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# Organizational Behavior

SEVENTH EDITION

Robert Kreitner  
Angelo Kinicki

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Seventh Edition

Robert Kreitner

Angelo Kinicki

Both of Arizona State University



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## ORGANIZATIONAL BEHAVIOR

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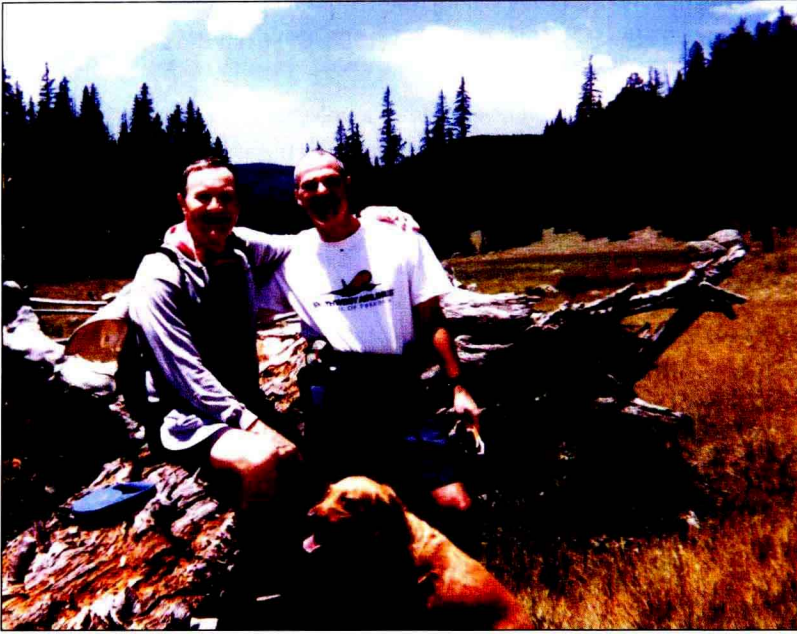
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# About the Authors



**Robert Kreitner, PhD** (pictured left) is a professor emeritus of management at Arizona State University and a member of the WVP Carey College of Business Faculty Hall of Fame. Prior to joining ASU in 1975, Bob taught at Western Illinois University. He also taught organizational behavior at Thunderbird. Bob is a popular speaker who has addressed a diverse array of audiences worldwide on management topics. Bob has authored articles for journals such as *Organizational Dynamics*, *Business Horizons*, and *Journal of Business Ethics*. He also is the co-author (with Fred Luthans) of the award-winning book *Organizational Behavior Modification*

and *Beyond: An Operant and Social Learning Approach*, and the author of *Management*, 10th edition, a best-selling introductory management text.

Among his consulting and executive development clients have been American Express, SABRE Computer Services, Honeywell, Motorola, Amdahl, the Hopi Indian Tribe, State Farm Insurance, Goodyear Aerospace, Doubletree Hotels, Bank One—Arizona, Nazarene School of Large Church Management, US Steel, and Allied-Signal. In 1981–82 he served as chairman of the Academy of Management's Management Education and Development Division. Bob grew up in western New York state. After a four-year enlistment in the US Coast Guard, including service on the icebreaker EASTWIND in Antarctica, Bob attended the University of Nebraska—Omaha on a football scholarship. Bob also holds an MBA from the University of Nebraska—Omaha and a PhD from the University of Nebraska—Lincoln. While working on his PhD in business at Nebraska, he spent six months teaching management courses for the University in Micronesia. In 1996, Bob taught two courses in Albania's first-ever MBA program (funded by the US Agency for International Development and administered by the University of Nebraska—Lincoln). He taught a summer leadership program in Switzerland from 1995 to 1998. Bob and his wife, Margaret, live in Phoenix with a cat and a pet starling. They enjoy travel, hiking, woodcarving, and fishing.

**Angelo Kinicki** is a professor and Dean's Council of 100 Distinguished Scholars at WVP Carey School of Business, Arizona State University. He joined the faculty in 1982, the year he received his doctorate in business administration from Kent State University. His specialty is organizational behavior.

Angelo is recognized for both his research and teaching. He has published more than 50 articles in a variety of leading academic and professional journals and has co-authored five textbooks (13, counting revisions). Angelo's



experience as a researcher also resulted in his selection to serve on the editorial review boards for the *Academy of Management Journal*, the *Journal of Vocational Behavior*, and the *Journal of Management*. He received the All-Time Best Reviewer Award from the *Academy of Management Journal* for the period of 1996–99. Angelo's performance in the classroom has earned him several awards. He received the John W Teets Outstanding Graduate Teacher Award (2004–05), the Graduate Teaching Excellence Award (1999–2000), the Continuing Education Teaching Excellence Award (1992–93), and the Undergraduate Teaching Excellence Award (1988–89) from the College of Business at Arizona State University.

One of Angelo's strengths is his ability to teach students at all levels within a university. He uses an interactive environment to enhance undergraduates' understanding about management and organizational behavior. He focuses MBAs on applying management concepts to solve complex problems; PhD students learn the art and science of conducting scholarly research.

Angelo also is a busy consultant and speaker with companies around the world. His clients are many of the *Fortune* 500 companies as well as a variety of entrepreneurial firms. Much of his consulting work focuses on creating organizational change aimed at increasing organizational effectiveness and profitability. One of Angelo's most important and enjoyable pursuits is the practical application of his knowledge about management and organizational behavior.

Angelo and his wife, Joyce, have enjoyed living in the beautiful Arizona desert for 24 years but are natives of Cleveland, Ohio. They enjoy traveling, golfing, and hiking.



With love to my brothers, Clint, Phil, and Pete.

—B.K.

With love and admiration to Joyce, the wind beneath my wings.

—A.K.

# Preface

Things move very fast in today's Internet-linked global economy. Competition is intense. Speed, cost, and quality are no longer the trade-offs they once were (meaning improvement in one came at the expense of one or both of the others). Today's customers want immediate access to high-quality products and services at a reasonable price. Thus, managers are challenged to simultaneously speed up the product creation and delivery cycle, cut costs, and improve quality. (And to do so in an ethical manner.) Regardless of the size and purpose of the organization and the technology involved, *people* are the common denominator when facing this immense challenge. Success or failure hinges on the ability to attract, develop, retain, motivate, and lead a diverse array of appropriately skilled people. *The human factor drives everything.* To know more about workplace behavior is to gain a valuable competitive edge. The purpose of this textbook is to help present and future organizational participants better understand and manage people at work.

Although this seventh edition of *Organizational Behavior* is aimed at undergraduate business students in similarly named courses, previous editions have proven highly versatile. *Organizational Behavior* has been used effectively in MBA programs, executive education and management development programs, and industrial and organizational psychology programs around the world. (Note: A special European edition is

available.) This textbook is the culmination of our combined 60 years of teaching experience and research of organizational behavior and management in the United States, Pacific Rim, and Europe. Thanks to detailed feedback from students, professors, and practicing managers, this seventh edition is shorter, more refined, and better organized. Many new changes have been made in this edition, reflecting new research evidence, new management techniques, and the fruits of our own learning process.

*Organizational Behavior*, seventh edition, is *user driven* (as a result of carefully listening to our readers). It was developed through close *teamwork* between the authors and the publisher and is the product of *continuous improvement*. This approach has helped us achieve a difficult combination of balances. Among them are balances between theory and practice, solid content and interesting coverage, and instructive detail and readability. Students and instructors say they want an up-to-date, relevant, and interesting textbook that actively involves the reader in the learning process. Our efforts toward this end are evidenced by many new topics and real-life examples, a stimulating art program, timely new cases and boxed inserts, end-of-chapter experiential exercises for both individuals and teams, and 23 exercises integrated into the text. We realize that reading a comprehensive textbook is hard work, but we also firmly believe the process should be interesting (and sometimes fun).

# GUIDED TOUR

## Structural Improvements in the Seventh Edition

Part One in this seventh edition provides a foundation of understanding as well as a cultural context for the study of organizational behavior. In Parts Two through Four, the material flows from micro (individuals) to macro (groups and organizations) topics. Once again, we have tried to achieve a workable balance between micro and macro topics. As a guide for users of the previous edition, the following structural changes need to be noted:

- This seventh edition is one chapter shorter than the sixth edition and two chapters shorter than the fifth edition.
- Based on reviewer feedback, the material on abilities has been moved from Chapter 6 to Chapter 5 for tighter topical integration.
- Three motivation-related chapters in the sixth edition (8, 9, and 10) have been refined to two in this new edition. Chapter 8 now covers all the major content and process theories of motivation, plus recent developments in the area. Chapter 9 now offers tightly integrated coverage of goal setting, feedback, intrinsic and extrinsic rewards, and positive reinforcement within a performance management framework.
- Group dynamics and teamwork (Chapters 10 and 11) have been moved ahead of individual and group decision making (Chapter 12) to provide needed context.
- Participative management has been moved from the motivation area to the section on empowerment in Chapter 15 for tighter topical integration.
- The social learning model of self-management is now Learning Module B (Web), to provide space for the coverage of intrinsic rewards in Chapter 9.
- Additional leadership concepts and models have been moved to Learning Module D (Web) for on-demand bonus coverage.
- While the very popular Learning Module A (Ethics and Organizational Behavior) remains in the text following Chapter 1, Learning Modules B (Self-Management), C (Performance Appraisal), D (Additional Leadership Models), and E (Research Methods in OB) have been moved to the Web ([www.mhhe.com/kreitner](http://www.mhhe.com/kreitner)) for a slimmer book and greater on-demand topical flexibility.

## Brief Contents

### Part One

#### The World of Organizational Behavior

##### Chapter One

Organizational Behavior: The Quest for People-Centered Organizations

##### Learning Module A

Ethics and Organizational Behavior

##### Chapter Two

Managing Diversity: Releasing Every Employee's Potential

##### Chapter Three

Organizational Culture, Socialization, and Mentoring

##### Chapter Four

International OB: Managing across Cultures

### Part Two

#### Individual Behavior in Organizations

##### Chapter Five

Self-Concept, Personality, Abilities, and Emotions

##### Learning Module B (Web)

Self-Management

##### Chapter Six

Values, Attitudes, and Job Satisfaction

##### Chapter Seven

Social Perception and Attributions

##### Chapter Eight

Foundations of Motivation

##### Chapter Nine

Improving Job Performance with Goals, Feedback, Rewards, and Positive Reinforcement

xxiv

##### Learning Module C (Web)

Performance Appraisal

### Part Three

#### Group and Social Processes

##### Chapter Ten

Group Dynamics

##### Chapter Eleven

Teams and Teamwork

##### Chapter Twelve

Individual and Group Decision Making

##### Chapter Thirteen

Managing Conflict and Negotiation

### Part Four

#### Organizational Processes

##### Chapter Fourteen

Communication in the Internet Age

##### Chapter Fifteen

Influence Tactics, Empowerment, and Politics

##### Chapter Sixteen

Leadership

##### Learning Module D (Web)

Additional Leadership Models

##### Chapter Seventeen

Creating Effective Organizations

##### Chapter Eighteen

Managing Change and Stress

##### Learning Module E (Web)

Research Methods in Organizational Behavior



## New and Expanded Coverage

Our readers and reviewers have kindly told us how much they appreciate our efforts to keep this textbook up-to-date and relevant. Toward that end, you will find the following important new and significantly improved coverage in the seventh edition:

### Chapter 1

Some FAQs about studying OB; e-leadership; how companies are building human and social capital; Positive organizational behavior

#### Learning Module A

A decision tree for ethical decisions

### Chapter 2

A summary of equal employment opportunity legislation in the United States; updated work force demographics; social categorization theory; surface-level and deep-level dimensions of diversity; process model of the positive and negative effects of diverse work environments

### Chapter 3

Examples of embedding organizational culture; onboarding

### Chapter 4

Cultural intelligence; new lessons from the GLOBE project; new research data on why US expatriates return home early; nine cross-cultural competencies

### Chapter 5

Humility; self-reflection; organization-based self-esteem; Gardner's eight multiple intelligences

### Chapter 6

Person–culture fit; amount of time men spend with their families; organizational response to work/family issues; cognitive dissonance; organizational commitment; psychological contracts; costs of absenteeism and turnover

### Chapter 7

Galatea effect

### Chapter 8

Distinction between content and process theories of motivation

### Chapter 9

Performance management model; performance outcome goals and learning goals; feedback for coaching purposes; building blocks of intrinsic rewards and motivation; modern incentive pay plans

### Chapter 10

New survey data on sexual harassment

### Chapter 11

Developing teamwork competencies

### Chapter 12

Intuition in decision making; decision-making blunders; guidelines for developing intuitive awareness; rules for brainstorming

### Chapter 13

Why people avoid conflict

### Chapter 14

New communication technologies, including handheld devices and blogs; listening styles; formal and informal communication channels; purposeful communication distortion; Internet usage around the world; managing e-mail; group support systems

### Chapter 15

Participative management integrated into coverage of empowerment

### Chapter 16

Table summarizing various approaches to leadership; characteristics of leaders and managers; expanded coverage of leadership traits; traits of bad leaders; Peter Drucker's tips for improving leadership effectiveness; full-range theory of leadership; behaviors associated with transformational leadership; shared leadership; Level 5 leadership; role of followers in leadership process

### Chapter 17

W L Gore's organic organization; new example of a poorly executed merger

### Chapter 18

A systems model of change; applying the systems model of change; employee assistance programs

## New Feature: Real World/Real People

While theory and research are important to the study of OB, current examples of real people in real organizational situations are needed to bring OB to life for the reader. New to this seventh edition are 71 Real World/Real People boxed inserts strategically located throughout the text. They are up-to-date (mostly drawn from 2004 or 2005 sources), often provocative, and definitely interesting. The Real World/Real People features tend to be short, for quick reading, and tightly linked to the accompanying textual discussion. They show real people at their best and sometimes at their worst. Fourteen of the Real World/Real People boxes have a diversity theme; 9 have an ethics theme; and 15 have a global theme.

Among the important and interesting topics and insights in the Real World/Real People features are building human and social capital, underemployment, mentoring, the importance of *Guanxi* in China, emotional intelligence, personal values and business, stereotypes and racial bias, feelings of inequity, 360-degree feedback, office architecture and social interaction, trust, intuitive problem solving, rewarding creativity, win-win negotiation, what really goes on during conference calls, electronics gone crazy, an executive who persuaded his kidnappers to release him unharmed, credible leadership, limits of outsourcing, and an American heading up a Japanese company.

Real World  
Real People

### An Entrepreneur's Odyssey: Lawyer, Baker, Manager

Four years ago, Warren Brown walked away from a job as a federal litigator to bake cakes. It all started on New Year's 1999 when Brown, an able cook, resolved to become an expert baker as well. After work, he began to whip up cakes. He found that baking provided release from the workaday stress.

[In Washington, DC,] he moved into a 600-square-foot storefront that he christened Cake Love. He funded the business with credit cards and then a \$125,000 loan backed by the Small Business Administration....

With about four of his 16 bakery employees present at any one time... and a steady stream of customers, Cake Love is easily crowded. Brown opened the Love Café across the street in 2002 to provide a little breathing room. The café... serves sandwiches and soups as well as cake....

Though he spends more time managing than frosting cakes these days, he still bakes most mornings.



SOURCE: Excerpted from Cliff, "Because Only in America Will Someone Quit a Secure Job as a Lawyer to Start a Bakery," Inc., April 2005, p. 77.



## Featured Organizations

Organizations featured in the Real World/Real People boxes include Toyota, JetBlue Airways, Wegmans, Ernst & Young, Williams-Sonoma, Blue Cross Blue Shield of North Carolina, Rodale, Adelphia Communications, Intel, Enron, Lockheed Martin, IndyMac Bank, Wachovia Bank, Apache Corp., Crispin, Porter + Bogusky, Tennessee Bun Company, Motorola, China's Tsinghua University, Dell, Hackensack University Medical Center, Starkey Laboratories, Quest Diagnostics, Harmony, Werner Paddles, Patagonia, Burger King, Time Warner, Kmart, Sears, Hewlett-Packard, Abercrombie & Fitch, Nokia, Xerox, Sony, Mayo Clinic, Switzerland's ABB, Starbucks, Coca-Cola, Britain's GlaxoSmithKline, Marathon Oil, and Wal-Mart.



### Blue Cross and Blue Shield of North Carolina (BCBSNC) Effectively Implements a Mentoring Program

Designed to identify high-potential employees, develop talent, enhance cross-functional relationships and create networking opportunities, the program consists of nine-month commitments on the part of the mentor and mentee. Employees who are accepted into the program (anyone can apply) are paired with a mentor who has completed rigorous training and is typically from a different department and/or division than the mentee. . . . Since the program's inauguration in 2000, turnover among mentees has averaged 46% lower than BCBSNC's general employee population. What's more, the BCBSNC's Corporate Lead-

ership Council's formula for calculating the cost of turnover showed that this program, which costs less than \$4,500 per year in out-of-pocket expense, generated a cost avoidance of more than \$1.4 million. Additionally, 18% of mentees in 2001 and 25% in 2002 received outstanding performance ratings, compared to 10% for the general population for the same periods.

SOURCE: Excerpted from "Best Practices: Mentoring—Blue Cross and Blue Shield of North Carolina," *Training*, March 2004, p 62.

## AACSB Coverage

In keeping with the curriculum recommendations from AACSB International (the Association to Advance Collegiate Schools of Business, [www.aacsb.edu](http://www.aacsb.edu)) for greater attention to managing in a global economy, managing cultural diversity, improving product/service quality, and making ethical decisions, we feature this coverage:

- A full chapter on international organizational behavior and cross-cultural management (Chapter 4). Comprehensive coverage from the landmark GLOBE project. To ensure integrated coverage of international topics, 15 of the Real World/Real People boxed inserts have a global theme.
- Chapter 2 offers comprehensive and up-to-date coverage of managing diversity, and 14 of the Real World/Real People boxed inserts have a diversity theme.
- Principles of total quality management (TQM) and the legacy of W Edwards Deming are discussed in Chapter 1 to establish a quality-improvement context for the entire textbook. Also, many quality-related examples have been integrated into the textual presentation.
- As outlined next, this seventh edition includes comprehensive coverage of ethics-related concepts, cases, and issues. Nine of the Real Work/Real People boxed inserts have an ethics theme.

Chapter

### 2

## Managing Diversity: Releasing Every Employee's Potential

**Learning Objectives**


When you finish studying the material in this chapter, you should be able to:

1. Define diversity and review the four layers of diversity.
2. Explain the difference between affirmative action and managing diversity.
3. Describe the glass ceiling and the four top strategies used by women to break the glass ceiling.
4. Review the demographic trends pertaining to a social group: educational minorities, and an aging workforce.
5. Highlight the managerial implications of increasing diversity in the workplace.
6. Explain the positive and negative effects of diversity by using social categorization theory and information/decision-making theory.
7. Identify the barriers and challenges to managing diversity.
8. Discuss the organizational practices used to effectively manage diversity as identified by Ann Thompson.

By the time Gerstner took the helm in 1993, IBM already had a long history of progressive management when it came to civil rights and equal employment. Indeed, few of the company's executives would have identified workforce diversity as an area of strategic focus. But when Gerstner took a look at his senior executive team, he felt it didn't reflect the diversity of the market for talent or IBM's customers and employees. To rectify the imbalance, in 1995 Gerstner launched a diversity task-force initiative that became a cornerstone of IBM's HR strategy. The effort continued through Gerstner's tenure and remains today under current CEO Sam Palmisano.

Rather than attempt to eliminate discrimination by deliberately ignoring differences among employees, IBM created eight task forces, each focused on a different group: such as Asians, gays and lesbians, and women. The goal of the initiative was to uncover and understand differences among the groups and find ways to appeal to a broader set of employees and customers.

IBM CEO Sam Palmisano. Palmisano has been CEO since 2002 and became Chairman of the Board in 2005. He joined his career at IBM over 30 years ago as a sales representative.



The initiative required a lot of work, and it didn't happen overnight—the first task force convened almost two years after Gerstner's arrival.

But the IBM of today looks very different from the IBM of 1995. The number of female executives worldwide has increased by 370%. The number of ethnic minority executives born in the United States has increased by 233%. Fifty-two percent of IBM's Worldwide Management Council (WPMC), the top 52 executives who determine corporate strategy, is composed of women, ethnic minorities born in the United States, and non-U.S. citizens. The organization has seen the number of self-identified gay, lesbian, bisexual, and transgender executives increase by 713% and the number of executives with disabilities more than triple.

But diversity at IBM is about more than expanding the talent pool. When I asked Gerstner what had driven the success of the task forces, he said, "We

Chapter

### 4

## International OB: Managing across Cultures

**Learning Objectives**

When you finish studying the material in this chapter, you should be able to:

1. Define the term culture, and explain how national culture and organizational culture combine to influence on-the-job behavior.
2. Define ethnocentrism, and distinguish between high-context and low-context cultures.
3. Identify and describe the nine cultural dimensions from Project GLOBE.
4. Distinguish between individualistic and collectivistic cultures, and explain the difference between monochronic and polychronic cultures.
5. Specify the practical lesson from the Hofstede cross-cultural study.
6. Explain what Project GLOBE researchers discovered about leadership.
7. Explain why U.S. managers have a comparatively high failure rate on foreign assignments.
8. Summarize the research findings about North American women on foreign assignments, and tell how to land a foreign assignment.
9. Identify four stages of the foreign assignment cycle, and the OB trouble spot associated with each stage.

Carlos Ghosn (rhymes with "bone"), the outsider who successfully turned around Japan's Nissan Motor Co., was born in 1954 in Brazil to Lebanese immigrants and is fluent in English, Portuguese, French, and Arabic (but not Japanese). *BusinessWeek* recently offered this profile of Ghosn:

He's as smooth as Thai silk in public, and his colleagues marvel at his personal magnetism, his 24/7 work ethic, and his rigorous attachment to benchmarks and targets.


But Nissan insiders will also tell you there is another side to [Ghosn]. If you miss a number or blindside the boss with a nasty development, watch out.<sup>1</sup> In 2005, Ghosn became the CEO of both Nissan and France's Renault, the owner of a 44% stake in Nissan. Here are some of Ghosn's observations from a recent interview.

In Japan you cannot implement change quickly unless you clearly explain why change is needed, how it will be done, and what is the committed outcome. Once the men and women of Nissan were given a clear vision, a clear strategy, clear priorities, and a framework for action, they did change. By far the most distinct disadvantage related to the language difference...

I was determined to become assimilated, without sacrificing my individuality or originality... Being observant, respectful, and willing to learn helped me overcome most cultural barriers...

Ultimately my experience has confirmed my belief that nationality is not a determining factor in success. The key is results. In Japan, as in every other country, business results can be quantified. Numbers are universal, having the same value in any market and in any time zone. At the end of the day, the thing that really matters is your performance, not your passports.<sup>2</sup>

**FOR DISCUSSION**  
Why did Ghosn succeed in his difficult cross-cultural mission whereas most others probably would have failed?



<sup>1</sup> Carlos Ghosn is not a green Nissan Executive as most executives often are, and he is not a Nissan leader in Japan.

<sup>2</sup> Ghosn is not a green Nissan Executive as most executives often are, and he is not a Nissan leader in Japan.



# Learning Module A

## Ethics and Organizational Behavior

**T**he loud message comes from one company after another: Surging health care costs for retired workers are creating a giant burden. So companies have been cutting health benefits for their retirees or requiring them to contribute more of the cost.

Time for a reality check! In fact, no matter how high health care costs go, well over half of large American corporations face only limited impact from the increases when it comes to their retirees. They have established ceilings on how much they will ever spend per retiree for health care. If health costs go above the caps, it's the retiree, not the company, who's responsible.

Yet numerous companies are cutting retirees' health benefits anyway. One possible factor: When companies cut these benefits, they create instant income. This isn't just the savings that come from not spending as much. Rather, thanks to complex accounting rules, the very act of cutting retirees' future health care benefits lets companies reduce a liability and generate an immediate accounting gain.

In some cases it flows straight to the bottom line. More often it sits on the books like a cookie jar, from which a company takes a piece each year that helps it meet earnings estimates. . . .

The fate of retirees can be very different. When Robert Eggleston retired from International Business Machines Corp. 12 years ago, he was paying \$40 a month toward health care premiums for himself and his wife, LaRue, with IBM paying the rest. In 1993, IBM set ceilings on its own health care spending for retirees. For those on Medicare, which provides basic hospital and doctor-visit coverage, the cap was \$3,000 or \$3,500, depending on when they retired. For those younger than 65, the cap was \$7,000 or \$7,500. Spending hit the caps for the older retirees in 2001, the company says, pushing future health cost increases onto retirees' shoulders.

Mr Eggleston, 66 years old, has seen his premiums jump to \$365 a month for the couple. Deductibles and copayments for drugs and doctor visits added \$663 a month last year. "It just eats up all the pension," which is \$850 a month, Mrs Eggleston says. Her husband has brain cancer. Though he gets free supplies of a tumor-fighting drug through a program for low-income families, he has cashed in his 401(k) account, and he and LaRue have taken out a second mortgage on their Lake Dallas, Texas, home.

IBM retirees as a group saw their health care premiums rise nearly 29% in 2003, on the heels of a 67%-plus increase in 2002. For IBM, with its caps in place, spending on retiree health care declined nearly 5%, after a drop of 18% the year before.

IBM confirms that retirees' spending has risen as its own has fallen.<sup>1</sup>

## Comprehensive Ethics Coverage

Ethics is covered early and completely in Learning Module A (following Chapter 1) to set a proper moral tone for managing people at work. Ethical issues are raised throughout the text. Also in this seventh edition are 18 Ethical Dilemmas (one following each chapter). They raise hard-hitting ethical issues and ask tough questions, virtually guaranteeing a lively discussion/debate for cooperative learning. These Ethical Dilemmas, along with the Real World/Real People boxes, are constant reminders of the importance of ethical management.

### Ethical Dilemma



#### Liar! Liar!<sup>89</sup>

Calling in with a manufactured cough and a fake, throaty "I'm not feeling well" can seem rather dull compared to some excuses employers hear. . . .

Career-Builder.com, . . . commissioned a nationwide survey of 1,600 people and found that more than one-third of U.S. workers called in sick at least once last year when they felt well. . . .

Among the most unusual excuses that have been heard:

- My bus broke down and was held up by robbers.
- I was arrested as a result of mistaken identity.
- I hurt myself bowling.
- My curlers burned my hair and I had to go to the hair-dresser.
- I eloped.
- My cat unplugged my alarm clock.
- I forgot to come back to work after lunch.
- I totaled my wife's Jeep in a collision with a cow.
- I had to be there for my husband's grand jury trial.
- A hit man was looking for me.

If you were a manager, how would you respond to questionable excuses such as these? (what are the ethical implications of your answer?)

1. "I call in sick sometimes when I'm not, so it would be unfair to pick on others who do the same." (So you'll do nothing?)
2. "When someone lies to me it not only insults my intelligence, it destroys any trust I might have in that person. Employees with lame excuses for not being here need to be held accountable." (Explain how.)
3. "It just shows you can't trust people. You give them an inch, they'll take a mile. Flagrant rule-breakers need to be punished as a warning to others." (Explain how.)
4. "Look, people are people. If I cut them a little slack they will return the favor by doing something extra on the job." (What about repeat offenders?)
5. Invent other responses. Discuss.

For the Chapter 1 Internet Exercise featuring The building of human capital at Intel Corp. ([www.intel.com](http://www.intel.com)), visit our Web site at [www.mhhe.com/kreitner](http://www.mhhe.com/kreitner).

## Fresh Cases and Features

Our continuing commitment to a timely and relevant textbook is evidenced by the number of new chapter-opening vignettes and chapter-closing cases. The vignettes and cases highlight male and female role models, public and private organizations, and US and foreign companies such as IBM, General Electric, NASA, Wal-Mart, and Nissan.

Every chapter opens with a real-name, real-world vignette to provide a practical context for the material at hand. All 18 chapter-opening vignettes are new. (Learning Module A on ethics also has an opening vignette.)

Carlos Ghosn (rhymes with "bone"), the outsider who successfully turned around Japan's Nissan Motor Co., was born in 1954 in Brazil to Lebanese immigrants and is fluent in English, Portuguese, French, and Arabic (but not Japanese). *BusinessWeek* recently offered this profile of Ghosn:

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### FOR DISCUSSION

Why did Ghosn succeed in this difficult cross-cultural situation whereas most others probably would have failed?



Carlos Ghosn (center) greets Nissan Foundation award winners after an award ceremony at Nissan headquarters in Tokyo, March 2005.

## OB Exercise

### What Are the Strategies for Breaking the Glass Ceiling?

#### Instructions

Read the 13 career strategies shown below that may be used to break the glass ceiling. Next, rank order each strategy in terms of its importance for contributing to the advancement of a woman to a senior management position. Rank the strategies from 1 (most important) to 13 (least important). Once this is completed, compute the gap between your rankings and those provided by the women executives who participated in this research. Their rankings are presented in endnote 23 at the back of the book.<sup>23</sup> In computing the gaps, use the absolute value of the gap. (Absolute values are always positive, so just ignore the sign of your gap.) Finally, compute your total gap score. The larger the gap, the greater the difference in opinion between you and the women executives. What does your total gap score indicate about your recommended strategies?

Strategy	My Rating	Survey Rating	Gap	
			Your Rating	Survey Rating
1. Develop leadership outside office	_____	_____	_____	_____
2. Gain line management experience	_____	_____	_____	_____
3. Network with influential colleagues	_____	_____	_____	_____
4. Change companies	_____	_____	_____	_____
5. Be able to relocate	_____	_____	_____	_____
6. Seek difficult or high visibility assignments	_____	_____	_____	_____
7. Upgrade educational credentials	_____	_____	_____	_____
8. Consistently exceed performance expectations	_____	_____	_____	_____
9. Move from one functional area to another	_____	_____	_____	_____
10. Initiate discussion regarding career aspirations	_____	_____	_____	_____
11. Have an influential mentor	_____	_____	_____	_____
12. Develop style that men are comfortable with	_____	_____	_____	_____
13. Gain international experience	_____	_____	_____	_____

SOURCE: Strategies and data were taken from B. R. Ragins, B. Townsend, and M. Mattis, "Gender Gap in the Executive Suite: CEOs and Female Executives Report on Breaking the Glass Ceiling," *Academy of Management Executive*, February 1998, pp. 28-42.

**OB Exercises (23)** are distributed throughout the text to foster personal involvement and greater self-awareness.



## OB in Action Case Study

### Many Older Employees Now Work for Younger Bosses<sup>78</sup>

For most of his 37-year career, Stephen Schechter reported to bosses older than himself. For six years, he enjoyed the luxury of answering only to himself as owner of a small public-relations agency.

It came as something of a surprise a year ago when Schechter accepted a position as vice president of SW Public Relations in New York.

His new boss, Chief Executive Ronn Torossian, is young enough to be his son.

"This is dramatic," Schechter said of the role reversal. "It's interesting, exciting and challenging."

"Steve is older than my mom and my dad," Torossian added. "He has a lot of years of experience that I don't have."

Welcome to the 21st-century version of the generation gap. As older Americans delay retirement or return to the labor force, lured by the need for a pay-check or the desire for productive activity, they're increasingly likely to work for someone younger.

A coming shortage of skilled labor will push employers to hire 5.3 million older workers by 2010 and 14 million by 2020, according to the National Commission for Employment Policy.

No one pretends these topsy-turvy arrangements are easy. Younger bosses may harbor stereotypes that older employees resist change. Older workers may regard their younger superiors as arrogant or less loyal to the company.

For Schechter and Torossian, their 30-year age difference became part of the discussion during Schechter's job interview.

"He brought it up," said Torossian, who considers Schechter's age an advantage. "As a young entrepreneur, I need to have smart, successful people around me who can give a variety of insights, regardless of their age."

Schechter says his initial challenges included learning to work within the boundaries Torossian has set for the agency and the staff, and being able to fit in with young colleagues.

"I'm learning a lot from him and from the younger people here," Schechter added. "If anything, it's really energized me and made me feel younger."

Not everyone has such smooth sailing.

"Each generation experienced very different formative years, and as a result brings very different values to the Amer-

ican workplace," said Chuck Underwood, president of Generational Imperative, business consultants in Cincinnati.

The baby-boomer generation, Underwood notes, is a generation that has defined itself by work.

"They made the 60-hour workweek normal," he said. "They took work calls at home and worked on weekends."

In sharp contrast, he continues, Generation X has grown up with a distrust of big business and big government, and older people in general.

"Many Xers in their childhood saw their workaholic parents suffer from fatigue, illness, substance abuse and divorce," Underwood said. "So Xers entered their career years less loyal to the company and more determined to work a reasonable workday and leave the office sharply at 5."

Underwood regards this as an important difference that older workers must recognize in younger bosses.

"It looms as a very significant challenge for younger managers to effectively manage their older subordinates," he said. "From one manager to the next, it might or might not work." He frames it as an either/or challenge.

"Either be sensitive to each generation's strengths and weaknesses and flourish as a result of them, or don't be sensitive and flounder," he said.

#### Questions for Discussion

1. What are the key challenges being faced by both Stephen Schechter and Ronn Torossian?
2. If you were Ronn Torossian, what questions would you ask Mr. Schechter during the job interview to ensure that he did not have trouble working for a younger boss?
3. If you were Stephen Schechter, what questions would you ask Mr. Torossian in the job interview to ensure that he did not have trouble managing an older employee?
4. Do you agree with Chuck Underwood's description of baby boomers and Generation Xers? Explain your rationale.
5. Based on reading this chapter, what advice would you give to a younger manager who is managing an older employee?



Sixteen of the 18 chapter-closing **OB in Action Case Studies** are new. One **Video Case** is provided for each of the 18 chapters plus Learning Module A, each corresponding to a video included in the video package. Each case provides a written overview of the video content as well as additional background information and discussion questions that encourage students to critically examine and apply chapter concepts to analyzing the cases. Video topics and companies feature timely and interesting people, companies, and issues such as Wild Oats Market: A People-Centered Company; Cirque du Soleil: A Truly Global Workforce; Toying with Success: The McFarlane Companies; The Retirement of Jack Welch; Wal-Mart Faces the Biggest Civil Rights Case Ever; and The Columbia Space Shuttle Disaster.

## Video Case

### Wild Oats

Wild Oats Market is a supermarket with a difference. Since its start in Boulder, Colorado in 1987, Wild Oats has been committed to offering fresh, affordable natural and organic foods and providing knowledgeable customer service that goes beyond selling into consumer education. As it has grown, Wild Oats has reaped a reputation for being environmentally conscious, socially responsible and people-oriented.

Wild Oats sprung up as strong consumer interest in healthy eating developed. Demand for natural foods grew during the 1990s and continues to rise amid concerns about pesticides, fertilizers, artificial ingredients, and genetically-altered food. With sales topping \$21 billion in 2004, natural and organic foods are moving from a niche category into the mainstream.1 With more than 100 stores in 25 U.S. states and Canada, Wild Oats is the second largest retailer of natural and organic foods.

Since Perry Odak became CEO in 2001, Wild Oats has undergone massive restructuring to evolve from a company put together by various acquisitions to one with a consistent and profitable store base. Wild Oats planned to open 20 stores in 2005 and 40 the next year.2 To increase profit margins, it has developed a private-label strategy. The company has rolled out hundreds of products under its own brand in its own stores and has tested the brand in a "store within a store" concept at a few outlets operated by other retailers. Wild Oats also has experimented with offering its private-label products online.3

Wild Oats stores are designed to offer a customer friendly shopping experience. A new store in Superior, Colorado, stands as the model outlet. It uses color and attention-getting graphics for a fresh, dynamic feel. The center of the store is open and inviting with low shelves that allow customers an unobstructed view from any area. Educational opportunities abound, including a demonstration kitchen with seating and an information center in the health and beauty aids department.4

Focusing on the customer ranks at the top of Wild Oats' values. The service expectations are higher than at traditional supermarkets, explains Peter Williams. Customers at Wild Oats' stores typically have questions and employees must be able to answer them. The company is careful to hire people who are committed to providing service and to give them the expertise they need. Employee training begins with a full-day orientation center-

ing on the company's mission and values and how to live up to them. Then employees take a month-long course (and written test) in natural foods and receive hands-on training. While some employees were customers first before joining the staff, others were unfamiliar with natural and organic foods but were eager to learn. Once on board, Wild Oats employees share the belief that they make a difference in the health and lives of customers.

Communicating information, ideas, and concerns helps build trust and teamwork at Wild Oats. Experienced employees help new ones learn about the products. The company has an open door policy that extends all the way to the top. Its Ethics Line is an online forum available for employees to give input—anonymous—on what they see as unethical behavior.

A recent Work Life Survey, available to all employees, provided managers with lots of useful feedback and insight into why staffers like or dislike working at Wild Oats. The number one reason employees cited for working there: the company's mission and values, which they share. Among the values is giving back to the community. Each Wild Oats store chooses small, local charities to support, and the company reimburses full-time employees for up to 52 hours of volunteer work a year. Carrying out its mission of service, Wild Oats was named one of "100 Best Corporate Citizens" by Business Ethics magazine and was the highest-ranking food retailer on the list.

1. "Naturally, consumer trends skew to organic foods," DSN Retailing Today, April 11, 2005, 29.
2. Draper, Heather, "Wild Oats, Still Awaits Harvest from its Big Turnaround Effort," Wall Street Journal (eastern edition), August 18, 2004, 1.
3. Duff, Mike, "Wild Oats Pushes PL Plan," DSN Retailing Today, November 22, 2004, 5.
4. "Wild Oats Markets," Chain Store Age, February 2005, 98.

#### Questions for Discussion

1. What principles of TQM are evident in the management of Wild Oats? How does Wild Oats apply them?
2. In what ways does Wild Oats build human and social capital?
3. Why are "21st century managers" essential to the success of an organization like Wild Oats?

# Pedagogical and Cooperative Learning Features

The seventh edition of *Organizational Behavior* is designed to be a complete teaching/learning tool that captures the reader's interest and imparts useful knowledge. Some of the most significant pedagogical features of this text are

- **Classic and modern topics** are given balanced treatment in terms of the latest and best available theoretical models, research evidence, and practical applications.
- Several concise **learning objectives** open each chapter to focus the reader's attention and serve as a comprehension check.
- A **colorful and lively art program** includes captioned photographs, figures, and cartoons.

- Hundreds of **real-world examples** involving large and small, public and private organizations have been incorporated into the textual material to make this edition up-to-date, interesting, and relevant.

## Chapter 1

### Organizational Behavior: The Quest for People-Centered Organizations

**Learning Objectives**

When you finish studying the material in this chapter you should be able to:


1. Define the term *organizational behavior*, and explain why OB is a behavioral discipline.
2. Contrast McGregor's Theory X and Theory Y assumptions about employees.
3. Identify the four principles of total quality management (TQM).
4. Define the term *em-buiness*, and specify at least three OB-related issues raised by e-leadership.
5. Contrast human and social capital and explain why we need to build both.
6. Specify the five key dimensions of Luthans's CHOSE model of positive organizational behavior (POB).
7. Define the term *management*, and identify at least five of the eleven managerial skills in Weber's profile of effective managers.
8. Classify the 21st-century managers.
9. Describe the sources of organizational behavior research evidence.

The plaque outside the ramshackle two-family house at 367 Addison St. in Palo Alto, Calif., identifies the dusty one-car garage out back as the "birthplace of Silicon Valley." But the site, where Dave Packard and Bill Hewlett first set up shop in 1938, is more than that. It's the birthplace of a new approach to management, a West Coast alternative to the traditional, hierarchical corporation. Sixty-five years later, the methods of Hewlett and Packard remain the dominant DNA for tech companies—and a major reason for U.S. preeminence in the Information Age.

The partnership began when the pair met as students at Stanford University. Packard, an opinionated star athlete from the hardcrack town of Pueblo, Colo., had a commanding presence to match his 6-ft-5-in frame. Hewlett, whose technical genius was obscured from teachers by undiagnosed dyslexia, favored dorm-room pranks and bad puns. While different in temperament, the two soon discovered a shared passion for camping and fishing—and for turning engineering theory into breakthrough products.

The result was one of the most influential companies of the 20th century: Hewlett-Packard Co. (they flipped a coin to decide whose name went first) cranked out a blizzard of geeky electronic tools that were crucial to the development of radar, computers, and other digital wonders. Still, the pair's greatest innovation was managerial, not technical. From the first days in the garage, they set out to create a company that would attract like-minded techies. They shunned the rigid hierarchy of companies back East in favor of an egalitarian, decentralized system that came to be known as "the HP Way." The essence of the idea, radical at the time, was that employees' brainpower was the company's most important resource.

To make the idea a reality, the young entrepreneurs instituted a slew of pioneering practices. Starting in 1941, they granted big bonuses to all employees when the company improved



Bill Packard and Bill Hewlett

### An Information-Processing Model of Perception

Perception is a cognitive process that enables us to interpret and understand our surroundings. Recognition of objects is one of this process's major functions. For example, both people and animals recognize familiar objects in their environments. You would recognize a picture of your best friend, drop and run to recognize their footfall, or a learner to recognize objects to memorably interact with their environment. But since OB's principal focus is on people, the following discussion emphasizes *what* perception rather than *how* perception.

The study of how people perceive one another has been labeled *social perception* and social information processing. In contrast to the perception of objects, social perception involves the perception of other people, their actions, their emotions, and their intentions. Social perception is the study of how people make sense of other people's behaviors, attitudes, and how social perception affects people and how they make sense of their social world.

The social perception process is a complex one, and it is not always clear how it works. The social perception process is a complex one, and it is not always clear how it works. The social perception process is a complex one, and it is not always clear how it works.

Let us now examine the fundamental processes underlying perception.

### Four-Stage Sequence and a Working Example

Perception involves a four-stage information processing sequence choice. The label "information processing" in Figure 7-1 illustrates a basic information processing model of perception. Three of the stages in this model—selective attention/comprehension, encoding and simplification, and storage and retention—describe how specific information and environmental stimuli are observed and stored in memory. The fourth and final stage, retrieval and response, involves turning mental representations into real-world judgments and decisions.

Keep the following everyday example in mind as we look at the four stages of perception: how happens you were thinking of taking a course in your personal finance. These professors teach the same course using different types of instruction and testing procedures. Through personal experience, you have come to prefer good professors who rely on the case method of instruction and evaluation. According to the information processing model of perception, you would likely arrive at a decision regarding which professor to take as follows:

#### Stage 1: Selective Attention/Comprehension

People are constantly bombarded by physical and social stimuli in the environment. Since they do not have the mental capacity to fully comprehend all this information, they selectively perceive subsets of environmental stimuli. This is where attention plays a role. Attention is the process of becoming consciously aware of something or someone. Attention can be focused on information either from the environment or from memory. Regarding the latter situation, if you sometimes find yourself thinking about faculty, unrelated events or people while reading a textbook, your memory is the focus of your attention. Remember how often that people tend to pay attention to salient stimuli.

#### Salient Stimuli

Something is salient when it stands out from its context. For example, a 250-pound man would certainly be salient in a women's aerobics class, but not at a meeting of the National Football League Players' Association. One's needs and goals often dictate which stimuli are salient. For a driver whose gas gauge is on empty, an Exxon or Mobil sign is more salient than a McDonald's or Burger King sign. The reverse would be true for a hungry driver with a full gas tank. The reverse would be true for a hungry driver with a full gas tank. The reverse would be true for a hungry driver with a full gas tank.

During the 2004 summer Olympics, gymnast Paul Hamm helped the United States to achieve its highest gold medal total (5) since 1979. This was a highly salient event during the Olympics.

ity bias." This bias helps explain the growing factor that slows traffic in a crowd following a car accident.

#### Back to Our Example

You begin your search for the "right" personal finance professor by asking friends who have taken classes from the three professors. You also may integrate the values professors who teach the class to gather still more relevant information. Returning to Figure 7-1, all the information you obtain represents competing environmental stimuli labeled A through F. Because you are concerned about the method of instruction (e.g., line A in Figure 7-1), using procedures (e.g., line C), and your goals (e.g., line F), information in those areas is particularly salient (see Figure 7-1) shows that these three salient pieces of information thus are perceived, and you then progress to the second stage of information processing. Meanwhile, competing stimuli rep-





## Discussion Questions

1. Why do we need people-centered organizations?
2. What reasons do you have for wanting (or not wanting) to study OB?
3. What is your personal experience with Theory X and Theory Y managers (see Table 1-1)? Which did you prefer? Why?
4. How would you respond to someone who said TQM was just a Fad, it's not relevant today?
5. What are your personal experiences with e-leadership? What practical lessons have you learned?
6. What are you doing to build human and social capital?
7. What appeals to you most (or least, or both) about the concept of positive organizational behavior (POB)?
8. Based on either personal experience as a manager or on your observation of managers at work, are the 11 skills in Table 1-4 a realistic portrayal of what managers do?
9. What is your personal experience with 21st-century managers or managers who were stuck in the past? Describe their impact on you and the organization.
10. What "practical" theories have you formulated to achieve the things you want in life (e.g., graduating, keeping fit, getting a good job, meeting that special someone)?

## Personal Awareness and Growth Exercise

### How Strong Is Your Motivation to Manage?

#### Objectives

1. To introduce a psychological determinant of managerial success.
2. To assess your readiness to manage.
3. To discuss the implications of motivation to manage, from the standpoint of global competitiveness.

#### Introduction

By identifying personal traits positively correlated with both rapid movement up the career ladder and managerial effectiveness, John B. Miner developed a psychometric test for measuring what he calls motivation to manage. The questionnaire assesses the strength of seven factors relating to the temperament (or psychological makeup) needed to manage others. One word of caution. The following instrument is a shortened and modified version of Miner's original. Our version is for instructional and discussion purposes only. Although we believe it can indicate the *general* strength of your motivation to manage, it is *not* a precise measuring tool.

#### Instructions

Assess the strength of each of the seven dimensions of *your own* motivation to manage by circling the appropriate numbers on the 1 to 7 scales. Then add the seven circled numbers to get your total motivation to manage score.

#### Scoring and Interpretation

Arbitrary norms for comparison purposes are as follows: Total score of 7-21 = Relatively low motivation to manage; 22-34 = Moderate; 35-49 = Relatively high. How do you measure up? Remember, though, high motivation to manage is only part of the formula for managerial success. The right combination of ability and opportunity is also necessary.

Years of motivation-to-manage research by Miner and others has serious implications for America's future global competitiveness. Generally, in recent years, college students in the United States have not scored highly on motivation to manage.<sup>28</sup> Indeed, compared with samples of US college students, samples of students from Japan, China, Mexico,

• **Women** play a prominent role throughout this text, as is befitting their large and growing presence in the workplace. Lots of female role models are included. Special effort has been devoted to uncovering research insights about relevant and important gender-related differences.

• **Key terms** are emphasized in bold print where they are first defined and featured in the adjacent margins for review purposes.

• A Summary of **Key Concepts** feature at the end of each chapter restates the chapter learning objectives and concisely answers them.

• Ten **discussion questions** at the end of every chapter challenge the reader to explore the personal and practical implications of what has just been covered. These questions also are useful for classroom discussion and cooperative learning.

• Thirty-six **end-of-chapter exercises** foster hands-on experiential and cooperative learning. Every chapter is concluded with a Personal Awareness and Growth Exercise and a Group Exercise, and Learning Module A ends with a Group Exercise. Each exercise has learning objectives, an introduction, clear instructions, and discussion questions to facilitate interaction and learning.

## Group Exercise

### Timeless Advice

#### Objectives

1. To get to know some of your fellow students.
2. To put the management of people into a lively and interesting historical context.
3. To begin to develop your teamwork skills.

#### Introduction

Your creative energy, willingness to see familiar things in unfamiliar ways, and ability to have fun while learning are keys to the success of this warm-up exercise. A 20-minute, small-group session will be followed by brief oral presentations and a general class discussion. Total time required is approximately 40 to 45 minutes.

#### Instructions

Your instructor will divide your class randomly into groups of four to six people each. Acting as a team, with everyone offering ideas and one person serving as official recorder, each group will be responsible for writing a one-page memo to your current class. Subject matter of your group's memo will be "My advice for managing people today is. . . ." The fun part of this exercise (and its creative element) involves writing the memo from the viewpoint of the person assigned to your group by your instructor.

Among the memo viewpoints your instructor may assign are the following:

- Bill Hewlett (chapter-opening vignette).
- An ancient Egyptian slave master (building the great pyramids).

- Mary Parker Follett.
- Douglas McGregor.
- A Theory X supervisor of a construction crew (see McGregor's Theories X and Y in Table 1-1).
- W. Edwards Deming.
- A TQM coordinator at 3M Company.
- A contingency management theorist.
- A Japanese auto company executive.
- The chief executive officer of IBM in the year 2030.
- Commander of the Starship Enterprise II in the year 3001.
- Others, as assigned by your instructor.

Use your imagination, make sure everyone participates, and try to be true to any historical facts you've encountered. Attempt to be as specific and realistic as possible. Remember, the idea is to provide advice about managing people from another point in time (or from a particular point of view at the present time).

Make sure you manage your 20-minute time limit carefully. A recommended approach is to spend 2 to 3 minutes putting the exercise into proper perspective. Next, take about 10 to 12 minutes brainstorming ideas for your memo, with your recorder jotting down key ideas and phrases. Have your recorder use the remaining time to write your group's one-page memo, with constructive comments and help from the others. Pick a spokesperson to read your group's memo to the class.