by the mere presence of other people. Teams have become popular because they tend to make better decisions, support the organizational learning process, and provide superior customer service. People also tend to be more motivated working in teams. However, teams are not always as effective as individuals working alone. Process losses and social loafing are two particular concerns that drag down team performance.

Team effectiveness includes the team's ability to achieve its objectives, fulfill the needs of its members, and maintain its survival. The model of team effectiveness considers the team and organizational environment, team design, and team processes. Three team design elements are task characteristics, team size, and team composition. Teams tend to be better suited for situations in which the work is complex and the tasks among employees have high interdependence. Teams should be large enough to perform the work yet small enough for efficient coordination and meaningful involvement. Effective teams are composed of people with the competencies and motivation to perform tasks in a team environment. Team member diversity has advantages and disadvantages for team performance.

Teams develop through the stages of forming, storming, norming, performing, and eventually adjourning. Within these stages are two distinct team development processes: developing team identity and developing team competence. Team development can be accelerated through team building—any formal activity intended to improve the development and functioning of a work team. Teams develop norms to regulate and guide member behavior. These norms may be influenced by initial experiences, critical events, and the values and experiences that team members bring to the group.

Team cohesion — the degree of attraction people feels toward the team and their

motivation to remain members — increases with member similarity, smaller team size, higher degree of interaction, somewhat difficult entry, team success, and external challenges. Cohesion increases team performance when the team's norms are congruent with organizational goals. Trust is a psychological state comprising the intention to accept vulnerability on the basis of positive expectations of the intent or behavior of another person. People trust others on the basis of three foundations: calculus, knowledge, and identification.

Self-directed teams (SDTs) complete an entire piece of work requiring several interdependent tasks, and they have substantial autonomy over the execution of their tasks. Members of virtual teams operate across space, time, and organizational boundaries and are linked through information technologies to achieve organizational tasks. Virtual teams are more effective when the team members have certain competencies; the team has the freedom to choose the preferred communication channels, and the members meet face-to-face fairly early in the team development process. Team decisions are impeded by time constraints, evaluation apprehension, conformity to peer pressure, and groupthink. Four structures potentially improve decision making in team settings: constructive conflict, brainstorming, electronic brainstorming, and nominal group technique.

3.11. Glossary of Terms

Teams - Groups of two or more people who interact and influence each other, are mutually accountable for achieving common goals associated with organizational objectives, and perceive themselves as a social entity within an organization.

Social capital - The knowledge and other resources available to people from a durable network that connects them to others.

Social loafing - The problem that occurs when people exert less effort (and usually perform at a lower level) when working in teams than when working alone.

Task interdependence - The extent to which team members must share materials, information, or expertise in order to perform their jobs.

Role - A set of behaviors that people are expected to perform because of the positions they hold in a team and organization.

Team building - A process that consists of formal activities intended to improve the development and functioning of a work team.

Norms - The informal rules and shared expectations that groups establish to regulate the behavior of their members.

Team cohesion - The degree of attraction people feel toward the team and their motivation to remain members.

Trust - Positive expectations one person has toward another person in situations involving risk.

Self-directed teams - (SDTs) Cross-functional work groups that are organized around work processes, complete an entire piece of work requiring several inter-dependent tasks, and have substantial autonomy over the execution of those tasks.

Virtual teams - Teams whose members operate across space, time, and organizational boundaries, and, are linked through information technologies to achieve organizational tasks.

Nominal group technique - A variation of brainstorming consisting of three stages: Participants (1) silently and independently document their ideas; (2) collectively describe these ideas to the other team members without critique, and then (3) silently and independently evaluate the ideas presented.

Production blocking - A time constraint in team decision making due to the procedural requirement that only one person may speak at a time.

Evaluation apprehension - A decision-making problem that occurs when individuals are reluctant **to** mention ideas that seem silly because they believe (often correctly) that other team members are silently evaluating them.

Groupthink - The tendency of highly cohesive groups to value consensus at the price of decision quality.

Constructive conflict - The type of conflict that occurs when people focus their discussion on the issue while maintaining respect for people having other points of view.

Brainstorming - A freewheeling, face-to-face meeting where team members aren't allowed to criticize but are encouraged to speak freely, generate as many ideas as possible, and build on the ideas of others.

Electronic brainstorming - A recent form of brainstorming that relies on networked computers for submitting and sharing creative ideas.

3.12. Self-Assessment Questions

1. Define teams and discuss their benefits and limitations.

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2. Discuss how task characteristics, team size, and team composition influence team effectiveness.

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3. Discuss how team norms develop and how they may be altered.

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4. What are the major constraints of team decision-making?

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5. Draw the diagram and describe the stages of team development.

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UNIT FOUR
ORGANIZATIONAL PROCESSES

Contents

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2. Decision making in organizations
3. Organizational power and politics
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6. Negotiation
7. Unit summary
8. Glossary of Term
9. Self-Assessment Questions

Unit Objectives

After completing this unit, you will be able to:

- . Define organizational decision-making and identify its process.
- Explain the different models of organizational decision-making.
- Identify sources of organizational power.
- Define politics and describe the domains of political activity.
- Describe the major functions of organizational communication.
- Define the terms conflict and negotiation and explain related managerial strategies.

4.1. Introduction

In unit two above, you studied the interpersonal processes in organizations. It is the second level in organizational behavior analysis i.e. dealing with teams. After completing individual behavior, now you moved to team/group behavior. More specifically, teams and informal groups, advantages and disadvantages of teams, a model of team, team design, team process, self-directed team, virtual team, and team decision-making are discussed. If you have any doubt on any of these subtopics, please go back and clarify it before starting this unit. This unit deals with organizational processes. Specifically, it discusses decision making in organizations, organizational power and politics, communication in organization, conflict management, and negotiation. At the end of each subtopic, activity questions that test your understanding is provided with blank spaces to write answers. At the end of the unit, case analysis and self-assessment questions are given.

4.2. Decision Making in Organizations

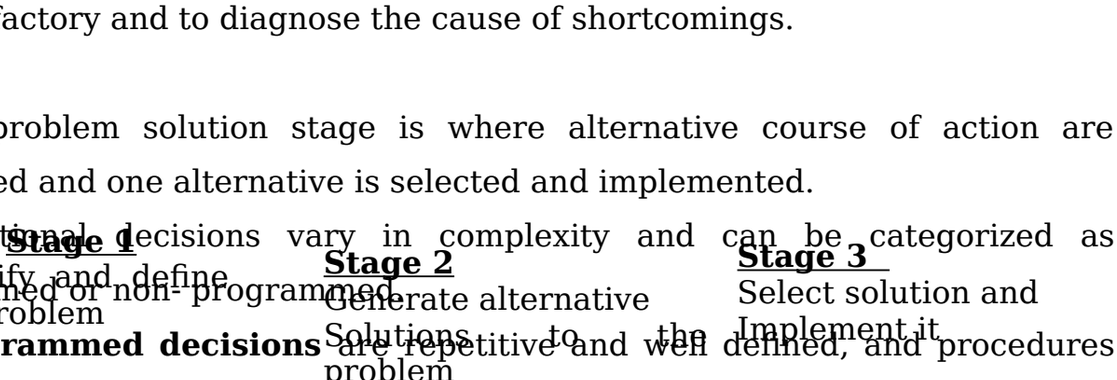
Organizational decision making is the process of responding to a problem by searching for and selecting a solution or course of action that will create value for organizational stakeholders.

The process of organizational decision making contains two major stages.

1. The problem identification stage is where information about environmental and organizational conditions is monitored to determine if performance is satisfactory and to diagnose the cause of shortcomings.

2. The problem solution stage is where alternative course of action are considered and one alternative is selected and implemented.

Organizational decisions vary in complexity and can be categorized as programmed or non- programmed.



1. **Programmed decisions** are repetitive and well defined, and procedures exist for solving the problem. Rules, routines, or standard operating procedures can be developed in advance to handle them.

2. **Non-programmed decisions** are novel and unstructured**.** No rules, routines, or standard operating procedures can be developed to handle them.

Programmed decision making provides stability and increases predictability. Non-programmed decision making allows the organization to change and adapt itself so that it can deal with unpredictable events.

Exercise: 4.1. Explain the difference between programmed and non-programmed decision making with practical example.

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4.2.1. Models of Organizational Decision Making

The Rational Model

According to the rational model, decision making is a straight forward, three stage processes.

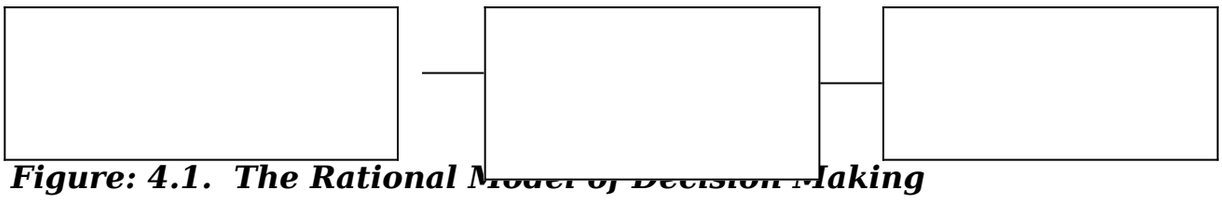

Figure: 4.1. The Rational Model of Decision Making

The rational model ignores the ambiguity, uncertainty, and chaos that typically plague decision making. Researchers have criticized as unrealistic or simplistic three assumptions underlying the rational model:

- ✓ The assumption that decision makers have all the information they need;
- ✓ The assumption that decision makers are smart; and
- ✓ The assumption that decision makers agree about what needs to be done.

Information and uncertainty- The assumption that managers are aware of all alternative courses of action and their consequences is unrealistic. Managerial abilities- Managers have only a limited ability to process the information required to make decisions, and most do not have the time to act as the rational model demands.

Preferences and values- The rational model assumes that different managers have the same preferences and values and that they will use the same rules to decide on the best alternative.

The model also assumes that managers agree about what are the most important organizational goals. These "agreement assumptions" are unrealistic.

A. The Carnegie Model

The Carnegie model of organizational decision making is based upon the work of Richard Cyert, James March, and Herbert Simon, who were all associated with Carnegie-Mellon University. The Carnegie model recognizes the effects of satisficing, bounded rationality, and organizational coalitions.

1. Satisficing- In an attempt to explain how organizations avoid the costs of obtaining information, the Carnegie model suggests that managers engage in satisficing, limited information searches to identify problems and alternative solutions. Instead of searching for all possible solutions to a problem, as the rational model suggests, managers resort to satisficing __that is, they decide on certain criteria that they will use to evaluate possible acceptable solutions.

2. Bounded rationality- The rational model assumes that managers possess the intellectual capacity to evaluate all possible alternatives. The Carnegie model assumes that managers are limited by bounded rationality – a limited capacity to process information. The Carnegie model recognizes that much of decision making is subjective and relies on managers‘ prior experiences, beliefs, and intuition.

3. Organizational Coalitions: The Carnegie model views an organization as a coalition of different interests, in which decision making takes place by compromise, bargaining, and negotiation between managers from different functions and areas of the organization. Any solution chosen meets the approval of dominant coalition, the collection of managers or stakeholders who have the power to select a solution and commit resources to implement it.

To sum up, the Carnegie model recognizes that decision making takes place in an uncertain environment where information is often incomplete and ambiguous. It

also recognizes that decisions are made by people who are limited by bounded rationality, who satisfies, and who form coalitions to pursue their own interests. The Carnegie model offers a more accurate description of how decision making takes place in an organization than does the rational model.

B. The Incrementalist Model

According to the incrementalist model of organizational decision making, managers select alternative courses of action that are only slightly, or incrementally, different from those used in the past, thus lessening their chances of making a mistake. The model implies that managers rarely make major decisions that are radically different from decisions they have made before. Instead, they correct or avoid mistakes through a succession of incremental changes, which eventually may lead to a completely new course of action.

The incrementalist model is very different from the rational model. According to the rational model, an all-knowing decision maker weighs every possible alternative course of action and chooses the best solution. According to the incrementalist model, managers, limited by lack of information and lack of foresight, move cautiously one step at a time to limit their chances of being wrong.

C. The Unstructured Model

The incrementalist approach works best in a relatively stable environment where managers can accurately predict movements and trends. In an environment that changes suddenly or abruptly, the incrementalist approach might prevent managers from changing quickly enough to meet new conditions, thus causing the organization to go into decline. The unstructured model of organizational decision making, developed by Henry Mintzberg, and his colleagues, describes how decision making takes place when uncertainty is high. In the unstructured model (unlike the incrementalist model), whenever organizations encounter roadblocks, they rethink their alternatives and go back to the drawing board. Thus decision making is not linear, sequential process but a process that may evolve unpredictably in an unstructured way.

Mintzberg's approach emphasizes the unstructured nature of incremental decision making: Managers make decisions in a haphazard, intuitive way, and uncertainty forces them to constantly adjust to find new ways to behave in the constantly changing situation. The organization tries to make the best decisions it can, uncertainty forces it to adopt an unstructured way of making decisions. Thus, the unstructured model tries to explain how

organizations make non-programmed decisions and the incrementalist model tries to explain how organizations improve their programmed decisions over time.

D. The Garbage can Model

The view of decision making as an unstructured process is taken to its extreme in the garbage can model of organizational decision making. This model turns the decision-making-process around and argues that organizations are as likely to start making decisions from the solution side as from the problem side. In other words decision makers may propose solutions to problems that do not exist; they create a problem that they can solve with solutions that are already available.

Garbage can decision making arises in the following way: An organization has a set of solutions, or skills, with which it can solve problems __ for example, how to generate new customers, how to lower production costs, or how to innovate products. Possessing these skills, the organization seeks ways to use them, so managers create problems, or decision making opportunities, for themselves. Suppose a company has skills in making custom-designed furniture. The head of the marketing department persuades the company president that the organization should exploit these skills by expanding internationally. Thus, a new problem __ how to manage international expansion __ is created because of the existence of a solution__ the ability to make superior custom-designed furniture.

Exercise: 4.2. Given the changes your organization has made to its strategy and structure over time, which of the decision-making models best characterized the way it makes decisions?

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4.3. Organizational Power and Politics

Power refers to a capacity that A has to influence the behavior of B, so that B acts in accordance with A's wishes. This definition implies that there is a potential for power if someone is dependent on another. But one can have power and not impose it. Probably the most important aspect of power is that it is a function of dependency. The more that B depends on A, the more power A has in the relationship. Dependence, in turn, is based on the alternatives that B perceives and the importance that B places on the alternative(s) that A controls. A person can have power over you only if he or she controls something

Does a person have one or more of the six bases of power? These descriptions help identify the person's power base.

Power Base	Statement
Coercive	The person can make things difficult for people, and you want to avoid getting him or her angry.
Reward	The person is able to give special benefits or rewards to people, and you find it advantageous to trade favours with him or her.
Legitimate	The person has the right, considering his or her position and your job responsibilities, to expect you to comply with legitimate requests.
Expert	The person has the experience and knowledge to earn your respect, and you defer to his or her judgment in some matters.
Referent	You like the person and enjoy doing things for him or her.
Information	The person has data or knowledge that you need.

Source: Adapted from G. Yukl and C. M. Falbe, "Importance of Different Power Sources in Downward and Lateral Relations," *Journal of Applied Psychology*, June 1991, p. 417. With permission.

Within larger organizations, the information technology (IT) group often has Where does power come from? What is it that gives an individual or a group influence over others? The answer to these questions was developed by social scientists John French and Bertrand Raven, who first presented a five-category classification scheme of sources or bases of power: coercive, reward, legitimate, expert, and referent. They subsequently added Information power to that schema.

Types of Power

1. **Legitimate power** – the authority granted by the organization to the formal management position a manager holds.

2. **Reward power** – stems from the ability to bestow rewards __ promotion, raise, and pat on the back __ to **other people**

3. Coercive power – the authority to punish or recommend punishment.

4. **Expert power** – derives from a person's higher skill or knowledge about the tasks being performed.

5. **Referent power** – derives from personal characteristics such that people admire the manager and want to be like or identify with the manager out of respect and admiration.

Figure: 4.1. Bases of Power

4.3.1. Power versus authority

Power is the ability of one person or department in an organization to influence other people to bring about desired outcomes. It is the potential to influence others within the organization, but with the goal of attaining desired outcomes for power holders. Power is an intangible force in organizations. It cannot be seen but its effect can be felt. Power exists only in a relationship between two or more people, and it can be exercised in either vertical or horizontal directions. The source of power often drives from an exchange relationship in which one position or department provides scarce or valued resources to other departments.

When one person is dependent on another person, a power relationship emerges in which the person with the resources has greater power. When power exists in a relationship; the power holders can achieve compliance with their requests. For example, the following outcomes are indicators of power in an organization:

- ✓ Obtain a large increase in budget than other departments
- ✓ Obtain above average salary increases for subordinates
- ✓ Get items on the agenda at policy meetings.

Authority: The concept of formal authority is related to power but is narrower in scope. Authority is also a force for achieving desired outcomes, but only as prescribed by the formal hierarchy and reporting relationships. Three properties identify authority

- Authority is vested in organizational positions __ People have authority because of the positions they hold, not because of personal characteristics.
- Authority is accepted by subordinates __ Subordinates comply because they believe position holders have legitimate right to exercise authority.
- Authority flows down the vertical hierarchy __ Authority exists along the formal chain of command, and positions at the top of the hierarchy are vested with more formal authority than are positions at the bottom.

Organizational power can be exercised upward, downward, and horizontally in organizations. Formal authority is exercised downward along the hierarchy and is the same as vertical power and legitimate power.

Exercise: 4.3. What is the difference between power and authority?

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4.3.2. Sources of organizational power

Formal Position

People throughout the organization accept the legitimate right of top managers to set goals, make decisions and direct activities. Most people believe that those in authority have the right to expect compliance; those subject to authority have the duty to obey.

Control over Resources

Just as an organization's power grows as the organization controls more and more resources in its environment, power within an organization also comes from the control of resources.

Resource allocation creates a dependency relationship.

Control over Information

Information can be a very important and scarce organizational resource. Access to strategic information and the control of the information flow to, from, and between subunits are sources of considerable power in the decision – making process. It is possible to shape the views of others by carefully tailoring the information they receive. The power of doctors in a hospital or mechanics in a garage stems from their ability to control specific knowledge and information.

Non-substitutability

If no one else can perform the tasks that a person or subunit performs, that person or subunit is non-substitutable. Only it can provide resources that another submits or the organization wants. For example the maintenance engineers in a plant can make themselves non-substitutable: Only they could reduce one of the major uncertainties facing the plant-machine breakdown. As a result of their non-substitutability they can exert considerable power.

Network Centrality

Top managers can locate themselves centrally in an organization. They can surround themselves with a network of loyal subordinates and use their networks to learn about events throughout the organization. By placing managers whom they know in critical positions, top managers increase their power.

Managers can use their central positions to build alliances and loyalty and, hence, be in a position to wield substantial power in the organization.

Control of Decision Premises

This means that top managers place constraints on decisions made at lower levels by specifying a decision frame of reference and guidelines. For example top management decides which goal an organization will try to achieve, such as increased market share. Lower level participants then decide how the goal is to be reached. Top manager actions and decisions such as these place limits on the

decisions of lower level managers and thereby influence their behavior.

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Exercise: 4.4. Explain the major sources of organizational power

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4.3.3. The trend toward empowerment

Empowerment is power sharing, the delegation of power or authority to

subordinates in the organization. It means giving power to others in the organization so they can act more freely to accomplish their jobs. In an environment characterized by intense global competition and new technology, many top managers believe giving up centralized control will promote speed, flexibility, and decisiveness.

Elements of Empowerment

Empowering employees means giving them four elements that enable them to act more freely to accomplish their jobs: information, knowledge, power, and rewards.

1. Employees receive information about company performance. In companies where employees are fully empowered no information is secret.
2. Employees have knowledge and skills to contribute to company goals. Companies use training programs to give employees the knowledge and skills they need to personally contribute to company performance.
3. Employees have the power to make substantive decisions. Many of today's most competitive companies are giving workers the power to influence work procedures and organizational direction through quality circles and self__ managed work teams.
4. Employees are rewarded based on company performance Two of the ways in which organizations can reward employees financially based on company performance are through profit sharing and employee stock ownership plans.

4.3.4. Using power: organizational politics

Definition – Organizational politics involves activities to acquire, develop and use power and other resources to obtain one's preferred outcome when there is uncertainty or disagreement about choices. Politics is the use of power to influence decisions in order to achieve desired outcomes. The exercise of power and influence has led to two ways to define politics: as self – serving behavior or as a natural organizational decision process. The first definition emphasizes that politics is self–serving and involves activities that are not sanctioned by the organization. In this view politics involves deception and dishonesty for purposes of individual self–interest. The second view sees politics as a natural organizational process for resolving differences among organizational interest groups.

Politics is the process of bargaining and negotiation that is used to overcome conflicts and differences of opinion. The organization theory

perspective views politics as described in the second definition __ as a normal decision-making process. Politics is simply the activity through which power is exercised in the resolution of conflicts and uncertainty. Politics is neutral and is not necessarily harmful to the organization.

4.3.5. Domains of Political Activity

Four domains of political activity (areas in which politics plays a role) in most organizations are structural change, interdepartmental coordination, management succession, and resource allocation.

1. **Structural change:** Structural reorganizations strike at the heart of power and authority relationships. Reorganizations change responsibilities and tasks, which also affects the underlying power base from strategic contingencies. For these reasons, a major reorganization can lead to an explosion of political activity. Managers will actively bargain and negotiate to maintain the responsibilities.
2. **Interdepartmental Coordination:** Relationships between major organizational departments typically are not well defined. When joint issues arise, managers have to meet and work out solutions on an adhoc basis. The ability of one department to achieve its goal often involves the cooperation of other departments. Interdepartmental coordination lacks rules and precedents to guide it. Uncertainty and conflict are common, especially when the issues are departmental territory and responsibility. Political processes help define respective authority and task boundaries.
3. **Management succession:** Management succession involves hiring new executives, promotions, and transfers. Managers can use hiring and promotion to strengthen network alliances and coalitions by putting their own people in prominent positions.
4. **Resource allocation:** Resource allocation decisions encompass all resources required for organizational performance, including salaries, operating budgets employees, office facilities, equipment and so forth. Resources are so vital that disagreement about priorities exists, and political processes help resolve the dilemmas.

4.3.6. Tactics for Playing Politics

Political tactics and strategies are used by individuals and subunits to increase their chances of winning the political game.

A. **Increasing indispensability** – Indispensability can be achieved by an increase in Non-substitutability or an increase in centrality.

a. **Increasing non-substitutability** – Managers may develop specialized organizational skills that allow them to solve problems for other managers. They may specialize in an area of increasing concern to the organization – such as international trade regulations, pollution control, or health and safety – so that they eventually are in a position to control a crucial contingency facing the organization.

b. **Increasing centrality** – Managers can increase their indispensability by making themselves more central to an organization. They can deliberately accept responsibilities that bring them into contact with many functions or with many managers so that they can enhance their personal reputation and that of their function.

B. **Associating with powerful managers** - by supporting a powerful manager and making oneself indispensable to that person, it is possible to rise up the organizational ladder with that person. Top managers often become mentors to aspiring lower -level managers because planning for the managerial succession is an important task of top managers.

C. **Building and managing coalitions** - Coalition building means taking the time to talk with other managers to persuade them to your point of view. Most important decisions are made outside formal meetings. Managers discuss issues with each other and reach agreement on a one-to-one basis.

D. **Influencing decision making** - Controlling the agenda __By controlling the agenda, managers and coalitions are able to control the issues and problems to be considered by important decision makers. Thus, a coalition of powerful managers can prevent consideration of any issue that they do not support by not putting it on the agenda. Bringing in an outside expert __ When a major conflict exists, such as when top managers are deciding how to change or restructure the organization, all managers and coalitions know that individuals and groups are fighting for their interests. Every subunit manager wants the axe to fall on other subunits and wants to try to benefit from whatever change takes place. The supposedly objective views of the expert are then used to support the position of the coalition in power.

4.3.7. Managerial Implications: Power and Politics

1. Recognize that politics is a fact of organizational life, and develop the skills to

understand how politics shapes organizational decision making.

2. Develop a personal power base to influence decision making, and use it to prevent political managers or groups from pursuing their interests at the expense of organizational interests.

3. To obtain power, try to associate with powerful managers and find a powerful mentor, make yourself central and non-substitutable, develop personal skills so that you can reduce uncertainty for other subunits or for the organization, seek membership on committees that will give you access to information, and obtain control of organizational resources.

4. Seek to maintain a power balance between individuals or subunits in an organization in order to preserve the quality of organizational decision making.

Exercise: 4.5. Explain the domains of political activity.

4.4. Communication in Organizations

Communication is the process by which two or more people exchange information using a shared set of symbols.

Communication serves four major functions within a group or organization:

1. Communication acts to control member behavior. Organizations have authority hierarchies and formal guidelines that employees are required to follow.
2. Communication fosters motivation by clarifying to employees what is to be done, how well they are doing, and what can be done to improve performance.
3. Communication provides a release for the emotional expression of feelings and for fulfillment of social needs. For many employees, their work group is a primary source for social interaction.
4. Communication provides the information that individuals and group need to make decisions by transmitting the data to identify and evaluate alternative choices.

Figure: 4.3. The Communication Process Model

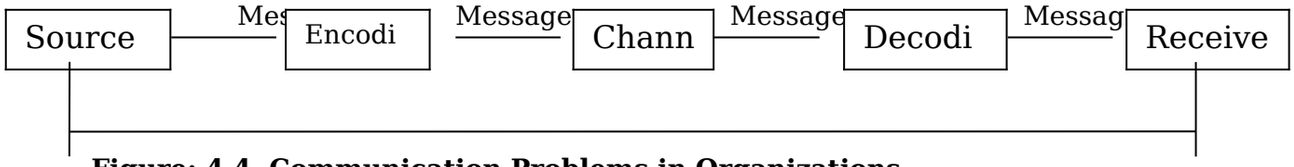

Figure: 4.4. Communication Problems in Organizations

Root of the problem	Type of problem
Source	Filtering
Encoding and Decoding	Lack of common experience, Semantics, jargon, medium problems

Receiver	Selective attention, value judgments, lack of source credibility, overload
Feedback	Omission
Organizational Factors	Noise, Status differences, time pressures, overload

Exercise: 4.6. Why is communication important in an organization?

_____

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4.5. Conflict Management

Conflict is a process that begins when one party perceives that another party has negatively affected, or is about to negatively affect, something that the first party cares about. Organizational conflict is the clash that occurs when the goal-directed behavior of one group blocks the goals of another. Because the goals, preferences, and interests of stakeholder groups differ, conflict is inevitable in organizations. There are two types of conflicts namely functional and dysfunctional. Although conflict is often perceived as something negative, research suggests that some conflict is good for an organization and can improve organizational effectiveness.

4.5.1. Transitions in Conflict Thought

1. The Traditional View: The early approach to conflict assumed that all conflict was bad. Conflict was viewed negatively, and it was used synonymously with such terms as violence, destruction, and irrationality to reinforce its negative connotation. Conflict, by definition, was harmful and was to be avoided.

2. The Human Relations View: The human relations position argued that conflict was a natural occurrence in all groups and organizations. Since conflict was inevitable, the human relations school advocated acceptance of conflict. Proponents rationalized its existence: It cannot be eliminated, and there are even times when conflict may benefit a group's performance.

3. The Interactionist View: The interactionist view of conflict believes that conflict is not only a positive force in a group but that it is absolutely necessary for a group to perform effectively.

While the human relations approach accepted conflict, the interactionist approach encourages conflict on the grounds that a harmonious, peaceful, tranquil, and cooperative group is prone to becoming static, apathetic, and non responsive to needs for change and innovation. The major contribution of the interactionist approach, therefore, is encouraging group leaders to maintain an ongoing minimum level of conflict __ enough to keep the group viable, self-critical,

and creative.

4.5.2. Outcomes of Conflicts

Not all conflicts are bad. In fact, some types of conflict encourage new solutions to problems and enhance the creativity in the organizations. Functional conflict is a conflict that supports the goals of the group and improves its performance. Dysfunctional conflict is conflict that hinders group performance.

Why is some conflict good for an organization? Conflict can be beneficial because it can overcome organizational inertia and lead to organizational learning and change. Conflict between different managers or between different stakeholder groups ca n improve decision making and organizational learning by revealing new ways of looking at a problem. Beyond a certain level, however, conflict stops being a force for good and becomes cause of organizational decline. Dysfunctional conflict can reduce productivity, decrease morale, cause overwhelming dissatisfaction, and increase tension and stress in the organization.

Exercise: 4.7. What is meant by functional and dysfunctional conflict?

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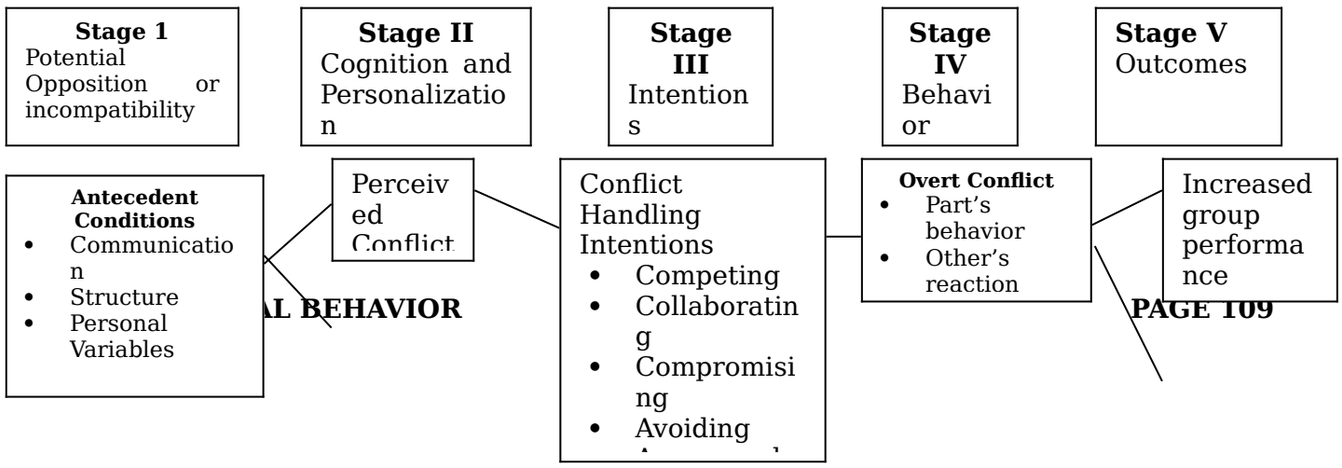
_____

4.5.3. The Conflict Management Process

The conflict process can be seen as comprising five stages: potential opposition or incompatibility, cognition and personalization, intentions, behavior, and outcomes.

Figure: 4.4. The Conflict Management Process



Felt Conflict

Decreased group performance

STAGE I: Potential Opposition or Incompatibility

- The first step in the conflict process is the presence of conditions that create opportunities for conflict to arise.
- They need not lead directly to conflict, but one of these conditions is necessary if conflict is to arise.

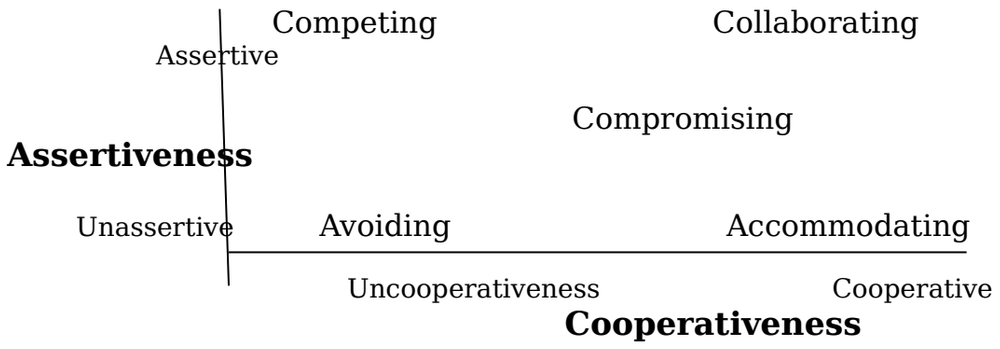
STAGE II: Cognition and personalization

- If the conditions cited in Stage I negatively affect something that one party cares about, then the potential for opposition or incompatibility becomes actualized in the second stage.
  - Perceived conflict is awareness by one or more parties of the existence of conditions that create opportunities for conflict to arise.
  - Felt conflict is emotional involvement in a conflict creating anxiety, tenseness, frustration, or hostility.

STAGE III: Intentions

- **Intentions** are decisions to act in a given way in a conflict episode.
  - Intentions intervene between people's perceptions and emotions and their overt behavior.

Figure: 4.5. Conflict Handling Intentions



- Using two dimension __ cooperativeness (the degree to which one party attempts to satisfy the other party's concerns) and assertiveness (the degree to which one party attempts to satisfy his or her own concerns) – five conflict-handling intentions can be identified.
    I. **Competing:** A desire to satisfy one's interests, regardless of the impact on the other party to the conflict.
    II. **Collaborating:** A situation where the parties to a conflict each desire to satisfy fully the concerns of all parties
    III. **Avoiding:** The desire to withdraw from or suppress a conflict.
    IV. **Accommodating:** The willingness of one party in a conflict to place the opponent's interests above his or her own.
    V. **Compromising:** A situation in which each party to a conflict is willing to give up something.

STAGE IV: Behavior

- At this stage conflict becomes visible.
- The behavior stage includes the statements, actions, and reactions made by the conflicting parties.
    - These conflict behaviors are usually overt attempts to implement each party's intentions

STAGE V: Outcomes

- The conflict outcomes may be functional in that the conflict results in an improvement in the group's performance, or dysfunctional in that it hinders group performance.

Functional outcomes: Conflict is constructive when it improves the quality of decisions, stimulates creativity and innovation, encourages interest and curiosity among group members, provides the medium through which problems can be aired and tensions released, and fosters an environment of self –evaluation and change.

Dysfunctional outcomes: Uncontrolled opposition breeds discontent, which acts to dissolve common ties, and eventually leads to the destruction of the group.

Table: Conflict and Unit Performance

Situation	Level of Conflict	Type of Conflict	Unit's Internal Characteristics	Unit Performance Outcome
A	Low or none	Dysfunctional	Apathetic Stagnant Non-responsive to change Lack of new ideas	Low
B	Optimal	Functional	Viable Self-critical Innovation	High
C	High	Dysfunctional	Disruptive Chaotic Uncooperative	Low

Conflict Management Techniques

If a conflict is dysfunctional, what can the parties do to deescalate it? Or,

conversely, what options exist if conflict is too low and needs to be increased? This brings us to conflict management techniques. The following section lists the major resolution and stimulation techniques that allow managers to control conflict levels.

Conflict Resolution Techniques

1. **Problem solving:** Face-to-face meeting of the conflicting parties for the purpose of identifying the problem and solving it through open discussion.
2. **Super ordinate goals**: Creating a shared goal that cannot be attained without the cooperation of each of the conflicting parties.
3. **Expansion of resources**: When a conflict is caused by the scarcity of a resource__ say, money, promotion opportunities, office space__ expansion of the resource can create a win-win solution.
4. **Avoidance**: Withdrawal from, or suppression of the conflict
5. **Smoothing:** Playing down differences while emphasizing common interests between the conflicting parties.
6. **Compromise:** Each party to the conflict gives up something of value.
7. Authoritative command: Management uses its formal authority to resolve the conflict and then communicates its desires to the parties involved.
8. **Altering the human variable**: Using behavioral change techniques such as human relations training to alter attitudes and behaviors that cause conflict.
9. **Altering the structural variables**: changing the formal organization structure and the interaction patterns of conflicting parties through job redesign, transfers, creation of coordinating positions, and the like.

Conflict Stimulation Techniques

1. **Communication**: Using ambiguous or threatening messages to increase conflict levels.
2. **Bringing in outsiders**: Adding employees to a group whose backgrounds, values, attitudes, or managerial styles differ from those of present members.
3. **Restructuring the organization**: realigning work groups, altering rules and regulations, increasing interdependence, and making similar structural changes to disrupt the status quo.
4. **Appointing a devil's advocate**: Designating a critic to purposely argue against the majority positions held by the group.

4.6. Negotiation

4.6.1. Definition of Negotiation

When parties are potentially in conflict, they may choose to negotiate a resolution. Negotiation occurs in the interactions of almost everyone in groups and organizations: Labor bargains with management; managers negotiate with employees, peers, and senior management; salespeople negotiate with customers; purchasing agents negotiate with suppliers; employees agree to answer a colleague's phone for a few minutes in exchange for some past or future benefit. In today's team-based organizations, negotiation skills become critical so that teams can work together effectively.

We define negotiation as a process in which two or more parties try to agree on the exchange rate for goods or services they are trading. Note that we use the terms negotiation and bargaining interchangeably. Within a negotiation, one should be aware that individuals have issues, positions, and interests. Issues are items that are specifically placed on the bargaining table for discussion. Positions are the individual's stand on the issues. For instance, salary may be an issue for discussion. The salary you hope to receive is your position. Finally, interests are the underlying concerns that are affected by the negotiation resolution. For instance, the reason that you might want a six-figure salary is that you are trying to buy a house in Vancouver, and that is your only hope of being able to make mortgage payments. Negotiators who recognize the underlying interests of themselves and the other party may have more flexibility in achieving a resolution. For instance, in the example just given, an employer who offers you a mortgage at a lower rate than the bank does, or who provides you with an interest-free loan that can be used against the mortgage, may be able to address your underlying interests without actually meeting your salary position. You may be satisfied with this alternative, if you understand what your interest is.

4.6.2. Negotiation Strategies

There are two general approaches to negotiation __ distributive negotiation and integrative negotiations.

1. **Distributive negotiation** is negotiation under the assumption that gains for one party will come at the expense of the other party; a win –lose strategy

- It seeks to divide up a fixed amount of resources.
- Its most identifying feature is that it operates under zero –sum conditions.

2. **Integrative negotiation** is negotiation that seeks to give both parties what

they want; a win –win strategy.

- Integrative negotiators may have to redefine the options to expand the amount of resources available for resolving the conflict.
- As they work together, they view the situation as one in which they have a shared interest in finding a mutually beneficial solution.
- This approach tends to support a positive long-term relationship between the negotiators.

Table: Distributive Vs Integrative Negotiation

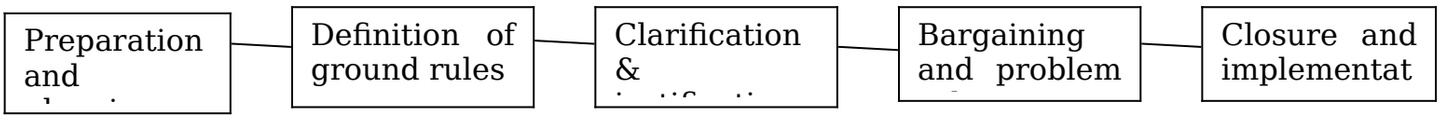
Negotiation Characteristics	**Distributive Negotiation**	**Integrative Negotiation**
Available resources	Fixed amount of resources to be divided	Variable amount of resources to be divided
Primary motivations Primary interests	I win, you lose Opposed to each other	I win, you win Convergent or congruent with each other
Focus of relationships	Short term	Long term

4.6.3. The Negotiation Process

The negotiation process has five steps:

1. Preparation and planning
2. Definition of ground rules
3. Clarification and justification
4. Bargaining and problem solving
5. Closure and implementation

Figure: 4.8. The Negotiation Process



4.6.4. Third-Party Negotiations

When individuals and groups reach a stalemate and are unable to resolve their differences through direct negotiations, especially when a conflict is emotionally charged, they may turn to a third party to help them find a solution. There are four basic third-party roles: mediator, arbitrator, conciliator, and consultant.

1. **A mediator** is a neutral third party who facilitates a negotiated solution by using reasoning, persuasion, and suggestions for alternatives. For mediation to succeed:
   - The conflicting parties must be motivated to bargain and resolve their conflict.
   - The conflict intensity should not be too high. Mediation is most effective under moderate levels of conflict.

- The mediator must be perceived as neutral and non coercive

2. **An arbitrator** is a third party to a negotiation who has the authority to dictate an agreement. Arbitration can be voluntary (requested) or compulsory (forced on the parties by law or contract).
3. **A conciliator** is a trusted third party who provides an informal communication link between the negotiator and the opponent.
4. **A consultant** is an impartial third party, skilled in conflict management, who attempts to facilitate creative problem solving through communication and analysis. In contrast to the previous roles, the consultant's role is not to settle the issues but, rather, to improve relations between the conflicting parties so that they can reach a settlement themselves.

Exercise: 4.8. Explain the difference between distributive and integrative negotiation?

_____

_____

4.7. Unit Summary

The process of organizational decision making contains the problem solution stage and the problem identification stages. Organizational decisions vary in complexity and are categorized as programmed or non- programmed. Models of decision-making include the rational model, the carnegie model, the incrementalist model, the unstructured model, and the garbage can model.

Power is the ability of one person or department in an organization to influence other people to bring about desired outcomes. It is the potential to influence others within the organization, but with the goal of attaining desired outcomes for power holders. Organizational power can be exercised upward, downward, and horizontally in organizations. Formal authority is exercised downward along the hierarchy and is the same as vertical power and legitimate power.

Communication is the process by which two or more people exchange information using a shared set of symbols. Communication acts to control member behavior, provides the information that individuals and group need to make decisions, fosters motivation by clarifying to employees what is to be done, and provides a release for the emotional expression of feelings.

Organizational conflict is the clash that occurs when the goal-directed behavior of

one group blocks the goals of another. Transitions in conflict thought include the traditional view, the human relations view, and the interactionist view. Some types of conflict encourage new solutions to problems and enhance the creativity in the organizations. The conflict process can be seen as comprising five stages: potential opposition or incompatibility, cognition and personalization, intentions, behavior, and outcomes.

Negotiation as a process in which two or more parties try to agree on the exchange rate for goods or services they are trading. There are two general approaches to negotiation __ distributive negotiation and integrative negotiations. As a process, negotiation consists of preparation and planning, definition of ground rules, clarification and justification, bargaining and problem solving, and closure and implementation.

4.8. Glossary of Terms

Communication: the process by which two or more people exchange information using a shared set of symbols.

Conflict: A process in which one party perceives that his or her interests are being opposed or negatively affected by another party.

Empowerment: Giving power to others in the organization so they can act more freely to accomplish their jobs.

Negotiation: The process whereby two or more conflicting parties attempt to resolve their divergent goals by redefining the terms of their interdependence.

Organizational decision making: the process of responding to a problem by searching for and selecting a solution or course of action that will create value for organizational stakeholders.

Organizational politics: involves activities to acquire, develop and use power and other resources to obtain one‘s preferred outcome when there is uncertainty or disagreement about choices.

Politics: the use of power to influence decisions in order to achieve desired outcomes.

Power: a capacity that A has to influence the behavior of B, so that B acts in accordance with A‘s wishes.

Stress: An adaptive response to a situation that is perceived as challenging or threatening to a person‘s well-being.

Third-party conflict resolution: Any attempt by a relatively neutral person to help conflicting parties resolve their differences.

4.9. Self-Assessment Questions

1. ***Discuss the five organizational decision-making models.***

_____

2. ***Explain the six bases of power.***

_____

3. ***Discuss the major functions of communication in organization***

_____

4. ***Contrast the traditional, the human relations, and the interactionist view of conflict thought.***

_____

5. ***Discuss the basic third-party roles in negotiation***

_____

UNIT FIVE
THE ORGANIZATION SYSTEM

Contents

1. Introduction
2. Fundamentals of Organization Structure and Design
3. Common Organizational Designs
4. New Design Options
5. Why Do Structures Differ?
6. Organizational Culture
7. Ethical Values in Organizations
8. How Leaders Shape Culture and Ethics
9. Unit summary
10. Glossary of terms

11. Self-assessment questions

Unit Objectives

Up on the completion of this unit, you will be able to:

- Identify the common types of organizational design
- Discuss the major characteristics of the new design options.
- Explain why organizational structures differ.
- Define and explain organizational culture and ethical values in organizations.
- Identify ways of shaping culture and ethics in an organization.

5.1. Introduction

In the previous unit, you have learnt about organizational processes. Specifically, you have learnt about decision-making in organizations, models of organizational decision-making, organizational power, politics, and conflict, and negotiation. In this unit, you will study about organization system. First, fundamentals of organization structure and design are discussed. Second, common organizational designs and new design options are explained with example. Third, reasons for different types of organizational structure are discussed. Finally, organizational culture, ethical values in organizations, and how leaders shape culture and ethics are discussed. Attempt all the activity questions provided after every subtopic and self-assessment questions provided at the end of the unit.

5.2. Fundamentals of Organization Structure and Design

What are the foundations of organizational design and structure? Is there one organizational structure that suits all types of organizations? What are the key components that make up an organization's structure? What are the modern structural design options and what are the contingency factors that make certain structural designs preferable in different situations?

5.2.1. What is Organizational Structure?

What is organizational structure? Take out a piece of paper and write what you think describes organizational structure. Organizational structure refers to the division of labor as well as the patterns of coordination, communication, workflow, and formal power that direct organizational activities. An organization structure defines how job tasks are formally divided, grouped, and coordinated. There are six key elements that managers need to address when they design their organization's structure. These are work specialization, departmentalization, chain of command, span of control, centralization and decentralization, and formalization.

Table 5.1. Six Key Questions that Managers Need to answer in Designing the proper Organization Structure

The Key Question is	The Answer is Provided by
To what degree are tasks subdivided into separate jobs?	Work Specialization

On what basis will jobs be grouped together?	Departmentalization
To whom do individuals and groups report?	Chain of command
How many individuals can a manager efficiently and effectively direct?	Span of Control
Where does decision-making authority lie?	Centralization and decentralization
To what degree will there be rules and regulations to direct employees and managers?	Formalization

1. Work Specialization

Organizations are groups of people who work interdependently toward some purpose. To efficiently accomplish their goals, these groups typically divide the work into manageable chunks, particularly when there are many different tasks to perform. This is commonly referred to as division of labor. Division of labor is the subdivision of work into separate jobs assigned to different people. Subdivided work leads to job specialization, because each job now includes a narrow subset of the tasks necessary to complete the product or service. The essence of work specialization is that, rather than an entire job being done by one individual, it is broken down into steps, each step being completed by a separate individual. In essence, individuals specialize in doing part of an activity rather than the entire activity.

Why do companies divide the work into specific jobs? It is because job specialization increases work efficiency. Job incumbents can master their tasks quickly because work cycles are shorter. Less time is wasted changing from one task to another. Training costs are reduced because employees require fewer physical and mental skills to accomplish the assigned work.

Finally, job specialization makes it easier to match people with specific aptitudes or skills to the jobs for which they are best suited.

When people divide work among themselves, they require coordinating mechanisms to ensure that everyone works in concert. Coordination is so closely connected to division of labor that the optimal level of specialization is limited by the feasibility of coordinating the work. In other words, an organization should divide work among many people only to the extent that those people can coordinate with each other. Otherwise, individual effort is wasted due to misalignment, duplication, and mistiming of tasks. Coordination also tends to become more expensive and difficult as the division of labor increases, so

companies specialize jobs only to the point where it isn't too costly or challenging to coordinate the people in those jobs. Every organization — from the two-person corner convenience store to the largest corporate entity — uses one or more of the following coordinating mechanisms: informal communication, formal hierarchy, and standardization.

These forms of coordination align the work of staff within the same department as well as across work units. These coordinating mechanisms are also critical when several organizations work together, such as in joint ventures and humanitarian aid programs.

2. Chain of Command

In the 1970s, the chain-of-command concept was a basic cornerstone in the design of organizations. As you will see, it has far less importance today. But contemporary managers should still consider its implications when they decide how best to structure their organizations. The chain of command is an unbroken line of authority that extends from the top of the organization to the lowest echelon and clarifies who reports to whom.

3. Span of Control

Span of control (also called span of management) refers to the number of people directly reporting to the next level in the hierarchy. A narrow span of control exists when very few people report directly to a manager, whereas a wide span exists when a manager has many direct reports. A century ago, French engineer and management scholar Henri Fayol strongly recommended a relatively narrow span of control, typically no more than 20 employees per supervisor and 6 supervisors per manager. Fayol championed formal hierarchy as the primary coordinating mechanism, so he believed that supervisors should closely monitor and coach employees. His views were similar to those of Napoleon and other military leaders, who declared that somewhere between 3 and 10 subordinates is the optimal span of control. These prescriptions were based on the belief that managers simply could not monitor and control any more subordinates closely enough.

Today, we know better. The best-performing manufacturing plants currently have an average of 38 production employees per supervisor. What's the secret here? Did Fayol, Napoleon, and others miscalculate the optimal span of control? The answer is that those who are sympathetic to hierarchical control believed that employees should perform the physical tasks, whereas supervisors and other management personnel should make the decisions and monitor employees to

make sure they performed their tasks. In contrast, the best-performing manufacturing operations today rely on self-directed teams, so direct supervision (formal hierarchy) is supplemented with other coordinating mechanisms. Self-directed teams ***coordinate mainly through informal communication and specialized knowledge, so*** formal hierarchy plays a minor role. Many firms that employ doctors, lawyers, and other professionals have a larger span of control because these staff members coordinate their work mainly through standardized skills.

A second factor influencing the best span of control is whether employees perform routine tasks. A wider span of control is possible when employees perform routine jobs, because there is less frequent need for direction or advice from supervisors. A narrow span of control is necessary when employees perform novel or complex tasks, because these employees tend to require more supervisory decisions and coaching.

A third influence on span of control is the degree of interdependence among employees within the department or team. Generally, a narrow span of control is necessary where employees perform highly interdependent work with others. More supervision is required for highly interdependent jobs because employees tend to experience more conflict with each other, which requires more of a manager's time to resolve. Also, employees are less clear on their personal work performance in highly interdependent tasks, so supervisors spend more time providing coaching and feedback.

4. Centralization and Decentralization

Centralization and decentralization are a second element to consider when designing an organizational structure. Centralization means that formal decision-making authority is held by a small group of people, typically those at the top of the organizational hierarchy. Most organizations begin with centralized structures, as the founder makes most of the decisions and tries to direct the business toward his or her vision. As organizations grow, however, they diversify and their environments become more complex. Senior executives aren't able to process all the decisions that significantly influence the business. Consequently, larger organizations typically decentralize; that is, they disperse decision authority and power throughout the organization.

The optimal level of centralization or decentralization depends on several contingencies. However, we also need to keep in mind that different degrees of

decentralization can occur simultaneously in different parts of an organization. Nestlé, the Swiss-based food company, has decentralized marketing decisions to remain responsive to local markets, but it has centralized production, logistics, and supply chain management activities to improve cost efficiencies and avoid having too much complexity across the organization.

5. Formalization

Formalization is the degree to which organizations standardize behavior through rules, procedures, formal training, and related mechanisms. In other words, companies become more formalized as they increasingly rely on various forms of standardization to coordinate work. McDonald's Restaurants and most other efficient fast-food chains typically have a high degree of formalization because they rely on standardization of work processes as a coordinating mechanism. Employees have precisely defined roles, right down to how much mustard should be dispensed, how many pickles should be applied, and how long each hamburger should be cooked.

Older companies tend to become more formalized because work activities become routinized, making them easier to document into standardized practices. Larger companies also tend to have more formalization because direct supervision and informal communication among employees do not operate as easily when large numbers of people are involved. External influences, such as government safety legislation and strict accounting rules, also encourage formalization.

Formalization may increase efficiency and compliance, but it can also create problems. Rules and procedures reduce organizational flexibility, so employees follow prescribed behaviors even when the situation clearly calls for a customized response. High levels of formalization tend to undermine organizational learning and creativity. Some work rules become so convoluted that organizational efficiency would decline if they were actually followed as prescribed. Formalization is also a source of job dissatisfaction and work stress. Finally, rules and procedures have been known to take on a life of their own in some organizations. They become the focus of attention rather than the organization's ultimate objectives of producing a product or service and serving its dominant stakeholders.

6. Departmentalization

Span of control, centralization, and formalization are important elements of organizational structure, but most people think about organizational charts when the discussion of organizational structure arises. The organizational chart represents the fourth element in the structuring of organizations, called departmentalization. Departmentalization specifies how employees and their activities are grouped together. It is a fundamental strategy for coordinating organizational activities because it influences organizations in the following ways:

- Departmentalization establishes the chain of command — he system of common supervision among positions and units within the organization. It frames the membership of formal work teams and typically determines which positions and units must share resources. Thus, departmentalization establishes interdependencies among employees and subunits.
- Departmentalization focuses people around common mental models or ways of thinking, such as serving clients, developing products, or supporting a particular skill set. This focus is typically anchored around the common budgets and measures of performance assigned to employees within each departmental unit
- Departmentalization encourages coordination through informal communication among people and subunits. With common supervision and resources, members within each configuration typically work near each other, so they can use frequent and informal interaction to get the work done.

Activity: 5.1. Describe the six major elements of organizational structure.

5.3. Common Organizational Designs

1. The Simple Structure: The simple structure is characterized by a low degree of departmentalization, wide spans of control, authority centralized in a single person, and little formalization. The simple structure is a flat organization; it usually has only two or three vertical levels, a loose body of employees and one individual in whom the decision-making authority is centralized.

The simple structure is most widely practiced in small businesses in which the manager and the owner are one and the same. The strength of the simple

structure lies in its simplicity. It is fast, flexible, inexpensive to maintain, and accountability is clear. One major weakness is that it is difficult to maintain in anything other than small organizations. As size increases, decision making typically becomes slower and can eventually come to a standstill as the single executive tries to continue making all the decisions.

2. The Bureaucracy: Bureaucracy is a structure with highly routine operating tasks achieved through specialization, very formalized rules and regulations, tasks that are grouped into functional departments, centralized authority, narrow spans of control, and decision making that follows the chain of command. Standardization! That is the key concept that underlies all bureaucracies. The primary strength of the bureaucracy lies in its ability to perform standardized activities in a highly efficient manner. One of the major weaknesses of bureaucracy is the potential conflict among specialized functional departments. Another major weakness of a bureaucracy is the obsessive concern of people who work in these organizations with following the rules.

3. The Matrix Structure: The matrix structure creates dual lines of authority; combines functional and product departmentalization. The most obvious structural characteristic is that it breaks the unity-of-command concept. The strength of the matrix lies in its ability to facilitate coordination when the organization has a multiplicity of complex and interdependent activities. The matrix also facilitates the efficient allocation of specialists. The major disadvantages of the matrix lie in the confusion it creates, its propensity to foster power struggles, and the stress it places on individuals.

5.4. New Design Options

Three new structural designs are described below.

Team structure

The team structure uses teams as the central device to coordinate work activities. The primary characteristics of the team structure are that it breaks down departmental barriers and decentralizes decision making to the level of the work team. Team structures also require employees to be generalists as well as specialists. More often particularly among larger organizations, the team structure complements what is typically a bureaucracy.

Team structures are usually found within the manufacturing or service operations of larger divisional structures. The team organization represents an increasingly popular structure because it is usually more flexible and responsive

to the environment. It tends to reduce costs because teams have less reliance on formal hierarchy (direct supervision). A cross-functional team structure improves communication and cooperation across traditional boundaries. With greater autonomy, this structure also allows quicker and more informed decision making. For this reason, some hospitals have shifted from functional departments to cross-functional teams.

Teams composed of nurses, radiologists, anesthetists, a pharmacology representative, possibly social workers, a rehabilitation therapist, and other specialists communicate and coordinate more efficiently, thereby reducing delays and errors.

Against these benefits, the team structure can be costly to maintain due to the need for ongoing interpersonal skill training. Teamwork potentially takes more time to coordinate than formal hierarchy during the early stages of team development. Employees may experience more stress due to increased ambiguity in their roles. Team leaders also experience more stress due to increased conflict, loss of functional power, and unclear career progression ladders. In addition, team structures suffer from duplication of resources and potential competition (and lack of resource sharing) across teams.

Virtual Organization

Besides the more specific horizontal, hollow, and modular contemporary designs, another more all-encompassing design in addition to the network organization is the so-called virtual organization. The term virtual organization has emerged not so much because it describes something distinct from network organizations but because the term itself represents the new environment and the partnering, alliances, and outsourcing arrangements found in an increasing number of global companies. Collaboration or joint ventures with competitors usually takes the form of a virtual organization that is a company outside a company created to specifically respond to an exceptional market opportunity that is often temporary. Interestingly, the word virtual as used here comes not from the popular virtual reality but from virtual memory, which has been used to describe a way of making a computer‘s memory capacity appear to be greater than it really is but does require a strong information technology platform.

Briefly summarized, here are some of the key attributes of the virtual organization:

1. **Technology.** Informational networks will help far-flung companies and entrepreneurs link up and work together from start to finish. The partnerships will be based on electronic contracts to keep the lawyers away and speed the linkups.

2. ***Opportunism.*** *Partnerships will be less permanent, less formal, and more opportunistic.* Companies will band together to meet all specific market opportunities and, more often than not, fall apart once the need evaporates.

3. ***No borders****. This new organizational model redefines the traditional boundaries of the* company. More cooperation among competitors, suppliers, and customers makes it harder to determine where one company ends and another begins.

4. ***Trust.*** *These relationships make companies far more reliant on each other and require far more* trust than ever before. They share a sense of co-destiny, meaning that the fate of each partner is dependent on the other.

5. ***Excellence****. Because each partner brings its core competence to the effort, it may be possible* to create a best-of-everything organization. Every function and process could be world class—something that no single company could achieve.

Importantly, virtual organizations can help competitiveness in the global economy. The alliances and partnerships with other organizations can extend worldwide, the spatial and temporal interdependence easily transcend boundaries, and the flexibility allows easy reassignment and reallocation to take quick advantage of shifting opportunities in global markets. To avoid disintegration and attain effective needed focus, the lead virtual organization must have a shared vision, a strong brand, and, most important, a high-trust culture. For instance, competitors P&G and Clorox recently collaborated in forming a new generation of plastic wrap called GLAD Press'n Seal in order to effectively compete with market leader Saran. As with the network organization, it is not really possible to show a virtual organization. Because networks and virtual organizations both represent such radically different ways to structure firms, there are many challenges ahead, especially on the human side of these contemporary structural forms.

Boundary less Organization

Boundary-less organization seeks to eliminate the chain of command, have limitless spans of control, and replace departments with empowered teams. Let's take a look at what a boundary-less organization would look like and what

some firms are doing to make it a reality. By removing vertical boundaries, management flattens the hierarchy. Status and rank are minimized. And the organization looks more like a silo than a pyramid. Cross-hierarchical teams (which include top executives, middle managers, supervisors, and operative employees), participative decision-making practices, and the use of 360-degree performance appraisals (peers and others above and below the employee evaluate his or her performance) are examples of what companies are doing to break down vertical boundaries.

Functional departments create horizontal boundaries. The way to reduce these barriers is to replace functional departments with cross-functional teams and to organize activities around processes. Another way management can cut through horizontal barriers is to use lateral transfers and rotate people into and out of different functional areas. This approach turns specialists into generalists.

When fully operational, the boundary-less organization also breaks down barriers to external constituencies and barriers created by geography. Globalization, strategic alliances, customer-organization linkages, and telecommuting are all examples of practices that reduce external boundaries. The one common technological thread that makes the boundary-less organization possible is networked computers. These allow people to communicate across intra-organizational and inter-organizational boundaries.

Exercise 5.2 Discuss the key attributes of the virtual organization

_____

5.5. Why Do Structures Differ?

We can think of two extreme models of organizational design: mechanistic model and organic model.

Table: 5.2. Mechanistic Vs Organic Models

The Mechanistic Model	The Organic Model
High specialization	Cross-functional teams
Rigid departmentalization	Cross-hierarchical teams
Clear chain of command	Free flow of information
Narrow spans of control	Wide spans of control
Centralization	Decentralization
High formalization	Low formalization

With these two models in mind, we can now address the question: why are some organizations structured along more mechanistic lines while others follow organic

characteristics? What are the forces that influence the design that is chosen? The major forces that have been identified as causes or determinants of an organization's structure are discussed below.

a. Strategy: Strategy and structure are closely linked. An organization's structure is a means to help management achieve its objectives. Structure should follow strategy. If management makes a significant change in its organization's strategy, the structure will need to be modified to accommodate and support this change. Most current strategy frameworks focus on three strategy dimensions__ innovation, cost minimization, and imitation and the structural design that works best with each.

- **Innovation** strategy emphasizes the introduction of major new products and services.
- **Cost-minimization** strategy emphasizes tight cost controls, avoidance of unnecessary innovation or marketing expenses, and price cutting.
- **Imitation** strategy seeks to move into new products or new markets only after their viability has already been proven.

The following table describes the structural option that best matches each strategy.

Table: 5.3. The structural option that best matches each strategy

Strategy	Structural Option
Innovation	**Organic**: A loose structures; low specialization, low formalization, decentralized
Cost minimization	**Mechanistic**: Tight control; extensive work specialization, high formalization, high centralization
Imitation	**Mechanistic and organic**: Mix of loose with tight properties; tight controls over current activities and looser over current activities and looser controls for new undertakings

b. Organizational Size: An organization's size significantly affects its structure. Large organizations tend to have more specialization, more departmentalization, more vertical levels, and more rules and regulations than do small organizations.

c. Technology: Technology refers to the tools, techniques, and activities used to transform organizational inputs (resources) into outputs (products and services). In general, routine technologies are associated with mechanistic structures. With non routine technologies, on the other hand, the organization generally takes an organic approach and uses more flexible structure, with low formalization, greater decentralization, and extensive horizontal coordination.

Symptoms of Structural Deficiency

Each form of structure – functional, product, hybrid, and matrix – represents a tool that can help managers make an organization more effective depending on the demands of its situation. Senior managers periodically evaluate organization structure to determine whether it is appropriate to changing organization needs. As a general rule, when organization structure is out of alignment with organization needs, one or more of the following symptoms of structural deficiency appear.

1. **Decision making is delayed or lacking in quality. Decision makers may be overloaded** because the hierarchy funnels too many problems and decisions to them. Another cause of

Poor–quality decisions is that information may not reach the correct people

2. **The organization does not respond innovatively to a changing environment. One** reason for lack of innovation is that departments are not coordinated horizontally. The

identification of customer needs by the marketing department and the identification of technological developments in the research department must be coordinated.

3. **Too much conflict is evident. When departments act at cross purposes or are under** pressure to achieve departmental goals at the expense of organizational goals, the structure is often at fault.

5.6. Organizational Culture

Organizational culture refers to a system of shared meaning held by members that distinguishes the organization from other organizations. It is the set of key values, assumptions, beliefs, understandings, and norms that members of an organization share. This system of shared meaning is, on closer examination, a set of key characteristics that the organization values.

There are seven primary characteristics that capture the essence of an organization's culture.

1. **Innovation and risk taking -** The degree to which employees are encouraged to be innovative and take risks.

2. **Attention to detail -** The degree to which employees are expected to exhibit precision, analysis, and attention to detail.

3. **Outcome orientation -** The degree to which management focuses on the results or outcomes rather than on the techniques and processes used to achieve these outcomes.

4. People orientation - The degree to which management decisions take into consideration the effect of outcomes on people within the organization.

5. Team orientation - The degree to which work activities are organized around teams rather than individuals.

6. Aggressiveness - The degree to which people are aggressive and competitive rather than easy going.

7. Stability - The degree to which organizational activities emphasize maintaining the status quo in contrast to growth.

Each of these characteristics exists on a continuum from low to high. Appraising the organization on these seven characteristics, then gives a composite picture of the organization's culture. This picture becomes the basis for feeling of shared understanding that members have about the organization, how things are done in it, and the way members are supposed to behave.

Organizational culture is the set of values, guiding beliefs, understandings, and ways of thinking that is shared by members of an organization and is taught to new members as correct. Just as an organization's structure can be used to achieve competitive advantage and promote stakeholder interests, an organization's culture can be used to increase organizational effectiveness. This is because organizational culture controls the way members make decisions, the way they interpret and manage the organization's environment and how they behave.

Culture provides members with a sense of organizational identity and generates a commitment to beliefs and values. Though ideas that become part of culture can come from anywhere within the organization, an organization's culture generally begins with a founder or early leader who articulates and implements particular ideas and values as a vision, philosophy or business strategy. When these ideas and values lead to success, they become institutionalized and an organizational culture emerges that reflects the vision and strategy of the founder or leader.

What are organizational values, and how do they affect behavior? Values are general criteria, standards, or guiding principles that people use to determine which types of behaviors, events, situations, and outcomes are desirable or undesirable. There are two kinds of values: terminal and instrumental values.

1. **A terminal value** is a desired end state or outcome that people seek to achieve. Organizations adopt any of the following as terminal values, that is as guiding principles:

Table: 5.4. Terminal Values

• Excellence	• Innovativeness
• Responsibility	• Economy
• Reliability	• Morality
• profitability	• Quality

2. **An instrumental value** is a desired mode of behavior. Modes of behavior that organizations advocate include:
    - working hard
    - respecting traditions and authority
    - being creative and courageous
    - being honest
    - taking risks
    - maintaining high standards

An organization's culture, thus, consists of the end states that the organization seeks to achieve (**its terminal value**) and the model of behavior the organization encourages (**its instrumental values**).

Instrumental values help an organization to achieve its terminal goals. For example, a technology company whose culture emphasizes the terminal value of innovativeness may attain this outcome through the instrumental values of working hard, being creative, and taking risks.

That combination of terminal and instrumental values leads to an entrepreneurial culture. Terminal values are reflected in an organization's mission statement and official goals, which tell organization members and other stakeholders that the company values excellence and has high ethical standards. Many of the most powerful and crucial values of an organization are not written down. They exist only in the shared norms, beliefs, assumptions, and ways of thinking and acting that people within an organization use to relate to each other and to outsiders.

Exercise: 5.3 Discuss the three primary characteristics of organization culture.

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5.6.1. How is an Organization's Culture Transmitted to its Members?

1. **Socialization:** To learn an organization's culture, newcomers must obtain information about cultural values. They can learn values indirectly by observing how existing members behave and inferring what behaviors are appropriate and inappropriate. From the organization's perspective, however, the most

effective way for newcomers to learn appropriate values is through socialization which is the process by which members learn and internalize the norms of an organization's culture.

2. **Rites and ceremonies: Organizations use several types of ceremonial rites to communicate** cultural norms and values. Managers can hold rites and ceremonies to provide dramatic examples of what a company values. These are special occasions that reinforce specific values, create a bond among people for sharing an important understanding and can celebrate heroes and heroines who symbolize important beliefs and activities.

Four types of rites that appear in organizations are:

a. Rites of passage – mark an individual's entry to, promotion in, and departure from the organization. Rites of passage facilitate the transition of employees into new social roles.

b. Rites of integration – such as shared announcements of organizational success and office parties build and reinforce common bonds between organizational members.

c. Rites of enhancement – such as awards dinners, newspaper releases, and employee promotions, publicly recognize and reward employees' contributions.

d. Rites of renewal – reflect training and development activities that improve organization functioning.

3. **Stories:** Stories are narratives based on true events that are frequently shared among organizational employees and told to new employees to inform them about an organization. Many stories are about company heroes who serve as models for serving cultural norms and values.
4. **Language:** Many companies use a specific saying, slogan, or other form of language to convey special meaning to employees.

a. Slogans can be readily picked up and repeated by employees.
b. A certain company uses a slogan as the key value for employee action: "Your Enjoyment Guaranteed. Always"
c. In this particular company each employee signs a contract pledging YEGA follow- through.

***Exercise: 5.4 Discuss how rites and ceremonies transmit organization culture to* organizational members.**

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5.7. Ethical Values in Organizations

Of the values that make up an organization's culture, ethical values are now considered among the most important. Ethics is the code of moral principles and values that governs the behaviors of a person or group with respect to what is right or wrong. Ethical values set standards as to what is good or bad in conduct and decision making. Ethics is distinct from behaviors governed by law. The rule of law arises from a set of codified principles and regulations that describe how people are required to act, are generally accepted in society, and are enforceable in the courts.

Ethical standards for the most part apply to behavior not covered by the law, and the rule of law covers behaviors not necessarily covered by ethical standards. Not all moral judgment is codified into law. The morality of aiding a drowning person, for example, is not specified by law, and driving on the right hand side of the road has no moral basis; but in areas such as robbery or murder rules and moral standards overlap.

Managerial ethics are principles that guide the decisions and behaviors of managers with regard to whether they are right or wrong in a moral sense. The notion of social responsibility is an extension of this idea and refers to management's obligation to make choices and take action so that the organization contributes to the welfare and interest of society as well as itself.

5.7.1. Why does Unethical Behavior Occur?

Lapses in Individual Ethics

Individuals within an organization may come to believe that any action that promotes or protects the organization is acceptable even if it does harm to others. That sort of thinking prompted the Beech Nut (a US company) management team (in 1980s) to approve the sale of sugar water labeled as apple juice.

Ruthless Pursuit of Self Interest

Suppose you will be promoted to vice president of your company if you can secure a 100 million birr contract, but that to get the contract, you must bribe the contractor with 1 million birr. Your career and future will probably be assured if you perform this act. What harm will it do? You ask yourself. Bribery is common, and if you don't pay the million birr, you are certain that somebody else will. So what do you do? Research suggests that people who believe they have the

most at stake are the ones most likely to act unethically. Similarly, it has been shown that organizations that are doing badly economically and are struggling to survive are the ones most likely to commit unethical and illegal acts such as price fixing or bribery, although many other organizations will do so if they are given the opportunity.

Outside Pressure

If company performance is deteriorating top managers may feel pressures from shareholders to boost performance, and fearful of losing their jobs, they may engage in unethical behavior to increase the value of corporate stock.

Exercise: 5.5. Why is unethical behavior practiced in an organization? Discuss.

5.8. How Leaders Shape Culture and Ethics

Symbolic Leadership

Symbolic leaders influence cultural and ethical values by articulating a vision for organizational values that employees can believe and by engaging in day-to-day activities that reinforce these values. Most important, actions speak louder than words, so symbolic leaders walk their talk. Employees learn about values beliefs, and goals from watching managers.

Formal Structure and Systems

1. Structure: Managers can assign responsibility for ethical values to a specific position. This not only allocates organization time and energy to the problem but symbolizes to everyone the importance of ethics. One example is an ethics committee, which is a group of executives appointed to oversee company ethics. The committee provides rulings on questionable ethical issues and assumes responsibility for disciplining wrongdoers. Another example is an ethics ombudsperson, who is a single manager, perhaps with a staff, who serves as the corporate conscience.

2. Disclosure mechanisms: The ethics committee or ombudsperson provides mechanisms for employees to voice concerns about ethical practices. One important function is to establish supportive policies and procedures about whistle blowing. Whistle-blowing is employee disclosure of illegal, immoral, or illegitimate practices on the part of the organization. One value of corporate policy is to protect whistle-blowers so they will not be transferred to lower-level positions or fired because of their ethical concerns.

3. Code of ethics: Corporate code of ethics is a formal statement of the company's ethical guidelines. The code clarifies company expectations of employee conduct and makes clear that the company expects its personnel to recognize the ethical dimensions of corporate behavior.

4. Training programs: To ensure that ethical issues are considered in daily decisions making, companies can supplement a written code of ethics with employee training programs.

5.9. Unit Summary

An organization structure defines how job tasks are formally divided, grouped, and coordinated. The key elements that managers need to address when they design their organization's structure are work specialization, departmentalization, chain of command, span of control, centralization and decentralization, and formalization. The simple, the bureaucracy, and the matrix structures are the common types of organizational structures. However, many organizations are also using the team, the virtual, and the boundary less types of structure as option. The major forces that have been identified as causes or determinants of an organization's structure are strategy, organization size, and technology. Decision making is delayed or lacking in quality; the organization does not respond innovatively to a changing environment; and too much conflict is evident are major symptoms of structural deficiency.

Organizational culture refers to a system of shared meaning held by members that distinguishes the organization from other organizations. It is the set of key values, assumptions, beliefs, understandings, and norms that members of an organization share. There are seven primary characteristics that capture the essence of an organization's culture. innovation and risk taking, stability, outcome orientation, people orientation, team orientation, aggressiveness, and attention to detail. Organization's culture is transmitted to its members through socialization, rites and ceremonies, stories, and language.

Ethics is the code of moral principles and values that governs the behaviors of a person or group with respect to what is right or wrong. Ethical values set standards as to what is good or bad in conduct and decision making. Ethics is distinct from behaviors governed by law. Ethical standards for the most part apply to behavior not covered by the law, and the rule of law covers behaviors not necessarily covered by ethical standards.

5.10. Glossary of Terms

Centralization means that formal decision-making authority is held by a small group of people, typically those at the top of the organizational hierarchy.

Ceremonies - Planned displays of organizational culture, conducted specifically for the benefit of an audience.

Formalization is the degree to which organizations standardize behavior through rules, procedures, formal training, and related mechanisms.

Matrix structure - An organizational structure that overlays two structures (such as a geographic divisional and a functional structure) in order to leverage the benefits of both.

Organizational culture - The pattern of shared values, beliefs, and assumptions considered appropriate for thinking and acting within an organization.

Organizational socialization – It refers the process by which individuals learn the values, expected behaviors, and social knowledge necessary to assume their roles in the organization.

Organizational structure refers to the division of labor as well as the patterns of coordination, communication, workflow, and formal power that direct organizational activities.

Rituals - The programmed routines of daily organizational life that dramatize the
organization‘s culture.

Team-based structure - An organizational structure built around self-directed teams that complete an entire piece of work.

5.11. Self-Assessment Questions

1. What is the origin of organizational culture? Why do different organizations have different cultures?
2. In what ways can organizational culture increase organizational effectiveness? Why is it important to obtain the right fit between organizational structure and culture?
3. How does your organization attempt to create an ethical climate?

4. Why is symbolic leadership so important to the influence of culture? Does a symbolic act communicate more about company values than an explicit statement? Discuss.
5. Codes of ethics have been criticized for transferring responsibility for ethical behavior from the organization to the individual employee. Do you agree? Do you think a code of ethics is valuable for an organization?
6. Do you think most employees prefer high formalization? Support your position.
7. What could managers do to make a bureaucracy more like a boundary less organization?

UNIT SIX
ORGANIZATIONAL DYNAMICS

Contents

1. Introduction
2. Organizational Change
3. Organizational Learning
4. Stress Management
5. Managing Work-Life Balance
6. Unit summary
7. Glossary of terms
8. Self-assessment questions

Unit Objectives

Up on the completion of this unit, you will be able to:

- Describe the elements of Lewin's force field analysis model
- Describe the characteristics of learning organization.
- Explain how a leader leads with vision.
- Define stress and describe the stress experience.
- Define work-life balance and explain the ways of managing it.

6.1. Introduction

In unit five, you will study about organization system. Specifically, you studied about fundamentals of organization structure and design; common organizational designs; new design options; reasons for different types of organizational structure; organizational culture; ethical values in organizations; and how leaders shape culture and ethics. You have also completed all the activity and the self-assessment questions of the unit. In this unit, you will learn about organizational dynamics. The unit consists of four broad sub-topics, namely: organizational change, organizational learning, managing stress, and managing work-life balance. Each of these has their own

sub-topics. After completing the sub-topic attempt the activity questions. Case analysis questions are also provided to check your understanding of the unit. Finally, self-assessment questions are given at the end of the unit for your check.

6.2. Organizational Change

Organizational change is the adoption of a new idea or behavior by an organization. There is nothing permanent except change. If has become an inescapable fact of life. Organizational change refers to a modification or transformation of the organization's structure, processes or goods. An organization lacking adaptability has no future. Organizations that invest most of their time and resources in maintaining the status quo are unlikely to prosper in today's environment of uncertainty and chaos. Today's organizations are buffeted from all sides by pressures that call for changes in structure, job design, management policies, culture, or entire way of doing business.

6.2.1. Forces for Change in Organizations

More and more organizations today face a dynamic and changing environment that in turn requires these organizations to adapt. Adaptiveness, flexibility and responsiveness are terms used to describe organizations that will succeed in meeting the competitive challenges that businesses face. In the past, organizations could succeed by claiming excellence in one area-quality, reliability, or cost. But this is not the case today. The current environment demands excellence in all areas. The table below summarizes six specific forces that are acting as stimulants for change:

Table: 6.1. Table specific forces that are acting as stimulants for change

Forces for Change	Examples
Nature of the workforce	**More cultural diversity** Increases in professionals Many new entrants with inadequate skills
Technology	**More computers and automation** TQM programs Reengineering programs
Economic shocks	**Interest rate fluctuations** Foreign currency fluctuations
Competition	**Global competitors** Mergers and consolidations

Social trends	**Increase in college attendance** Delayed marriage by young people
World politics	**End of the cold war**

Pressures for change are created both inside and outside the organization.

1. **External forces:** when the organization's general or task environment changes, the organization's success often rides on its ability and willingness to change as well. The modern manager is change conscious and operating in the constantly changing environment.
2. **Internal forces:** Besides reacting to or anticipating changes on the outside, an organization may change because someone on the inside thinks a new way of doing things will be beneficial or even necessary. Some of the internal forces are:
3. **Changes in managerial personnel (changes of executives at the top):** No two managers have the same styles, skills, or managerial philosophies.
4. **Declining effectiveness:** A company that experiences losses is undoubtedly motivated to do something about it __ like layoffs and massive cost cutting programs.
5. **Changes in work climate:** A workforce that seems lethargic, unmotivated, and dissatisfied is a symptom that must be addressed.
6. **Deficiencies in the existing system:** Some loopholes in the system might be unmanageable spans of control, lack of coordination between departments, lack of uniformity in policies, non cooperation between line and staff.

6.2.2. Managing Planned Change

Planned change is change resulting from a deliberate decision to alter the organization. It is an intentional, goal oriented activity. The goals of planned change are:

a. It seeks to improve the ability of the organization to adopt changes in its environment.

b. It seeks to change employee behavior

If an organization is to survive, it must respond to changes in its environment.

When competitors introduce new products or services, government agencies enact new laws, important sources of supply go out of business, or similar environmental changes take place, the organization needs to adapt.

Efforts to stimulate innovation, empower employees, and introduce work teams are examples of planned change activities directed at responding to changes in

the environment.

Since an organization's success or failure is essentially due to the things that its employees do or fail to do, planned change also is connected with changing the behavior of individuals and groups within the organizations.

It also helps to think of planned change in terms of order of magnitude.

First-order change is linear and continuous. It implies no fundamental shifts in the assumptions that organizational members hold about the world or how the organization can improve its functioning.

In contrast, second-order change is a multidimensional, multilevel, discontinuous, radical change involving refraining from assumptions about the organization and the world in which it operates.

Exercise: 6.1. Explain the difference between first order change and second order change

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6.2.3. The Role of Change Agents

Change agents are persons who act as catalysts and assume the responsibility for managing change activities. Change agents can be of two types:

1. Internal change agents: Change agents can be internal, such as managers or who are appointed to oversee the change process. Internal change agents have certain advantages in managing the change process. They are:

- They know the organization's past history, its political system, and its culture.
- Internal change agents are likely to be very careful about managing change because they must live with the results of their change efforts.

  There are also disadvantages of using internal change agents. They are:
- They may be associated with certain factions within the organization and may easily be accused of favoritism.
- Internal change agents may be too close to the situation to have an objective view of what needs to be done.

2. External change agents: Change agents can also be external such as outside consultants.

They bring an outsider's objective view to the organization. External change agents have certain advantages:

- They may be preferred by employees because of their impartiality
- They have more power in directing changes if employees perceive the change agents as being trustworthy, possessing important expertise, and having a track record that establishes credibility.

There are also disadvantages of using external change agents. They are:

- External change agents may have limited knowledge of the organization's history.
- They may be viewed with suspicion by organization members.

6.2.4. What Can Change Agents Change?

The options of change essentially fall into four categories: structure, technology, physical setting, and people.

1. Changing Structure

Changing structure involves making an alteration in authority relations, coordination mechanisms, job redesign, or similar structural variables. An organization's structure is defined by how tasks are formally divided, grouped, and coordinated. Change agents can alter one or more of the key elements in an organization's design. For instance, departmental responsibilities can be combined, vertical layers removed, and spans of control widened to make the organization flatter and less bureaucratic. More rules and procedures can be implemented to increase standardization. An increase in decentralization can be made to speed up the decision making process.

Change agents can also introduce major modifications in the actual structural design. This might include a shift from a simple structure to a team-based structure or the creation of a matrix design. Change agents might consider redesigning jobs or work schedules. Job descriptions can be redefined, jobs enriched, or flexible work hours introduced. Still another option is to modify the organization's compensation system. Motivation could be increased by, for example, introducing performance bonuses or profit sharing.

2. Changing Technology

Changing technology encompasses modifications in the way work is processed and in the methods and equipment used. Competitive factors or innovations within an industry often require change agents to introduce new equipment, tools, or operating methods. The most visible technological change in recent years has been expanding computerization.

3. Changing the Physical Setting

Changing the physical setting covers altering the space and layout arrangements in the workplace. The layout of work space should not be a random activity. Typically, management thoughtfully considers work demands, formal interaction requirements, and social needs when making decisions about space configurations, interior design, equipment placement, and the like. For example, by eliminating walls and partitions, and opening up an office design, it becomes easier for employees to communicate with each other.

4. Changing People

Changing people refers to changes in employee attitudes, skills, expectations, perceptions, and/or behavior. This category typically involves changing the attitudes and behaviors of organizational members through processes of communication, decision making, and problem solving. Changing people helps individuals and groups within the organization to work more effectively together.

Exercise: 6.2. What changes do change agents make?

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6.2.5. Resistance to Change

As the manger contemplates and initiates change in the organization, one phenomenon that is quite likely to emerge anytime in the change process is the resistance to change. People often resist change in a rational response based on self -interest. Resistance to change does not necessarily surface in standardized ways. Resistance can be overt, implicit, immediate, or deferred. It is easiest for management to deal with resistance when it is overt and immediate. The greater challenge is managing resistance that is implicit or deferred. The sources of resistance to change can be categorized into two: individual and organizational.

Individual Resistance: One aspect of people that has remained more or less constant is their innate resistance to change. Individuals resist change because they attach great preference to maintaining the status quo.

The following are sources of individual resistance to change.

- **Economic** reasons like fear of technological unemployment; fear of reduced work hours and consequently less pay; and fear of demotion and thus reduced wages.
- **Fear of the unknown**: Change often brings with it substantial uncertainty. Employees facing a technological change, such as the

introduction of a new computer system, may resist the change simply because it introduces ambiguity into what was once a comfortable situation for them.

- **Habit:** As human beings, we are creatures of habit. Change may pose disturbance to the existing comforts of status quo.
- **Peer pressure**: Individual employees may be prepared to accept change but refuse to accept it for the sake of the group.
- **Disruption of interpersonal relationships**: Employees may resist change that threatens to limit meaningful interpersonal relationships on the job.

Organizational Resistance: Organizations, by their very nature are conservative. They actively resist change. Some of the organizational resistances are explained below:

a) Resource constraints: The necessary financial, material and human resources may not be available to the organization to make the needed changes. Further, those groups in the organization that control sizeable resources often see change as a threat. They tend to be content with the way things are.

b) Structural inertia: Organizations have built in mechanisms to produce stability. For example, in a bureaucratic structure where jobs are narrowly defined and lines of authority are clearly spelled out change would be difficult. Formalization provides job descriptions, rules, and procedures for employees to follow. The people who are hired into an organization are chosen for fit; they are then shaped and directed to behave in certain ways. When an organization is confronted with change, this structural inertia acts as a counter balance to sustain stability.

c) Threat to established power relationships: Any redistribution of decision-making authority can threaten long-established power relationships within the organization.

d) Group inertia: Even if individuals want to change their behavior, group norms may act as a constraint. For example, if union norms dictate resistance to any unilateral change

made by management, an individual member of the union who may otherwise be willing to accept the changes may resist it.

6.2.6. Overcoming Resistance to Change

One the most important means of overcoming resistance to change is to have the strong, visible support of top management for the proposed change. Top management support symbolizes to all employees that the change is important for

the organization. In addition, top management support is crucial when a change involves several departments or when resources are being reallocated. One key to managing resistance is to plan for it and to be ready with a variety of strategies for using the resistance as feedback and helping employees negotiate the transition.

Some tactics have been suggested for use by change agents in dealing with resistance to change.

1. **Education and Communication**: Resistance can be reduced through communicating with employees to help them see the logic of a change.

The details of the change should be provided, but equally important is the rationale behind the change.

This tactic basically assumes that the source of resistance lies in misinformation or poor communication: If employees receive the full facts and get any misunderstanding cleared, resistance will subside. Providing accurate and timely information about the change can help prevent unfounded fears and potentially damaging rumors from developing.

- It is also beneficial to inform people about the potential consequences of the change. Educating employees on new work procedures is often helpful.

2. **Participation:** It is difficult for individuals to resist a change decision in which they participated.

- Prior to making a change, those opposed can be brought into the decision process.
- Assuming that the participants have the expertise to make a meaningful contribution, their involvement can reduce resistance, obtain commitment, and increase the quality of the change decision.

3. **Facilitation and Support:** When employee fear and anxiety is high, employee counseling, new skills training, or a short paid leave of absence may facilitate adjustment.
4. **Negotiation:** Another way to deal with potential resistance to change is to exchange something of value for a lessening of the resistance.

- Where some persons in a group clearly lose out in a change, and where groups have considerable power to resist, negotiation and agreements are helpful.
- Negotiation as a tactic may be necessary when resistance comes from a powerful source.

5. **Manipulation and Cooptation: Manipulation refers to covers influence attempts.**

- **Twisting and distorting facts to make them appear more attractive, withholding** undesirable information, and creating false rumors to get employees to accept a change are all example of manipulation.

- Cooptation, on the other hand, is a form of both manipulation and participation.
  - It seeks to buy off the leaders of a resistance group by giving them a key role in the change decision.
- The leaders' advice is sought, not to seek a better decision, but to get their endorsement.

6. **Coercion**: Coercion is the application of direct threats or force upon the resisters. They essentially force people to accept a change by explicitly or implicitly threatening them with the loss of their jobs, promotion possibilities, and transferring them.

   Coercion is mostly applied where speed is essential in implementing change and the change initiator possesses considerable power.

Exercise: 6.3. How do managers manage resistance to change?

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1. An Approach to Managing Change: Lewin's Three Step Model

Kurt Lewin, a social psychologist, noted for his work in organizational theory, developed a model of the change process that has stood the test of time and continues to influence the way organizations manage planned change.

Lewin argued that successful change in organizations should follow three steps: unfreezing the status quo, movement to a new state, and refreezing the new change to make it permanent.

Unfreezing is a step in the change process that makes employees aware of the problems and the need for change.

2. An Approach to Managing Change: Lewin's Three Step Model

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Lewin argued that successful change in organizations should follow three steps: unfreezing the status quo, movement to a new state, and refreezing the new change to make it permanent.

Unfreezing is a step in the change process that makes employees aware of the problems and the need for change.

Refreezing is stabilizing change by reinforcing it and rewarding employees who support the new behaviors.

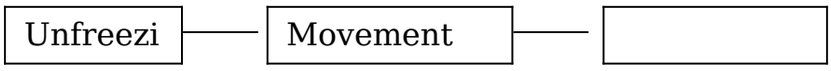
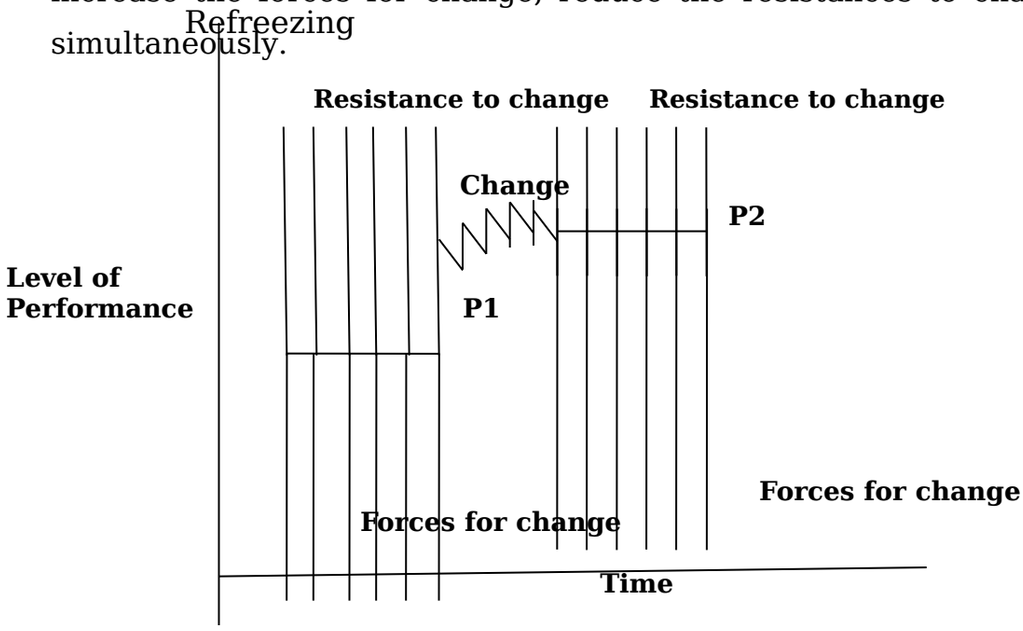


Figure: 6.1. Lewin's three-step change model

- There is a wide variety of forces that make an organization resistant to change just as there is a wide variety of forces that push organizations to change.
- Kurt Lewin, developed the force field theory, which demonstrates how these two forces always oppose each other and how an organization is balanced at any time between these two opposing forces.
- When these forces are in balance, the organization is in a state of inertia and does not change.
- To get an organization to change, managers must adopt a change strategy to increase the forces for change, reduce the resistances to change or do both simultaneously.



An organization at level **P1** is in balance because the forces to change just equal the resistances to change. However, managers have determined that the organization should strive to achieve a future performance level of **P2**. To get to **P2**, managers must increase the pressures for change (represented by the longer up arrows), reduce resistance to change (represented by the shorter down arrows), or both. If they succeed in pursuing any of the three strategies, the organization will change and move to point **P2**, and the organization will reach the desired performance level.

Exercise: 6.4. Describe the Lewin's three-step change model.

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6.3. The Learning Organization

The field of management is undergoing a worldwide, fundamental shift. This shift is reflected in the corporate transformations away from traditional hierarchical management toward full participation by every employee. This management shift has been prompted by two accelerating trends.

1. The increasing rate of change brought by global competition. Organizations must adapt faster and be able to do more things well.
2. A fundamental change in organizational technologies. Traditional organizations were designed to manage machine based technologies, with a primary need for stable and efficient use of physical resources, such as in mass production. However, new organizations are knowledge based, which means they are designed to handle ideas and information, with each employee becoming an expert in one or several conceptual tasks. Rather than striving for efficiency each employee in knowledge- based companies must continuously learn and be able to identify and solve problems in his or her domain of activity.

In this new world order, the responsibility of management is to create organizational learning capability. In many industries, the ability to learn and change faster than competitors may be the only sustainable competitive advantage. Hence, many companies are redesigning themselves toward something called the learning organization.

There is no single model of learning organization. The learning organization is an attitude or philosophy about what an organization is and the role of employees. The learning organization is a paradigm shift to a new way of thinking about organizations. In the learning organization, everyone is engaged in identifying

and solving problems, enabling the organization to continuously experiment, improve and increase its capability. In the learning organization, employees engage in problem identification, which means understanding customer needs. Employees also solve a problem, which means putting things together in unique ways to meet customer needs. The organization in this way adds value by defining new needs and solving them, which is accomplished more often with ideas and information than with physical products.

When physical products are produced, ideas and information still provide the competitive advantage because products are changing to meet new and challenging needs in the environment. In addition to increased employee responsibility over both organizational means and ends, the shift to a learning organization philosophy is associated with mindful leadership, a strong culture, widespread information structure, and systems. Each of these characteristics of the learning organization is described below.

Mindful Leadership: Leaders in a learning organization have three distinct roles.

1. **Design the social architecture.** The first task of organization design is to develop the governing ideas of purpose, mission and core values by which employees will be guided. Second, new policies, strategies, and structures that support the learning organization are designed and put into place.
2. **Create a shared vision.** The shared vision is a picture of an ideal future for the organization. The company vision must be widely understood and imprinted throughout the organization. Without a strong vision, employees may fragment and move in different directions.
3. **Servant Leadership.** Learning organizations are built by servant leaders who devote themselves to others and to the organization's vision. The image of a leader as a single actor who builds an organization by herself is not appropriate for the learning organization. The learning organization requires leaders who devote themselves to the organization. Leaders give away power, ideas, and information.

Empower and Respect People: The learning organization uses empowerment to an extraordinary degree. In the learning organization, cross-functional teams become the basic unit. People work together to identify needs and solve problems. Employees are respected and trusted. They are given opportunities for growth.

Emergent Strategy: Business strategy emerges bottom up as well as top

down. Since many employees are in touch with customers, suppliers, and new technologies, they identify needs and solutions. Customer needs may result in new products that define the company's strategy. Employees at the top and bottom develop sensitive antennae for technological and market change. They look at what customers ask for, and they look at what the customer may need tomorrow. Strategy in the learning organization can emerge from anywhere

Strong Culture: What does the culture of a learning organization look like? To really become a learning organization, a company must have the following values:

1. The whole is more valuable than the part, and boundaries are minimized. The learning organization stresses the company as a whole system. Only by understanding the overall vision and learning to improve the whole will the learning organization succeed. The culture also reduces boundaries. Removing boundaries enables the free flow of people, ideas, and information that allows coordinated action to innovate and adapt to an uncertain and changing environment. Reducing boundaries also means more partnership with suppliers, customers, and competitors.
2. The culture also values a sense of community and compassion and caring for one another. People like to belong to something, and the learning organization becomes a place for creating a web of relationships that nurtures and develops each person within the community. Love and caring provide the safety for experimentation, frequent mistakes, and failures that enable learning.

Full Information Sharing: The learning organization is flooded with information. Formal data about budgets, profits, and departmental expenses are available to everyone. Each person is free to exchange information with anyone in the company.

New Structures and Systems: In a learning organization, the formal vertical structure that created distance between managers and workers is disbanded. Teams of employees produce the product or service, and they deal with the customer, making changes and improvements as they go along. In learning companies, bosses are practically eliminated with team members taking responsibility for training safety, scheduling vacations, purchases, and decisions about work and pay.

Organizational Revitalization and Leadership: Many organizations are not yet ready to implement the learning organization philosophy. They don't know how? Or they are just struggling to survive. Companies may be in a period of

decline because of poor economic conditions, global competition, or bad management. Or senior executives do not understand the skills needed to implement the learning organization philosophy. For companies like these, the dominant issue is revitalization. Revitalization is typically completed in three stages of recovery under the guidance of a charismatic or transformational leader.

Turnaround and Recovery: The revitalization and turnaround of an organization suffering from decline typically involve three phases.

1. The first is crisis in which managers downsize the work force, cut out several layers of management, and lower production costs. Leaders create a new vision about what the organization can become in the future.
2. The second phase is to reinvest organizational capability. Now that the firm's competitive scope has been simplified, expenses are under control, and size has been reduced, the organization stabilizes. Top leaders will mobilize commitment to the new vision, using symbolic management techniques. Organization structure and corporate culture will be changed to reflect the new mission and goals. The most important focus of this phase is investing in human factors and organizational capability by implementing a shared mind-set, empowering workers, and creating capacity for change and future growth.

3. The final phase is rebuilding, where in the organization begins to grow. The focus shifts away from efficiency toward innovation and branching out for growth. Leaders may reposition products or decrease prices to penetrate new markets or may add new product lines. Each company undergoes turnaround in its own way, but some aspects of these three stages are typically present.

Exercise: 6.5. What do you think of the concept of learning organization? Which aspects seem least realistic?

_____

_____

6.4. Stress Management

Stress is an individual's psychological and emotional response to stimuli that place physical or psychological demands on the individual and create uncertainty and lack of personal control when important outcomes are at stake. These stimuli, called stressors, produce a combination of frustration at the inability to achieve a goal, such as the inability to meet a deadline because of inadequate resources, and anxiety, such as the fear of being disciplined for not meeting deadlines. Stressors are perceived as taxing or exceeding an individual's personal

capabilities and resources.

6.4.1. The Stress Process

More than 500 years ago, people began using the word stress to describe the human response to harsh environmental conditions. However, it wasn't until the 1930s that Hans Selye (often described as the father of stress research) first documented the stress experience, called general adaptation syndrome. Selye determined (initially by studying rats) that people have a fairly consistent and automatic physiological response to stressful situations, which helps them to cope with environmental demands.

The general adaptation syndrome consists of the three stages shown in Figure 6.3. The alarm reaction stage occurs when a threat or challenge activates the physiological stress responses that were noted above. The individual's energy level and coping effectiveness decrease in response to the initial shock. The second stage, resistance, activates various biochemical, psychological, and behavioral mechanisms that give the individual more energy and engage coping mechanisms to overcome or remove the source of stress. To focus energy on the source of the stress, the body reduces resources to the immune system during this stage. This explains why people are more likely to catch a cold or some other illness when they experience prolonged stress. People have a limited resistance capacity, and if the source of stress persists, the individual will eventually move into the third stage, exhaustion. Most of us are able to remove the source of stress or remove ourselves from that source before becoming too exhausted. However, people who frequently reach exhaustion have increased risk of long-term physiological and psychological damage.

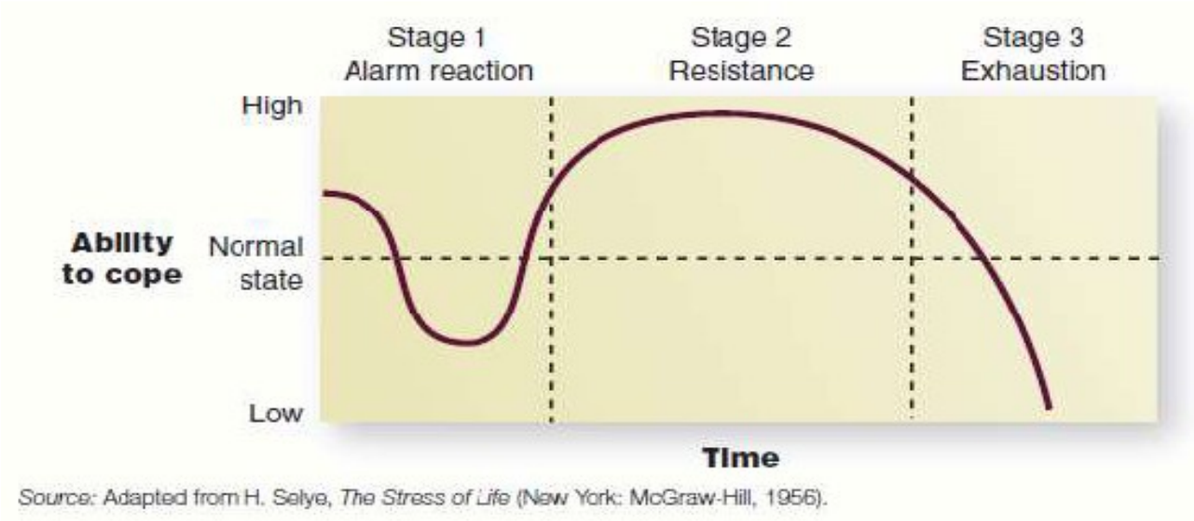

Figure: 6.3. General Adaptation Syndrome

6.4.2. Eustress and Distress

Selye also pointed out that the sources of stress need not be bad. Eustress is the pleasurable stress that accompanies positive events. For example, receiving a bonus and then having to decide what to do with the money can be stressful. So can getting a promotion, gaining recognition, getting married and similar good things.

Distress is the unpleasant stress that accompanies negative events. Excessive pressure, unreasonable demands on our time and bad news all fall into this category. As the term suggests, this form of stress generally results in negative consequences for the individual.

6.4.3. Common Causes of stress

Many things can cause stress. We can classify them into two broad categories: organizational stressors and life stressors.

Organizational Stressors: Four general sets of organizational stressors are task demands, physical demands, role demands, and interpersonal demands.

1. **Task demands:** Task demands are stressors associated with the specific job a person performs. Some occupations are by nature more stressful than others. For example, emergency doctors are under tremendous stress as a result of the task demands of their jobs. They regularly have to make quick decisions, based on limited information that may determine whether a patient lives or dies.
2. **Physical demands:** Physical demands are stressors associated with the setting in which an individual works, such as inadequate lighting or little

privacy. A poorly designed office can make it difficult for people to have privacy or promote too much or too little social interaction.

3. **Role demands:** Role demands are stressors associated with the role a person is expected to play. Role demands relate to pressures placed on a person as a function of the particular role he or she plays in the organization. A role is a set of expected behaviors associated with a particular position in a group or organization. Different role demands can result in stress-inducing problems called role ambiguity, role conflict, and role overload.

a. **Role ambiguity** arises when a role is unclear. In work settings, role ambiguity can stem from poor job descriptions, vague instructions from a supervisor, or unclear cues from coworkers. The result is likely to be a subordinate who does not know what to do. Role ambiguity can thus be a significant source of stress.

b. **Role conflict** occurs when the messages and cues constituting a role are clear but contradictory or mutually exclusive. The conflict may be an inter-role, intra-role, or Person-role conflict.

- **Inter-role conflict**: is caused by conflicting expectations related to two separate roles, such as employee and parent. For example, the employee with a major sales presentation on Monday and a sick child at home is likely to experience inter-role conflict.
- **Intra-role conflict**: is caused by conflicting expectations related to a single role, such as employee. For example, the manager who presses employees for both very fast work and high-quality work may be viewed at some point as creating a conflict for employees.
- **Person-role conflict**: results from a discrepancy between the role requirements and the individual's personal values, attitudes, and needs. If a person is told to do something unethical or illegal or if the work is distasteful (for example, firing a close friend), person-role conflict is likely.

  Role conflict of all varieties is of particular concern to managers. Conflict may occur in a variety of situations and lead to variety of adverse consequences, including stress, poor performance, and rapid turnover.

c. **Role overload** occurs when expectations for the role exceed the individual's capabilities. When a manager gives an employee several major assignments at once while increasing the person's regular workload the

employee will probably experience role overload.

4. **Interpersonal demands:** Interpersonal demands are stressors associated with group pressures, leadership, and personality conflicts.

Group pressures may include pressure to restrict output, pressure to conform to the group's norms, and so forth. For instance, it is quite common for a work group to arrive at an informal agreement about how much each member will produce. - Individuals who produce much more or much less than this level may pressured by the group to get back in line. And individual who feels a strong need to vary from the group's expectation (perhaps to get a pay raise or promotion) will experience a great deal of stress, especially if acceptance by the group is also important to him or her.

Leadership Style also may cause stress. Suppose an employee needs a great deal of social support from his leader. The leader, however, is quite brusque and shows no concern or compassion for him. This employee will probably feel stressed.

Personality Conflict: Conflicting personalities and behaviors may cause stress. Conflict can occur when two or more people must work together even though their personalities, attitudes, and behaviors differ.

For example, a person with an ***internal locus of control*** __ that is, who always wants to control how things turn out __ might get frustrated working with a person with an ***external locus of control*** who likes to wait and just let things happen. Likewise, a smoker and non-smoker who are assigned adjacent work places obviously will experience stress.

Life Stressors: Stress in organizational settings also can be influenced by events that take place outside the organization. Life stressors generally are categorized in terms of life change and life trauma.

1. **Life change:** A life change is any meaningful change in a person's personal or work situation; too many life changes can lead to health problems. Life events such as death of a spouse, divorce, or a new job can cause stress.
2. **Life trauma:** Life trauma is similar to life change, but it has a narrower, more direct, and shorter-term focus. A life trauma is any upheaval in an individual's life that alters his or her attitudes, emotions, or behaviors. For example, a person will experience emotional turmoil during the actual divorce process. This turmoil is a form of life trauma and will clearly cause stress, much of which may spill over into the workplace.

6.4.4. Individual Response to Stress

Whether or not individuals experience negative consequences of stress depends on how they react to the sources of stress. For example, some people find demanding work to be challenging and motivating __ a source of positive stress. Others would view the same work to be too demanding, and it would cause them to experience negative consequences (such as headaches).

Type A and Type B Behaviors

Type A behavior pattern includes extreme competitiveness, impatience, aggressiveness and devotion to work.

In contrast, people with Type B behavior pattern exhibit less of these behaviors. They consequently experience less conflict with other people and a more balanced, relaxed life style.

Type A people tend to experience more stress related illness than Type B people.

Negative Affectivity

Some people may experience more negative stress than others because they tend to focus on the negative aspects of life.

Negative affectivity represents a person‘s tendency to focus on shortcomings and the negative aspects of life so that he or she tends to be angry, fearful, and depressed.

Personal Control

Personal control means that individuals believe their behaviors determine what happens to them. That is, they believe they control their future. Individuals who believe they have more personal control are less threatened by stressors and, as a result, experience fewer negative reactions.

Social Support

Social Support refers to relationships with other people including peers, friends, and relatives, who listen to problems and are sympathetic and caring. Most people cope with stressors more effectively if they lead balanced lives and are part of a network of people who support and encourage them. - Family, relationships, friendships, and memberships in non-work groups such as community or religious organizations are helpful for stress management, as well as for other benefits.

6.4.5. Consequences of Stress

An individual who is experiencing a high level of stress may develop high blood pressure, ulcers, loss of appetite, and the like. These consequences can be classified into three general categories: physiological, psychological, and behavioral symptoms.

- **Physiological Symptoms**: Stress could create changes in metabolism, increase heart and breathing rates increase blood pressure, bring on headaches, and induce heart attacks.
- **Psychological Symptoms**: Stress can cause dissatisfaction, tension, anxiety, irritability, and boredom.
- **Behavioral Symptoms:** Behaviorally related stress symptoms include changes in productivity, absence, and turnover, as well as changes in eating habits, increased smoking or consumption of alcohol, and sleep disorders.

6.4.6. Managing Stress

Stress is an inevitable feature of work and personal life and there are individual and organizational approaches toward managing stress.

Individual Approaches: An employee can take personal responsibility for reducing his or her stress level. Individual strategies that have proven effective include implementing time management techniques, increasing physical exercise, relaxation training, and expanding the social support network.

a. Time management: A practical way to manage stress is to better control your use of time. The well-organized employee can often accomplish twice as much as the person who is poorly organized. So an understanding and utilization of basic time management principles can help individuals better cope with tensions created by job demands.

A few of the more well-known time management principles are:

- ✓ making daily lists of activities to be accomplished;
- ✓ prioritizing activities by importance and urgency;
- ✓ scheduling activities according to the priorities set; and
- ✓ knowing your daily cycle and handling the most demanding parts of your job during the high part of your cycle when you are most alert and productive

b. **Noncompetitive physical exercise**: People who exercise regularly are less likely to have heart attacks than inactive people. Physical exercises such as aerobics, walking, jogging, swimming, and riding a bicycle have long been recommended by physicians as a way to deal with excessive stress levels. These

forms of physical exercise increase heart capacity lower at rest heart rate, provide a mental diversion from work pressures, and offer a means to let off steam.

c. Relaxation: One way to relax is to take regular vacations. Meditation in quite environment can also provide the condition for relaxation.

d. Development of social support network: Having friends, family, or work colleagues to talk to, provides an outlet when stress levels become excessive. The social support network provides a person with someone to hear his or her problems and to offer a more objective perspective on the situation.

Organizational Approaches: Several of the factors that cause stress __ particularly task and role demands and organizational structure __ are controlled by management. As such, they can be modified or changed. Strategies that management might want to consider include improved personnel selection and job placement, use of realistic goal setting, redesigning of jobs, increased employee involvement, improving organizational communication, and establishment of corporate wellness programs.

a. **Improved personnel selection and job placement:** While certain jobs are more stressful than others, individuals differ in their response to stress situations. Individuals with little experience or an external locus of control tend to be more prone to stress. Selection and placement decisions should take these facts into consideration.
b. **Goal Setting:** Individuals perform better when they have specific and challenging goals and receive feedback on how well they are progressing toward these goals. The use of goals can reduce stress as well as provide motivation.
c. **Job redesign:** Redesigning jobs to give employees more responsibility, more meaningful work, more autonomy, and increased feedback can reduce stress because these factors give the employee greater control over work activities and lessen dependence on others.
d. **Increasing employee involvement:** Role stress is detrimental to a large extent because employees feel uncertain about goals, expectations, how they will be evaluated, and the like.

   By giving these employees a voice in those decisions that directly affect their job performances, management can increase employee control and reduce this role stress.
e. **Improved organizational communication:** Increasing formal

organizational communication with employees reduces uncertainty by lessening role ambiguity and role conflict.

f. **Employee wellness programs:** Wellness programs focus on changing behaviors that could lead to future health problems. Wellness programs are preventive in nature __ they attempt to stop health problems from occurring or detect them while they can be treated at a lower cost to the company and with less physical discomfort for the employee. Wellness programs can involve early detection, education, fitness, and improvements in the work environment to make it healthier.

Exercise: 6.6. List and explain the individual approaches of managing stress.

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6.5. Balancing Work and Life

Today, work hours are longer (although arguably less than they were 100 years ago), employees experience more work-related stress, and there is growing evidence that family and personal relations are suffering. Little wonder that one of the emerging issues in this new century is for more work–life balance.

What is work life balance? Work-life balance is defined as the degree to which a person minimizes conflict between work and non-work demands. Work-life balance means different things to different people and different things at different stages of life. However, any definition for anyone must include the problems of lack of time and exhaustion. Research indicates that failure to achieve the correct balance of effort and rest is linked to a feeling of lack of control over your workload, plus lack of energy to fulfill personal goals and commitments. If the balance is wrong, the result may include fatigue, poor performance and a poor quality of life.

How can organizations help employees balance work and life? One way organizations can help employees balance work and life is by considering changes that can reduce or eliminate stress related to when work is preformed, where work is performed, and who performs the work. Work–life balance initiatives minimize conflict between the employee‘s work and non-work demands. Five of the most common work–life balance initiatives are flexible and limited work time, job sharing, telecommuting, personal leave, and child care support.

1. **Flexible and limited work-time**. An important way to improve work–life

balance is limiting the number of hours that employees are expected to work and giving them flexibility in scheduling those hours. Flexible work schedules include working at home, part-time work, a compressed workweek, or flextime. Flextime is a work schedule that requires employees to work a certain number of core hours but gives them a choice when to start and end work.

Another way related to this is compressed work schedule. A compressed work schedule refers to a schedule that compresses the workweek into fewer than five days by increasing the number of hours the employee is required to work each day. For example, employees may be required to work four ten-hour days.

2. **Job sharing**. Job sharing refers to having two employees divide the hours, responsibilities, and benefits of a full-time job. Job sharing splits a career position between two people so that they experience less time-based stress between work and family. They typically work different parts of the week, with some overlapping work time in the weekly schedule to coordinate activities. This strategy gives employees the ability to work part-time in jobs that are naturally designed for full-time responsibilities.

3. **Telecommuting**. Telecommuting reduces the time and stress of commuting to work and makes it easier to fulfill family obligations, such as temporarily leaving the home office to pick the kids up from school. Research suggests that telecommuters tend to experience better work–life balance. However, telecommuting may increase stress for those who crave social interaction and who lack the space and privacy necessary to work at home.

4. **Personal leave.** Employers with strong work–life values offer extended maternity, paternity, and personal leave for employees to care for a new family or take advantage of a personal experience. The Ethiopian labor law provides a three-month paid maternity leave.

5. **Child care support**. Another way that organizations help employees balance work and life is by providing programs that are directed at helping them take care of children or elders. According to one estimate, almost one-quarter of large American companies provide on-site or subsidized child care facilities. Child care support reduces stress because employees are less rushed to drop off children and less worried during the day about how well their children are doing.

Exercise: 6.7. How can job sharing and telecommuting balance work and life?

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_____

6.6. Unit Summary

Organizational change is the adoption of a new idea or behavior by an organization. Pressures for change are created both inside and outside the organization. Planned change is change resulting from a deliberate decision to alter the organization. Organizational change also requires driving forces. This means that employees need to have an urgency for change by becoming aware of the environmental conditions that demand change in the organization.

Stress is an adaptive response to a situation that is perceived as challenging or threatening to a person's wellbeing. The stress experience, called the general adaptation syndrome, involves moving through three stages: alarm, resistance, and exhaustion.

Stressors are the causes of stress and include any environmental conditions that place a physical or emotional demand on a person. Three stressors that have received considerable attention are harassment and incivility, work overload, and low task control. Two people exposed to the same stressor may experience different stress levels. Many interventions are available to manage work-related stress, including removing the stressor, withdrawing from the stressor, changing stress perceptions, controlling stress consequences, and receiving social support.

Work-life balance is defined as the degree to which a person minimizes conflict between work and non-work demands. If the balance is wrong, the result may include fatigue, poor performance and a poor quality of life. Five of the most common work–life balance initiatives are flexible and limited work time, job sharing, telecommuting, personal leave, and child care support.

6.7. Glossary of Terms

Change agents are persons who act as catalysts and assume the responsibility for managing change activities.

Distress: the unpleasant stress that accompanies negative events.

Driving forces: Forces that direct behavior away from the status quo

Eustress: the pleasurable stress that accompanies positive events.

Job sharing: splitting a career position between two people so that they experience less time- based stress between work and family.

Moving: refers to efforts to get employees involved in the change process.

Negotiation: A process in which two or more parties exchange goods or services and try to agree upon the exchange rate for them.

Organizational change refers to a modification or transformation of the organization's structure, processes or goods.

Refreezing is stabilizing change by reinforcing it and rewarding employees who support the new behaviors.

Restraining forces: Forces that hinder movement away from the status quo

Stress: an adaptive response to a situation that is perceived as challenging or threatening to a person's well-being.

Telecommuting: also called **tele-working**, involves working at home rather than commuting to the office.

Unfreezing is a step in the change process that makes employees aware of the problems and the need for change.

Work–life balance: The degree to which a person minimizes conflict between work and non- work demands.

6.8. Self-Assessment Questions

1. *How can a manager be a major cause of stress for employees?*

   _____

   _____

2. *In what ways can stress have positive consequences?*

   _____

   _____

3. *Discuss the most common work–life balance initiatives.*

   _____

   _____

4. *Do you agree that creating organizational learning capability is more important for competitive advantage than is creating financial, marketing or technological capability?*
   Explain.

   _____

   _____

5. *Why are cultural values of minimal boundaries and compassion and caring important to a learning organization? Discuss.*

   _____

   _____

6. *Explain the advantages and the disadvantages of internal change agent.*

   _____

   _____

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