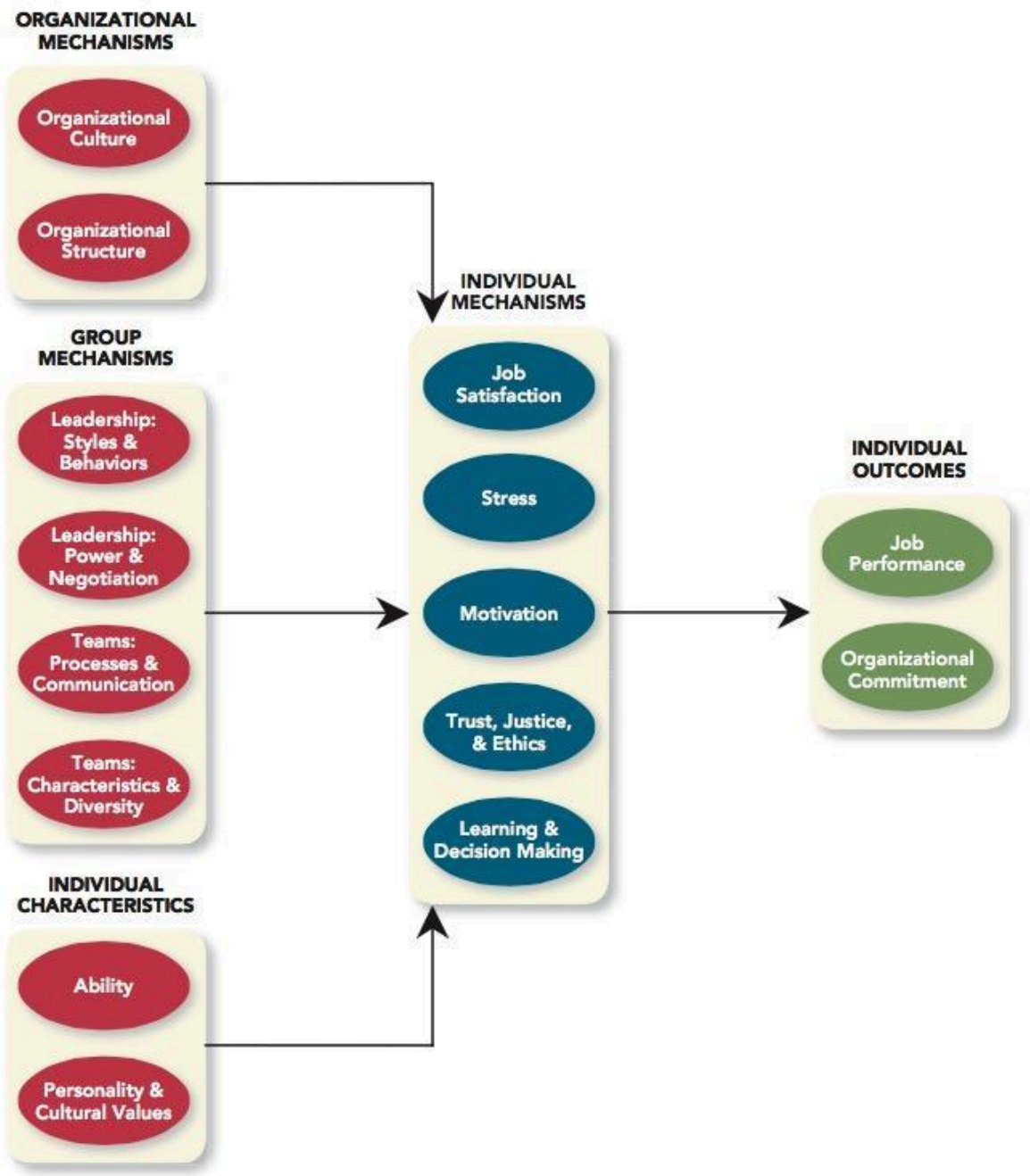
Chapter 1: What Is Organizational Behavior?



Chapter Overview

Organizational behavior is a field of study devoted to understanding and explaining the attitudes and behaviors of individuals and groups in organizations. The two primary outcomes of organizational behavior are job performance and organizational commitment. This chapter explores the factors that affect these outcomes and shows how scientific studies provide evidence that good organizational behavior policies are linked to employee productivity, firm profitability, and even firm survival. This chapter also shows how we "know what we know" about organizational behavior by describing the scientific research process.

Learning Goals

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

1.1 What is the definition of "organizational behavior" (OB)?
1.2 What are the two primary outcomes in studies of OB?
1.3 What factors affect the two primary OB outcomes?
1.4 Why might firms that are good at OB tend to be more profitable?
1.5 What is the role of theory in the scientific method?
1.6 How are correlations interpreted?

Connect Exercises

An Integrative Model of OB	Click and Drag*
The Resource-Based View in Sports	Case Analysis
High Performance Work Practices at Netflix	Case Analysis
How Do We Know?	Click and Drag*
Flashlights and Pop Tarts—Correlation and Causation	Case Analysis

**Note.* An alternate version of each Click and Drag exercise is available in Connect for students with accessibility needs.

Chapter Outline

I. What Is Organizational Behavior?

Try This!: Open the very first class by asking students to picture their worst coworker ever and to list the things that person did to earn "worst coworker" status. Then have them do the same with the best coworker ever, listing the things that person did to earn "best coworker" status. Both of these lists should be written on the board, a process that will result in a table similar to Table 1-1, The Best of Coworkers, the Worst of Coworkers. Then get them to understand the importance of explaining why the two people act so differently. That process of explanation is what OB is all about.

A. Organizational Behavior Defined

1. Organizational behavior is a field of study devoted to understanding, explaining, and ultimately improving the attitudes and behaviors of individuals and groups in organizations

B. An Integrative Model of OB

1. Provides a roadmap for the field of organizational behavior and shows how different chapters in the text are related

2. Individual Outcomes—these are the two primary goals of organizational behavior.

   a. Job performance (Chapter 2)—how well employees do on the job
   b. Organizational commitment (Chapter 3)—how likely employees are to remain with an organization

3. Individual Mechanisms—these directly affect job performance and organizational commitment.

   a. Job satisfaction (Chapter 4)—what employees feel about their work
   b. Stress (Chapter 5)—psychological responses to job demands that tax or exceed an employee's capabilities
   c. Motivation (Chapter 6)—energetic forces that drive an employee's work
   d. Trust, justice, and ethics (Chapter 7)—degree to which employees feel that their company does business with fairness, honesty, and integrity
   e. Learning and decision making (Chapter 8)—how employees gain job knowledge and use that knowledge to make decisions

4. Individual Characteristics—these affect individual mechanisms.

   a. Personality and cultural values (Chapter 9)—describe various individual traits and characteristics

b. Ability (Chapter 10)—describes an individual's cognitive abilities, emotional skills, and physical abilities

5. Group Mechanisms—also affect individual mechanisms, given that most employees do not work alone

   a. Team characteristics and diversity (Chapter 11)—the qualities that teams possess, including norms, roles, and the way team members depend on each other
   b. Team processes and communication (Chapter 12)—how teams behave, including their coordination, conflict, and cohesion
   c. Leader power and negotiation (Chapter 13)—the process by which individuals gain authority over other individuals
   d. Leader styles and behaviors (Chapter 14)—describes the specific actions leaders take to influence others at work

6. Organizational Mechanisms—these also affect individual mechanisms because they influence the environment in which work is done.

   a. Organizational structure (Chapter 15)—shows how various units within an organization link to and communicate with other units
   b. Organizational culture (Chapter 16)—describes the shared knowledge about the values and beliefs that shape attitudes and behavior for organizational employees

Connect Exercise: An Integrative Model of OB Click and Drag.* This activity helps students understand the roadmap for the text and the topics in the field of OB. It illustrates how individual, group, and organizational mechanisms affect the two primary OB outcomes, job performance and organizational commitment.

**Note.* An alternate version of each Click and Drag exercise is available in Connect for students with accessibility needs.

Learning Goals
1.2 What are the two primary outcomes in studies of OB?
1.3 What factors affect the two primary OB outcomes?

Topic: Organizational behavior (OB); Organizational behavior key features

Difficulty Level: 2 = Medium

Blooms: Apply

AACSB: Knowledge Application

Follow-Up Activity: Prepare one-sentence scenarios of organizational challenges and distribute individuals or groups. Ask students to tell you which three chapters they would choose to address this particular problem, using the Integrative Model of OB: one individual mechanism, one group mechanism, and one organizational

mechanism. A scenario example is, "A new employee is having trouble figuring out how to use equipment and doesn't know who to ask for help." In response, students may choose Chapter 8 (How can the employee be encouraged to learn?), Chapter 14 (What type of leadership is best to help the employee?), and Chapter 15 (What is the chain of command?). Simple scenarios allow for different combinations, resulting in different answers from students. This same scenario could be answered with Chapter 10 (What ability is needed?), Chapter 12 (How could this employee's team help?), and Chapter 16 (What is the norm for approaching the boss?). You may add more scenarios, depending on how much class time you can allot to the activity.

II. Does Organizational Behavior Matter?

OB Internationally. This feature is a valuable tool to help students understand how the relationships among OB concepts, and their applications, varies across cultures. A good way to begin discussing international issues in Chapter 1 is to ask students to describe their international experiences. How many students are international students? How many were born or raised in another country prior to moving to the United States? How many have lived or worked abroad? How many have gone abroad on study trips or vacations? Once you've gotten a feel for the experience levels of the class, ask students if they believe that the importance of the concepts in the integrative model of OB will vary across cultures, or whether their importance will be universal. If they believe the importance varies, should multinational corporations design their OB policies to function differently at different branches? What are the pluses and minuses of such a strategy?

A. Building a Conceptual Argument

1. Resource-based view of organizations—looks at what makes resources capable of creating long-term profits for a firm
2. Resources are considered to be more valuable when they are:

    a. Rare—"Good people are hard to find."
    b. Inimitable—People are difficult to imitate for three reasons:
        i. History—People have a collective pool of experience, wisdom, and knowledge that benefits the organization.
        ii. Numerous Small Decisions—Big decisions are easy to copy—it is the small decisions that people make day-in and day-out that are significant for an organization.

            Try This! Ask students to think of all the times when one company copied a big decision made by another. For example, Microsoft rolled out—and eventually shuttered—retail stores that mimicked the look and feel of Apple stores. What are some examples of times where that copying has proven successful? What are some examples of times when that copying seem to be successful? What explains those differences in copying success?

iii. Socially Complex Resources—Resources like culture, teamwork, trust, and reputation come from the social dynamics of a given firm in a given time.

B. Research Evidence

1. Study 1

   a. The survey included executives from 968 publicly held firms with 100 or more employees.
   b. High performance work practices were related to decreased turnover, increased sales, increased market value, and increased profitability.

2. Study 2

   a. The prospectuses of 136 companies undergoing IPOs in a particular year were examined for evidence that the company valued OB issues.
   b. Firms that valued OB had a 19 percent higher survival rate than those that did not.

3. Study 3

   a. Companies that made *Fortune*'s list of "100 Best Companies to Work For" were matched to companies of similar size and industry that did not make the list.
   b. The "100 Best" companies were more profitable than other companies that did not make the list.

Try This! If the students have not yet read the chapter, put Table 1-3, The "100 Best Companies to Work For," on a slide. Ask students if they can guess how the list of *Fortune*'s "100 Best" could be used to scientifically test whether being good at OB improves profitability. Usually students can guess many of the details of the study described in the book.

Connect Exercise: The Resource-Based View in Sports Case Analysis. This activity helps students understand the components of the resource-based view. The case describes how elements of the resource-based view contribute to success or failure in college and professional sports. Staff diversity, proprietary knowledge, and financial resources are highlighted in questions that follow the case.

Learning Goals
1.3 What factors affect the two primary OB outcomes?
1.4 Why might firms that are good at OB tend to be more profitable?

Topic: Human capital; Organizational survival

Difficulty Level: 2 = Medium

Blooms: Apply

AACSB: Knowledge Application

Follow-Up Activity: The analogy between sports and OB is useful. Assign students to choose a sports team or musical group and make a case for its current success using the resource-based view. You can require students to gather facts like revenue, followers, and history of the team/band members' relationships, education, and experience, and so on. This is an activity students enjoy because it allows them to investigate something personal. It can also serve as a team-building activity if students share their findings in class, as it reveals something interesting about each student and helps them to connect on a more personal level.

Connect Exercise: High Performance Work Practices at Netflix Case Analysis. This case presents high performance work practices that make Netflix unique, some of which may give the company strategic advantages. Students answer multiple choice questions after the case that assess their understanding of inimitable and rare resources.

Learning Goals
1.4 Why might firms that are good at OB tend to be more profitable?

Topic: Human capital; Organizational survival

Difficulty Level: 2 = Medium

Blooms: Apply

AACSB: Knowledge Application

Follow-Up Activity: It's often difficult for students to distinguish situations that make employees inimitable and rare resources. In fact, companies build employee resources in ways that are complex and that stretch over long periods of time. Good hiring and retention of employees is important. After all, a workforce with high turnover can't develop complex interactions and a history of shared experiences. Typical student jobs are in industries with high turnover (restaurants, retail, seasonal). Ask students how high performance work practices can be used at these types of organizations to decrease turnover and build more strategic human resources.

C. So What's So Hard?

1. Many organizations do a bad job of managing OB issues because they don't view OB issues in a comprehensive fashion.

   a. No single OB practice can increase profitability by itself.

   b. Rule of One-Eighth

i. Half the organizations don't believe there is a connection between people and profits.
ii. Half of those who see the connection try to make a single change rather than attempting to make comprehensive changes.
iii. Half of the firms that make comprehensive changes persist long enough for those changes to make a difference.
iv. ½ × ½ × ½ = ⅛

III. How Do We "Know" What We Know About Organizational Behavior?

A. According to philosophers, there are four ways of knowing things:

1. Method of experience—believing something because it is consistent with your experience and observation
2. Method of intuition—believing something because it seems obvious or self-evident
3. Method of authority—believing something because a respected source has said it is so
4. Method of science—believing something because scientific studies have replicated that result using a series of samples, settings, and methods

Try This! Ask students how they know the factors that improve health. What kinds of dietary philosophies do they know to be healthy? What kinds of exercise practices do they know to be healthy? Once the "knowledge in the room" has been summarized, explore where that knowledge came from. How much of it was just experience or intuition? How much of it comes from authorities (e.g., doctors, trainers, books). How much of it comes from science either directly (news reports, magazine reports) or indirectly (through relevant authorities). Does any of the "knowledge in the room" conflict with each other (e.g., some students think a low-fat diet is more critical; others think a low-carbohydrate diet is more critical)? Which method of knowing would be most valuable for reconciling such conflict?

OB at the Bookstore: *Don't Trust Your Gut.* Point out that this book shows some of the contradictions between decisions made using the method of science and those made using the method of intuition. Ask volunteers to share any experiences they've had when they discovered that their intuition about a situation was completely wrong. Then ask students whether they see value in making more of an effort to develop a lifelong habit to study what scientific research reveals about the world of work. Ask them to suggest ways, other than taking this course, to do that.

Connect Exercise: How Do We Know? Click and Drag.* This activity helps students understand the four methods of knowing. Students match each method to a statement about organizational issues.

**Note*. An alternate version of each Click and Drag exercise is available in Connect for students with accessibility needs.

Learning Goals

1.4 Why might firms that are good at OB tend to be more profitable?
1.5 What is the role of theory in the scientific method?
1.6 How are correlations interpreted?

Topic: Method of science

Difficulty Level: 1 = Easy

Blooms: Analyze
AACSB: Analytical Thinking

Follow-Up Activity: Ask students to finish statements using the four methods of knowing. You provide them with a set of statements such as, "I know our turnover is too high because . . . ." For each method of knowing, students write a fictional statement that explains why turnover is too high. Other example statements are: "We should close the store an hour earlier because . . . ," "I know the training department is doing a great job because . . . ," or "I should be promoted before Julie because . . . ." Not only does this give students practice in distinguishing the different methods of knowing, but it also allows them to realize the strength of the method of science.

B. Scientific Method

1. Theory—a collection of assertions—both written and symbolic—that specify how and why variables are related
2. Hypotheses—written predictions that specify relationships among variables
3. Data—collection and observation of behaviors and outcomes related to the hypotheses
4. Verification—use of statistical methods to determine whether or not a hypothesis can be disconfirmed

   a. One tool in the verification process is the correlation.

      Try This! Ask 10 students to volunteer their height in inches and their weight in pounds. Ask them to write the numbers down on a sheet of scrap paper. Then input them into an Excel spreadsheet, placing them in columns A and B. Ask students to eyeball the two columns of numbers and guess the correlation. Then calculate it using this formula: =correl(a1:a10,b1:b10). Did the resulting correlation differ from the population value (.44, as given in Table 1-4, some notable correlations). Ask the students why the class number might differ from the population value, using that to explain why multiple studies (and high sample sizes) are needed when performing OB research. Then ask the students whether the correlation between job satisfaction and job performance should be higher or lower than the correlation between height and weight. Use that frame of reference to get them to understand that correlations of .30 are actually moderate in size, and correlations of .50 are actually strong in size.

b. Correlations are not enough to prove causation. Making causal inferences requires ruling out alternative explanations. Experimental methods are often used for that purpose, as they are able to control external factors that could create misleading correlations.

c. A meta-analysis takes all of the correlations found in a set of studies and calculates a weighted average of those correlations to help understand the overall relationships between variables. Meta-analyses can also be a helpful guide for evidence-based management, where management education and practice relies on scientific findings (as in medicine).
OB On Screen: *Moneyball*. The clip referenced in the book begins around the 46:11 mark of the film, continuing until about the 49:45 mark. The scene depicts an argument between Billy Beane, the general manager of the Oakland A's, and Grady Fuson, his head scout. Beane has embraced advanced analytics—statistics-based decision making as espoused by Pete Brand. Fuson prefers decision making based on experience and intuition, not science, referring to Brand as "Google Boy." Ask the students who is right? Beane or Fuson? The reality is that both are a little right and both are a little wrong. The method of science need not come at the expense of experience or intuition—all can be used to complement one another. Although Beane clearly denigrates the need for scouting in the clip, the reality is that most sports teams now have analytics experts and science experts. Beane's focus on science has stood the test of time, as the A's have remained successful. Unfortunately for them, other teams copied the use of analytics, given that the practice was not inimitable. Please email me at jason.colquitt@nd.edu if you have any questions about using OB On Screen in your teaching.

Try This! Use the *Moneyball* clip for a different chapter. The clip provides a good example for discussing the rational decision-making model, types of decisions, and the value of experience and intuition from Chapter 8. Ask the students whose decisions are likely to be faultier and why: a scout's or a statistical analyst's? Why?

Connect Exercise: Flashlights and Pop Tarts—Correlation and Causation Case Analysis. This exercise presents unlikely correlations in everyday life and illustrates why correlation does not equate to causation. Students will read the case analysis and answer multiple choice questions about relationships in OB.

Learning Goals
1.6 How are correlations interpreted?

Topic: Causal attributions; Decision making; Method of science

Difficulty Level: 2 = Medium

Blooms: Apply

AACSB: Knowledge Application

Follow-Up Activity: The concept of correlations in OB can be a difficult one for some students. To help make the concept clearer, ask students to express actions in their own lives and what results from them. Then, ask them to identify those relationships as weak, moderate, or strong relationships. For example: Even if I study more hours for English, my grade does not increase (so no relationship). When I study more hours for math, my grade increases moderately (moderate and positive relationship). If I drink one cup of caffeine coffee, my alertness strongly increases (strong and positive relationship). However, if I drink five cups of coffee, the number of practice problems I get right moderately decreases (moderate and negative relationship).

IV. Summary: Moving Forward in This Book

OB Assessments: Introspection. This brief survey can be used to give students a feel for the types of data that are often collected in organizational behavior studies. Introspection, specifically, is relevant in an OB course because introspective students can use the content in the chapters to better understand their current and past work experiences, and their strengths and talents as employees. Use a show of hands to see how many students fell above and below the average level, and see if students will volunteer any extremely high or low scores. Challenge students who score low on the assessment to actively try to apply course content to their own experiences and characteristics. **Please see the PowerPoints for a Bonus Assessment on *Scientific Interests*. Please see the Connect assignments for this chapter for an assessment on *How Do We Know?*** Please email me at jason.colquitt@nd.edu if you have any questions about using these assessments in your teaching.

Discussion Questions

1.1 Coming into the course, what are some of the things you're curious about in terms of the effective management of people? If you scan the model in Figure 1-1, are you able to find topics that likely cover the things you're curious about?

The most common answer to this question will likely be an aspect of leadership, as that's what tends to be most associated with OB courses. Motivation will be another common answer, often in conjunction with leadership (e.g., what's the best way to motivate people)? One way in which Figure 1-1 is effective is illustrating how many other things are connected to leadership and motivation—and how many other things are required to foster performance and commitment.

1.2 Think again about the worst coworker you've ever had—the one who did some of the things listed in Table 1-1. Think about what that coworker's boss did (or didn't do) to try to improve your coworker's behavior. What did the boss do well or poorly? What would you have done differently, and which organizational behavior topics would have been most relevant?

One boss, when faced with a "bad" employee, got more and more authoritarian—finding fault with everything the employee did and penalizing the employee for every fault. As a result, the employee was more and more demotivated. An alternative approach would be to discuss the employee's strengths and weaknesses with them, determining the cause of the poor performance, and seeking more helpful solutions for dealing with it. For example, discussing the employee's individual characteristics might yield knowledge about how to place that person for maximum effectiveness and job satisfaction. An analysis of group mechanisms could help to determine whether or not the employee had the proper support to do their work. And an analysis of organizational mechanisms might provide information on changes that need to be made to the environment for the employee to improve.

1.3 Which of the individual mechanisms in Figure 1-1 (job satisfaction; stress; motivation; trust, justice, and ethics; learning and decision making) seems to drive your performance and commitment the most? Do you think you're unique in that regard or do you think most people would answer that way?

Answers to this question will vary, but the important point to make when discussing the question is that everyone is different, and that when trying to motivate employees, those differences must be taken into account.

1.4 Create a list of the most successful companies you can think of. What do these companies have that others don't? Are the things those companies possess rare and inimitable (see Figure 1-2)? What makes those things difficult to copy?

Although Apple is an answer that would flow out of the text, there are a number of good examples. Companies like Google have a market advantage (in internet search at least)

that becomes difficult to copy, not to mention technological expertise to help protect that advantage. Other companies, like Toyota, have "bulletproof" reputations that their competitors find tough to match or copy.

1.5 Think of something that you "know" to be true based on the method of experience, the method of intuition, or the method of authority. Could you test your knowledge using the method of science? How would you do it?

One example of something that people "know" to be true is that extraverted leaders are more effective. The true merits of that piece of "knowledge" are described in Chapter 14. More relevant to this discussion, it could be tested by asking leaders to fill out extraversion assessments and asking followers to rate their effectiveness. Alternatively, business and political leaders who are famous for being effective or ineffective could be rated by observers on their extraversion.

Case: LinkedIn

Questions:

1.1 If you were an employee at LinkedIn right now, would this increased emphasis on AI make you more committed and motivated? Or less committed and motivated?

Students who are excited about the development of AI will likely say they are more committed. They might cite its ability to automate the less meaningful aspects of jobs as a way to increase the satisfaction employees take from their work. Students who have ethical concerns about AI, such as the charge that AI is trained upon plagiarized material, may say that the increased emphasis makes them less committed and motivated.

1.2 Do you agree with Roslansky's views on the skills that will become most important in an AI-infused world? Why or why not?

Many students will agree with Roslansky's views. They might point to the fact that AI is already being used to automate jobs that involve repetitive activities. They might also cite the fact that, in functions like chats, AI still provides a fairly high ratio of inaccurate or irrelevant information. This supports the idea that humans are best for jobs involving communication, creativity, and the like.

1.3 Consider working for a company like LinkedIn, where your friends and family would often have direct experience with your company's products or services. How might that alter your job satisfaction?

Many students will say that working in a job that directly affects people they know will significantly increase their job satisfaction because they will be able to see immediately that they have made a difference.

Bonus Case: Google (From 8th Edition)

Google's PiLab has the autonomy to choose its own projects. One of those projects—termed "Project Oxygen"—focused on whether managers matter. Specifically, the project focused on two questions: (1) Do better managers pay off in terms of quantifiable outcomes, and if so (2) what qualities are shared by better managers? This project was important to Google because so many employees are engineers—people with a technical background who may be skeptical of the "softness" of management. Explained Jennifer Kurkoski, one of the founders of the PiLab, "There are many engineers—not just at Google—who tend to think that managers are, at best, a necessary evil, and at worst, destructive." If engineers could be shown—through rigorous analysis—that managers do matter, it would improve their engagement with their own bosses while motivating them to be better bosses themselves.

The first step in Project Oxygen was figuring out how to measure manager quality. The PiLab relied on two metrics. First, they gathered performance evaluation ratings from the managers' bosses. Second, they gathered responses to Googlegeist items that asked employees about their managers. The PiLab defined higher-scoring managers as those who were in the top 25 percent on both metrics, with lower-scoring managers in the bottom 25 percent. The second step involved identifying the dependent variables that manager quality could be used to predict. Here again, the PiLab looked at two different outcomes. The first was the turnover rates associated with managers' teams. The second were Googlegeist items that tapped into perceptions of job satisfaction, motivation, and well-being. The results showed that higher-scoring managers had lower turnover rates while also having employees who were more satisfied. Neal Patel, another founder of the PiLab, summarized the results this way: "It turned out that the smallest incremental increases in manager quality were quite powerful. Good managers *do matter*."

Having established that managers matter, the PiLab went on to conduct interviews—along with an analysis of open-ended comments on Googlegeist—to identify qualities that the best managers shared. They termed those qualities "The Oxygen 8." Based on their analyses, the best managers (1) are good coaches, (2) are empowering, (3) express concern, (4) are results-oriented, (5) are strong communicators, (6) are focused on career development, (7), are visionary, and (8) are skilled in their technical areas. That Oxygen 8 list went on to impact a number of initiatives within Google, including training for new managers and more focused assessments for evaluating and developing managers.

Sources: L. Bock, *Work Rules! Insights from Inside Google That Will Transform How You Live and Lead* (New York: Twelve, 2015); D.A. Garvin, A.B. Wagonfield, and L. Kind, "Google's Project Oxygen: Do Managers Matter?," *Harvard Business School*, Case 9-313-110 (2013).

Questions:

1.1 Project Oxygen showed that managers matter by linking manager quality to turnover rates and attitude survey results. What would be some additional approaches for examining whether managers matter?

Such approaches require a dependent variable that is measured by the company and is comparable across different functional areas and regional locations. In a company like

Google, a natural addition would be task performance, as that is likely assessed in a standardized way, company-wide, given its role in performance evaluation processes. Some companies also assess disciplinary actions in a standardized way, which could be an index of counterproductive behavior. Unit-level indices of time lost to illness could be used to indicate strain, and unit-level indices of developmental course participation could be used to indicate learning.

1.2 The Oxygen 8 include a number of important qualities, all of which will be discussed in this book. But are there qualities not included in the 8 that seem to be as important, or perhaps even more important?

Within the topic of leadership, the Oxygen 8 do a good job of capturing what will eventually be described as transformational leadership, initiating structure, and consideration. But the set largely omits the role that leaders play in creating equity and instrumentality (motivation), managing day-to-day emotions (job satisfaction), managing stressors (stress), and fostering ethics (trust).

1.3 What should the role of data be when making management decisions in organizations? And what are the potential challenges involved in becoming a more data- and analytics-driven organization?

As described in this chapter, the method of science should be used as a supplement to the method of experience and the method of intuition. Data provides additional information to one's "gut"—and can often get us to re-examine our instincts more critically. Fortunately, virtually all sectors of business are more data-driven now than they were a decade ago. Two challenges are key, however: (1) taking the time to gather good, valid data; and (2) hiring employees with the requisite skills to properly analyze and interpret those data.

Bonus Case: Levi's (From 7th Edition)

Assume you're playing a game called "guess the company" with the following description. The company was founded in 1853 in San Francisco. It was one of the first to desegregate its employees and one of the first to support same-sex marriage. It's also been a leader on the environmental front, particularly in making its products more free from chemicals. What companies might you have guessed? Probably not Levi Strauss, or any other company in the apparel industry. After all, apparel companies are often associated with sweatshops, poor labor conditions, and outdated management principles.

Levi's has always been a different kind of apparel company, however. When it began moving garment production outside the United States in the 1990s, it created a Terms of Engagement (TOE) document for all of its suppliers. The document had more stringent expectations than the local labor laws that the suppliers were subject to. Levi's was also active in using its compliance teams to inspect adherence to the TOE. That combination of formalized expectations and active compliance checking became something that was copied by other big players in the apparel industry, including Nike and Adidas. Two decades after the creation of the TOE, however, the company is taking the next step.

What is that next step, exactly? It's an initiative called Improving Worker Well-Being, and it's playing out in 42 Levi's suppliers who employ 140,000 people across 72 factories. The initiative is focused on increasing the health and happiness of the workers employed by Levi's suppliers. Explains Kim Almedia, the head of the program, "This is about creating a culture that embraces well-being." Why focus on well-being explicitly? One reason is that increases in health and happiness should translate into more productive employees and lower rates of absenteeism and turnover. Another reason is that such efforts should be appealing to potential Levi's recruits and customers. Employees have choices about where they work—especially in strong economies. Meanwhile, the internet has given customers access to more apparel choices than ever before. "This goes way beyond making a profit," explains CEO Chip Bergh. "We are demonstrating there is an opportunity for companies to redefine their role in society, and that's good for business."

Clearly the end goal behind the Improving Worker Well-Being initiative is laudable. The stickier question is how to achieve that goal in 72 different factories. A natural temptation would be to focus on interventions with universal appeal, and to roll out those same interventions in all 72 places. That sounds both efficient and consistent, doesn't it? Levi's is taking the opposite approach. It offers funding and guidance but lets the specifics vary by supplier and by region. For example, the company connected one of its suppliers—Apparel International—with a nonprofit to help them identify need areas. The resulting feedback led to better water fountains, better overhead fans, microwaves and griddles in the cafeteria, and a new soccer field.

The feedback also led Apparel International to improve their managers—who had a reputation for being disrespectful and authoritarian. Explains Oscar González French, the president of the supplier, "We had lots of people complaining their supervisors didn't have the right leadership style—they were too strong, too blunt, they didn't treat them well." An additional nonprofit was

then brought in to design a 10-week training and team-building program tailored to Apparel International's needs. Supervisors are trained to learn employees' idiosyncratic circumstances, listen to their opinions, and foster open two-way communication. As González French summarizes, "We're teaching them to be better leaders." How important is having better leaders to Apparel International's employees? Well, it showed up as a need area more frequently than higher wages, despite the fact that Mexico's minimum wage for apparel workers is only $5 a day. Indeed, González French believes bad managers is a key reason the annual turnover rate in his plant tends to be in the 30 percent—40 percent range.

In reflecting on the bottom-up structure of the Improving Worker Well-Being initiative, Kim Almedia notes, "We needed to step back and listen to vendors." Offers Bergh, "If this is going to be sustainable over time, we have to prove to the factor owners that this is good for their business . . . ." Still, the question remains how to measure whether the initiative is helping, especially if it takes on different shapes and sizes across suppliers and regions. After all, Levi's is offering funding, even if the suppliers themselves are sharing the responsibility. How exactly will the company measure the success of the initiative? Much like it did with the design and execution of the Apparel International program, it found help. The company has asked the Harvard School of Public Health to design a rigorous scientific study to assess the impact of the Worker Well-Being initiative.

Source: Fry, E. (2017, September 15). The ties that bind at Levi's. *Fortune*.

Questions:

1.1 Initiatives like Improving Worker Well-Being could increase Levi's costs in a number of different respects. Shouldn't that harm the profitability of the company?

Such initiatives do indeed increase costs. The question is whether they also wind up increasing revenues. There are a few reasons to expect Improving Worker Well-Being to do just that. First, the initiative may make Levi's employees feel more proud of the company, increasing retention. Second, the initiative could improve Levi's brand as an employer, allowing them to attract better talent. Third, such initiatives can make Levi's more attractive to consumers, increasing sales (and even allowing Levi's to raise prices to some degree).

1.2 What are the potential strengths of a bottom-up approach to supplier improvement for a large company like Levi's? Would there be advantages to a more top-down approach?

A bottom-up approach should work where suppliers are concerned, because suppliers are so different from one another—and from Levi's corporate offices. Suppliers need to be empowered to deal with issues in a way that works for them, so long as some oversight and necessary standardization occurs. A more top-down approach could increase the clarity and certainty of what Levi's wants

to accomplish, but a lack of supplier involvement would likely derail such an approach.

1.3 How exactly should Harvard's School of Public Health go about studying the effects of the Improving Worker Well-Being initiative? What would an ideal study look like?

The ideal design for such a study would is termed a pretest-posttest with comparison group. The study would measure the performance and commitment of supplier employees on a wide scale—in facilities who will go through the training and in facilities that do not. Then, those measures would be repeated after the initiative has rolled out and been completed—again in facilities that went through the training and those that didn't. The question then becomes whether performance and commitment increased more in those facilities that go the training than in those that did not.

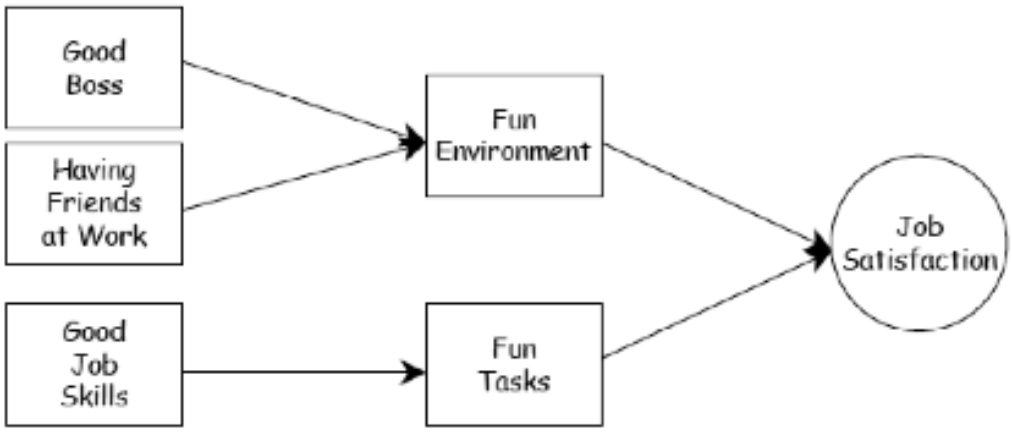
Exercise: Is OB Common Sense?

Instructions:

Many students complain that OB is "just common sense." They typically say this after hearing some intuitive research finding such as "perceptions of task variety are positively related to job satisfaction." However, virtually anything seems intuitive once you've heard it—the trick is to come up with the important concepts yourself before being told about them. This exercise shows how difficult it can be to do that, thereby demonstrating that OB isn't just common sense. This exercise should take around 15 min. Begin by going over the sample theory diagram (for movie box office receipts) so that they understand what a theory diagram is. Then put them into groups and have them pick from among the four potential topics (job satisfaction, strain, motivation, and trust in supervisor). Have them create a diagram of their own using their chosen topic as a dependent variable.

Sample Theories:

Here's an example of what students might come up with for job satisfaction. Their models will typically have some things that have been supported by academic research, though usually they won't use academic terms. For example, the "fun tasks" box reflects a concept similar to "satisfaction with the work itself." However, the models will often include things that have not been as supported, such as the relationship between having good job skills and viewing job tasks as fun. Most often, however, the models will omit important concepts. Have slides ready of Figure 4-7 on job satisfaction, Figure 5-5 on strain, Figure 6-7 on motivation, and Figure 7-8 on trust. You'll compare the students' diagrams to those diagrams. For example, if the figure below is compared to Figure 4-7, a number of omissions are evident.



Questions:

If OB was just common sense, students wouldn't include variables in their model that don't actually impact the outcome in question. Nor would they omit variables from the model that do impact the outcome in question. Either kind of mistake shows that students don't automatically know what OB concepts are relevant to key OB outcomes.

Omitted Topics

The field of organizational behavior is extremely broad and different textbooks focus on different aspects of the field. A brief outline of topics that are not covered in this text, but which the professor might want to include in their lecture, is included below. In cases where these topics are covered in other chapters in the book, we note those chapters. In cases where they are omitted entirely, we provide some references for further reading.

- History of OB—Historical movements and landmark studies including scientific management, the human relations movement, the Hawthorne studies, and Theory X versus Theory Y. For more on this, see:

  Taylor, F. W. (1967). *The principles of scientific management*. Norton.

  Mayo, E. (1933). *The human problems of an industrial civilization*. Macmillan.

  Roethlisberger, F. J., & Dickson, W. J. (1939). *Management and the worker*. Harvard University Press.

  McGregor, D. (1960). *The human side of enterprise*. McGraw Hill.

- Managerial Functions—Including planning, organizing, leading, and controlling. For more on this, see:

  Fayol, H. (1949). *Industrial and general administration*. Pittman.

  Drucker, P. F. (1974). *Management tasks, responsibilities, practices*. Harper & Row.

- Workforce Trends—Relevant trends include the rise of knowledge work and service work (both covered in Chapter 2). Other relevant trends include increased globalization and increased workforce diversity (both covered in Chapter 3).