

MODULE ONE

FUNDAMENTALS OF ORGANIZATIONAL BEHAVIOUR (Four hours)

- **CHAPTER ONE- *Understanding Organizational Behaviour* (one hour)**
- **CHAPTER TWO- *Effectiveness in organizations* (one hour)**
- **CHAPTER THREE- *Social systems and organizational culture* (two hours)**

Reference:

1. **Organizational Behaviour, Stephen P. Robbins, Timothy A. Judge and Seema Sanghi, 12th ed, Prentice Hall India**
2. **Organizational behaviour-Human behaviour at work by John W. Newstrom, 12th edition, McGrawHill**
3. **Organizational behavior and management by Ivancevich, Konopaske and Matteson - 7th edition, Tata McGrawHill**
4. **Organisational Behaviour by Steven L. McShane, Mary Ann Von Glinow, Radha R. Sharma Tata McGrawHill**
5. **Organizational behavior by Don Hellriegel; John W. Slocum; Richard W. Woodman-8th edition, Thomson South-Western**

Prepared By

Dr Susmita Mukhopadhyay

Assistant Professor, VGSOM, IIT Kharagpur

[email-susmita@vgsom.iitkgp.ernet.in](mailto:susmita@vgsom.iitkgp.ernet.in)

Chapter One

Understanding Organizational Behaviour

Objectives

- Understanding the meaning of Organizational behaviour
- Understanding the fundamental concepts connected with Organizational behaviour
- Understanding the basic approaches of Organizational behaviour
- Framing the study of Organizational behaviour
- Understanding the goals of organizational behaviour.
- Knowing the importance of Organizational behaviour for the managers.

INTRODUCTION

Mintzberg (1973) identified ten separate roles in managerial work, each role defined as an organised collection of behaviours belonging to an identifiable function or position. He separated these roles into three subcategories: interpersonal contact, information processing and decision making.

Interpersonal contact

FIGUREHEAD: the manager performs ceremonial and symbolic duties as head of the organisation;

LEADER: fosters a proper work atmosphere and motivates and develops subordinates;

LIASION: develops and maintains a network of external contacts to gather information;

Information processing

MONITOR: gathers internal and external information relevant to the organisation;

DISSEMINATOR: transmits factual and value based information to subordinates;

SPOKESPERSON: communicates to the outside world on performance and policies.

Decision making

ENTREPRENEUR: designs and initiates change in the organisation;

DISTURBANCE HANDLER: deals with unexpected events and operational breakdowns;

RESOURCE ALLOCATOR: controls and authorises the use of organisational resources;

NEGOTIATOR: participates in negotiation activities with other organisations and individuals.

Mintzberg next analysed individual manager's use and mix of the ten roles according to the six work related characteristics. He identified four clusters of independent variables: external, function related, individual and situational. He concluded that eight role combinations were 'natural' configurations of the job:

contact manager -- figurehead and liaison

political manager -- spokesperson and negotiator

entrepreneur -- entrepreneur and negotiator

insider -- resource allocator

real-time manager -- disturbance handler

team manager -- leader

expert manager -- monitor and spokesperson

new manager -- liaison and monitor

(Taken from <http://www.provenmodels.com/88/ten-managerial-roles/henry-mintzberg/>)

For performing these roles , skills required by the managers are:

- Technical Skills-The ability to apply specialized knowledge or expertise
- Human Skills-The ability to work with, understand, and motivate other people, both individually and in groups
- Conceptual Skills-The mental ability to analyze and diagnose complex situations

The managers will be effective in these roles when he possesses the required skills, understands the organization and its employees properly. However some key facts about life at work:

- Organizations are complex systems
- Human behavior in organizations is sometimes unpredictable
- Human behavior in an organization can be partially understood
- There is no perfect solution to organizational problems.

- In an Organization, employees do not have the luxury of not working with or relating to other people .

Therefore, to be effective in an organization, it is imperative that an employee learns about human behavior, explore how to improve his/her interpersonal skills and begin to manage his/her relationships with others at work. These are the areas where knowledge of Organizational Behaviour can make a significant contribution to the employee's effectiveness. Organizational behavior is a scientific discipline in which large number of research studies and conceptual developments are constantly adding to its knowledge base. It is also an applied science, in that information about effective practices in one organization is being extended to many others.

Meaning of Organizational behaviour

Organizational behavior is the systematic study of human behavior, attitudes and performance within an organizational setting; drawing on theory methods and principles from such disciplines as psychology, sociology and cultural anthropology to learn about individual perceptions, values, learning capacities and actions while working in groups and careful application of knowledge about how people- as individuals and as groups- act within the total organization; analyzing the external environment's effect on the organization and its human resources, missions, objectives and strategies.

The above definition of OB highlights on its several aspects like:

- a. Way of thinking—requires clearly identifying the level of analysis (individual, group, organizational).
- b. Multi-disciplinary—draws principles, theories, and models from psychology, sociology and cultural anthropology.
- c. Humanistic orientation—assumes that individual feelings, attitudes, perceptions, goals, etc., are important to the organization.
- d. Performance-oriented—focusing on whether and why individual/group/organization performance is high, moderate, or low.
- e. External environment—substantially impacts organizational behavior.
- f. Scientific method—plays a critical role in OB research.
- g. Applications oriented—concerned with providing useful/applicable answers to management problems.

Contribution of Behavioural Science

The disciplines of psychology, social psychology, sociology and cultural anthropology contribute heavily to the subject matter of OB. The exhibit (Exhibit 1-3 from *Organizational Behaviour*, Stephen P. Robbins, Timothi A. Judge and Seema Sanghi, 12th ed, PHI, pp 13) represents the various contributions of Behavioural science in understanding the three unit of analysis of OB.

Fundamental concepts connected with Organizational behavior

Fundamental concepts are basic principles that form a strong foundation for OB. OB has a set of fundamental concepts revolving around the nature of people and organizations.

The Nature of People

The six basic concepts relevant to the nature of people are:

Law of individual differences-Each person is substantially different from all others in terms of their personalities, needs, demographic factors and past experiences and/or because they are placed in different physical settings, time periods or social surroundings. This diversity needs to be recognized and viewed as a valuable asset to organizations.

Perception- Perception is the unique way in which each person sees, organizes and interprets things based on their background of individual differences. Each person reacts not to an objective world, but to a world judged in terms of his/her own beliefs, values and expectations. Sometimes it may lead to selective perception in which people tend to pay attention to only those things that are consistent with or reinforce their own expectations. Selective perceptions may lead to misinterpretation of single events at work or create a barrier in the search for new experience. Managers need to recognize the perceptual differences among the employees and manage them accordingly.

A whole person- People function as total human beings. People are physical, mental, social and spiritual beings and the organization actually employs the whole person rather than certain characteristics. There are spillover effects between the work life and life outside work and management's focus should be in developing not only a better employee but also a better person in terms of growth and fulfillment. If the whole person can be developed, then benefits will extend beyond the firm into the larger society in which each employee lives.

Motivated behaviour- Individual's behavior are guided by their needs and the consequences that results from their acts. In case of needs, people are motivated not by what others think they ought to have but by what they themselves want. Motivation of employees is essential to the operation of organizations and the biggest challenge faced by managers.

Desire for Involvement-Many employees actively seek opportunities at work to become involved in relevant decisions, thereby contributing their talents and ideas to the organization's success. Consequently, organizations need to provide opportunities to the employees for meaningful involvement.

Value of the Person- People want to be treated with care, dignity and respect and increasingly they are demanding such treatment from their employers. They want to be valued for their skills and abilities and to be provided with opportunities to develop themselves.

The Nature of Organizations

The three key concepts related to the nature of organizations are:

Social systems- Sociology tells that organizations are social systems. Just have people have psychological needs they also have social roles and status. Their behavior is influenced by their group as well as their by their individual drives. Two types of social systems exist side by side in the organization- the formal (official) social system and the informal social system- each influencing and getting influenced by the other.

Mutual Interest-There is a mutuality of interest between the organization and its employees. Organization needs employees to reach its objectives and people need organizations to help them reach individual objectives. Mutual interest provides a superordinate goal – one that can be attained only through the integrated efforts of individuals and their employees.

Ethics- Ethics is the use of moral principles and values to affect the behavior of individuals and organizations with regard to choices between what is right and wrong. In order to ensure a higher standard of ethical performance by managers and employees companies have established codes of ethics, publicized statements of ethical values and set up internal procedures to handle misconduct. Since Organizational behavior involves people, ethical philosophy is involved in one way or another in each action they take. When organization's goals and actions are ethical, individual, organizational and social objectives are more likely to be met.

Basic approaches of Organizational behaviour

The four basic approaches of OB are:

Human Resources (supportive) approach- Employee growth and development toward higher levels of competency, creativity and fulfillment are encouraged and supported because people are the central resource in any organization and society.

Contingency approach-Different managerial behaviours are required by different environments for effectiveness.

Results-oriented approach-Outcomes of organizational behavior programs are assessed in terms of their efficiency.

Systems approach- All parts of an organization interact in a complex relationship. Systems approach takes an across- the board view of people in organizations and analyses issues in terms of total situations and as many factors as possible that may affect people's behaviour.

Framing the study of Organizational behaviour

The study of OB involves

- A. The Organization's Environment

Forces present in the environment outside the organization like needs of the society, demands of customers or clients, legal and political constraints, economic and technological changes and developments interact with the organization and the management of an organization must respond appropriately to it.

B. The Individual in the Organization

Individual performance forms the basis of organizational performance. The four key influences on individual's behavior and motivation are:

- a. Individual characteristics—e.g., personality, attitudes, perceptions, values.
- b. Individual motivation—interacts with ability to work to determine individual performance.
- c. Rewards/punishment—use of behavior modification techniques to enhance performance and control misbehavior.
- d. Stress.

C. Interpersonal Influence and Group Behavior

Interpersonal influence and group behavior affect organizational performance in the following way:

- a. Group Behavior—the dynamics of formal groups (created by managerial decisions) and informal groups (developing around members' common interests and friendship) have an impact on the functioning of the organization
- b. Intergroup Behavior and Conflict—groups can cooperate and/or compete with each other in organizations; conflict resulting from competition may be either functional or dysfunctional, depending on the organization.
- c. Power and Politics—the dynamics and effects of power, authority and politics in the organization.

D. Organizational Processes, Structure and Design

A formal pattern of activities and interrelationship among the various subunits of the organization. It includes:

- a. Organizational Structure—the components of the organization and how these components fit together.
- b. Job Design—the processes managers use to specify the contents, methods, and relationships of jobs and specific task assignments.
- c. Organizational Processes—four behavioral processes that contribute to effective organizational performance are:
 1. Leadership—important for obtaining individual, group and organizational performance. Defined by some in terms of specific traits and behaviors; the combination of those behaviors; or dependent upon the specific situation in which the leading is occurring.
 2. Communication Process—links the organization to its environment and links parts within the organization to each other.

3. Decision-Making Process—the dynamics, variety and techniques of both individual and group decision-making.
4. Organizational Change and Development Processes—planned attempts to implement change that will improve overall individual, group, and organizational performance. It involves the study of Organizational structure and Design and Managing change and Innovation.

Basic OB Model

Model is an abstraction of reality and a simplified representation of some real-world phenomenon.

Three theoretical frameworks- the cognitive, behavioristic and social learning frameworks form the basis of an organizational behavior model. The cognitive approach is based on the expectancy, demand and incentive concepts. Edward Tolman has made significant contributions to this approach. Behavioristic framework focuses on observable behaviors. Ivan Pavlov and John B. Watson were the pioneers of the behavioristic theory. They explained human behavior on the basis of the connection between stimulus and response. The social learning approach incorporates the concepts and principles of both the cognitive and behavioristic frameworks. In this approach, behavior is explained as a continuous reciprocal interaction between cognitive, behavioral and environmental determinants. The organization behavior model (S, O, B, C) has incorporated the best aspects from the three frameworks of human behavior. In this model, the letters S, O, B, C represent situation, organism, behavior and consequences, respectively. Allbert Bandura, Julian Rotter, Salancik and Pfeffer are the main proponents of this framework.

In the OB Model there are some dependent variables like productivity, absenteeism, turnover, job satisfaction, deviant workplace behaviour, organizational citizenship behaviour etc -the reasons of which people try to understand. The cause of these outcomes like with some variables at individual, group and individual level-these variables are called independent variables. In the context of the organizational environment the independent variables at different levels interact between and amongst each other giving rise to a complex dynamics which leads to the various outcome variables as mentioned above. For this reason there are few absolutes in OB as everything is contingent on situation and what holds good for one situation may not hold good for another situation. For further reading please refer ([Exhibit from Organizational Behaviour, Stephen P. Robbins, Timothy A. Judge and Seema Sanghi, 12th ed, PHI, pp 39](#))

The goals of organizational behaviour.

The four goals of Organizational behavior are:

To describe systematically how people behave under variety of conditions

To understand why people behave as they do

Predicting future employee behavior

Control at least partially and develop some human activity at work.

Importance of Organizational behaviour for the managers

Organizational behavior provides a useful set of tools at five levels of analysis.

- It helps managers to look at the behavior of individuals within an organization.
- It aids their understanding of the complexities involved in interpersonal relations, when two people (two coworkers or a superior-subordinate pair) interact.
- Organizational Behaviour is valuable for examining the dynamics of relationships within small groups, both formal teams and informal groups.
- When two or more groups need to coordinate their efforts, managers become interested in the intergroup relations that emerge.
- Organizations can also be viewed and managed as whole systems that have inter organizational relationships.

Questions

What is the meaning of Organizational behaviour?

Explain the contributions made by various behavioural science discipline to OB.

Describe the fundamental concepts connected with Organizational behaviour.

What are the four basic approaches of Organizational behaviour?

Describe the framework of the study of Organizational behaviour with reference to the basic OB model.

Describe the goals of organizational behaviour.

Justify with examples the importance of the knowledge of Organizational behaviour for the managers.

Chapter Two

Effectiveness in organizations

Objectives

- Understanding the models of Organizational Behaviour
- Understanding effectiveness in organizations- goal approach and systems theory approach
- Knowing the time dimension of effectiveness
- Knowing the criteria of effectiveness
- Knowing the limitations of Organizational Behaviour
- Knowing the key forces affecting Organizational Behaviour
- Understanding the continuing challenges of Organizational Behaviour.
- Developing competencies for facing the challenges.

Models of Organizational Behaviour

Models of Organizational Behaviour constitute the belief system that dominates management's thought and affects management's actions in each organization. It is very important for the managers to recognize the nature, significance and effectiveness of their own models as well as the models of others around them.

Assumptions about Employees- Theory X and Theory Y by Mc Gregor (1957)

THEORY X

The typical person dislikes work and avoid it if possible

The typical person lacks responsibility, has little ambition and seeks security above all

Most people must be coerced, controlled, and threatened with punishment to get them to work

With these assumptions the managerial role is to coerce and control employees

THEORY Y

Work is as natural as play or rest .People are not inherently lazy. They have become that way as a result of experience

People will exercise self direction and self control in the service of the objectives to which they are committed

People have potential. Under proper condition they learn to accept and seek responsibility. They have imagination, ingenuity and creativity that can be applied to work

With these assumptions the managerial role is to develop the potential in employees and help them release that potential toward common objectives.

Five Models of Organizational Behaviour- The five models of Organizational Behaviour – Autocratic, Custodial, Supportive, Collegial and System, in the order mentioned , represent the historical evolution in management practice. Organizations differ amongst themselves in the model practiced by it. The practices may vary within the departments or branches of one organization. Also, the practices of individual managers may differ from their organization’s prevailing model because of the manager’s personal preference or different conditions in their department.

The models of organizational behaviour

(Source:from Organizational behaviour-Human behaviour at work by John W Newstrom, 12th edition, McGrawHill Publication, pp30).

	Autocratic	Custodial	Supportive	Collegial	System
Basis of Model	Power	Economic resources	Leadership	Partnership	Trust, Community, Meaning
Managerial Orientation	Authority	Money	Support	Teamwork	Caring, compassion
Employee Orientation	Obedience	Security and benefits	Job performance	Responsible behaviour	Psychological ownership
Employee psychological result	Dependence on boss	Dependence on organization	Participation	Self discipline	Self motivation
Employee needs met	Subsistence	Security	Status and recognition	Self actualization	Wide range
Performance result	Minimum	Passive cooperation	Awakened drives	Moderate enthusiasm	Passion and commitment to organizational goals.

Effectiveness in Organizations

Levi Strauss, an effective company practices the following value principles:

- a. Behaviors—management exemplifies directness, openness to influence, commitment to others' success, and willingness to acknowledge employees' contributions to problems.
- b. Diversity—Levi's values a diverse workforce at all levels. Differing points of views are sought and not suppressed."
- c. Recognition—Levi's provide multiple forms of recognition for individuals and teams that contribute to the company's success.
- d. Ethical Practices—management epitomizes the stated standards of ethical behavior.
- e. Empowerment—managers increase the authority and responsibility of those closest to the products and the customers.

The starting point for understanding of effectiveness begins with Frederick Taylor's theory of scientific management. Since then effectiveness research has looked at two kinds of attributes:

- a. Variables that predict effectiveness.
- b. Variables that indicate effectiveness.

Ivancevich, Konopaske and Matteson in their book Organizational behavior and management -7th edition (TMH) have highlighted two approaches of studying effectiveness-the goal approach and the systems theory approach.

The Goal Approach

It is the oldest and most widely used approach to defining and measuring effectiveness. It assumes that organizations exist to accomplish goals which reflects purpose, rationality, and achievement. Several management practices (e.g., management by objectives) are based on the goal approach. However, the shortcomings of the goal approach are:

- a. Goal achievement for organizations with intangible outputs (e.g., a liberal arts college) may be difficult to measure.
- b. Goal conflict frequently occurs as organizations strive to achieve many goals (e.g., how can a company produce high quality products while minimizing production costs?).
- c. Organizational members rarely achieve consensus on a set of goals to pursue.
- d. Goal achievement does not guarantee organizational effectiveness.

Despite shortcomings, the goal approach exerts a powerful influence on OB theory and management.

The Systems Theory Approach

It defines effectiveness in the broader context of the internal and external environment. It emphasizes that managers must deal with the internal and external aspects of organizational behavior and views the organization as one of many interdependent elements. The organization depends on the external environment for two kinds of inputs, which it transforms into outputs, and then releases in the hope that the external environment will accept them. These two inputs are:

- a. Human Inputs—employees and natural resources
- b. Non-human inputs (e.g., equipment, information, raw materials).

An important aspect of the systems theory is the feedback. Feedback, or information that reflects the outcomes of an act or series of acts, enables the organization to adjust to environmental demands. (Feedback would include market research, financial reports, customer complaints, etc.)

Systems theory emphasizes two important considerations:

- a. An organization's ability to adapt to environmental demands;
- b. Management's ability to focus on the input-process-output cycle and maintain this three-part flows of activity.

The idea of the "learning organization," which evolves from the systems theory, suggests that organizations learn, adapt, and change by acquiring knowledge, distributing information, and interpreting information. Two types of learning are:

- a. Generative learning— learning how to learn.
- b. Facilitative learning—learning to learn through teaching.

Time dimension of Organizational effectiveness

Systems theory is used to integrate organizational effectiveness and time. In Systems theory the organization is considered as one element of a larger system of number of elements, the environment, that act interdependently. The organization takes resources (inputs) from the external environment, processes these resources and returns them in changed form (output).According to Systems theory,

effectiveness criteria must reflect the entire input-process-output cycle, not simply output and must also reflect the interrelationships between the organization and its outside environment. In relation to environmental circumstances organization passes through different phases of lifecycle like forming, developing, maturing and declining and the appropriate criteria of effectiveness must reflect the stage of the organization's life cycle.

The criteria of effectiveness are also time based like Short run (results of actions concluded in a year or less), Intermediate run (when effectiveness of individual, group or organization is considered for a longer period, perhaps five years) and Long run (for this the time frame is indefinite future). Four Short run effectiveness criteria are quality, productivity, efficiency and satisfaction. Three intermediate criteria are quality, adaptiveness, efficiency and satisfaction. The two long run criteria are quality and survival.

Criteria of Effectiveness

Effectiveness criteria must reflect the stage of the organization's life-cycle (which includes stages of growth, maturation and decline) and short, intermediate, and long-term perspectives.

1. Quality—overarching criteria of effectiveness that involves meeting customers' needs and expectations. Statistical Quality Control (SQC) and Total Quality Control (TQC) rank among the most used programs for building quality throughout organizations, as well as in their products and services.
2. Productivity—reflects the relationship between inputs and outputs. It excludes consideration of efficiency. Measures of productivity include profit, sales, market share, patients released, clients served.
3. Efficiency— it is the ratio of outputs to inputs. Efficiency focuses on the entire input-process-output cycle, emphasizing input and process. Measures of efficiency include rate of return on capital or assets, unit cost, scrappage and waste, downtime, occupancy rates and cost per patient/student/client etc.
4. Satisfaction—the extent to which the organization meets employee needs. It recognizes the organization as a social system that must benefit its participants. Measures of satisfaction include turnover, absenteeism, and employee attitudes.
5. Adaptiveness—degree to which the organization can and does respond to internal and external changes. It relates to management's ability to sense environmental changes and changes within the organization. There are no specific, concrete measures of adaptiveness, but certain programs (e.g., employee training and career counseling) increase its capacity to deal with it.

6. Development—ability of the organization to increase its capacity to deal with environmental demands. It means that an organization must invest in itself to increase its chances of survival in the long run. Training programs and organizational development programs represent the organization's investment in survival.

An organization can be effective in the short run but the organization's adaptation with the external environment and its efforts for development at each of the lifecycle stages will ensure the survival of the organization in the environment—the ultimate criterion of organizational effectiveness in the long run.

Important Reading

Measuring Organizational Effectiveness –Measuring Organizational Effectiveness by Jamrog and Overholt CANADIAN MANAGEMENT CENTRE SPECIAL REPORT NOVEMBER 2005

- To know more about Organizational Capabilities index

Limitations of Organizational Behaviour

The three major limitations of Organizational behaviour are:

Behavioural Bias- A narrow viewpoint that emphasizes satisfying employee experiences while overlooking the broader system of the organization in relation to all its public. Sound OB should recognize a social system in which many types of human needs are served in many ways.

The Law of diminishing returns- More of a good thing is not necessarily good. For any situation there is an optimum amount of desirable practice. Organizational effectiveness is achieved not by maximizing human variable but by combining all system variables together in a balanced way.

Unethical Manipulation of people- Knowledge and techniques can be used to manipulate people unethically.

Key forces affecting organizations and continuing challenges

A complex set of four forces affects the nature of organizations today. They are:

People- People are the living, thinking and feeling beings who work in the organization to achieve their objectives. People make up the internal social system of the organization. The internal social system consists of individuals and groups which are dynamic in nature, large as well as small in size, unofficial, informal and more official formal ones.

Structure- Structure defines the formal relationship and use of people in organizations. When people work together in an organization to accomplish an objective, some kind of structure of formal relationships is required so that their work can be effectively coordinated.

Technology- Technology consists of the intellectual and mechanical processes used by an organization to transform inputs into products or services that meet organizational goals. Technology provides the resources with which people work and affects the tasks that they perform.

Environment- All organizations operate within an internal and external environment. It is a part of larger system that contains many other elements, such as government, family, society at large and other organizations. Numerous changes in the environment create demands on organizations. All these factors influence one another in a complex system that creates a dynamic even chaotic context for a group of people which influences the attitudes of people, affects working conditions and provides competition for resources and power.

Based on these four forces, the different challenges faced by the managers today are:

Managing in a global environment- Changes in the global marketplace have brought the need to think globally. For any company competing in the global marketplace it is essential to understand the diverse cultures of the individuals involved and develop cross cultural sensitivity. Hofstede(1983) found five dimensions of cultural differences that formed the basis for work related attitudes. These are Individualism (a cultural orientation in which people belong to loose social framework and their primary concern is for themselves and their families) versus collectivism (a cultural orientation in which people belong to tightly knit social framework and they depend strongly on large extended families or clans); power distance (the degree to which culture accepts unequal distribution of power); uncertainty avoidance (the degree to which a culture tolerates ambiguity and uncertainty); masculinity (the cultural orientation in which assertiveness and materialism are valued) versus femininity (the cultural orientation in which relationships and concern for others are valued) and time dimension (whether a culture's values are oriented towards the future or towards the past and present). It is also required for these companies to bring in structural changes as and when required based on the demands of the global environment. Many organizational structures have become flatter as a measure of lowering cost and remaining competitive while some structures have grown more complex as a result of mergers, acquisitions and new ventures. Several organizations are hiring contingent workforces while others are moving from a traditional to a team based structure.

Managing workforce diversity- Workforce diversity has always been an important issue for organizations. Diversity encompasses all forms of differences among individuals, including culture, gender, age, ability, religious affiliation, personality, economic class, social status, military attachment and sexual orientation. Today the workforce has become richly diverse in terms of age, gender, educational backgrounds, talents and perspectives to their jobs. New labour force has emerged and management's leadership practices must change to match the new conditions. These fast moving developments have given new emphasis to leadership ability. Some companies are discovering that demonstrating a sense of caring, really listening to employees and being concerned with both competence and relationships are among the keys to the motivation of the present workforce. Other companies are urging their managers to respond to a diverse workforce by building pride without devaluing others, empowering some without exploiting others, and demonstrating openness, confidence, authentic compassion and vulnerability. Diversity can enhance organizational performance

but five problems are particularly important: resistance to change, cohesiveness, communication problems, conflicts and decision making.

Managing Technological Innovation- Examples of the impact of technology includes the increasing use of robots and automated control system in the assembly lines, shift from manufacturing to service economy, widespread use of Internet and the need to respond to societal demands for improved quality of goods and services at acceptable prices. The great benefit of technology is that it allows people to do more and better work, but it also restricts people in many ways-thus having both benefits as well as costs. Each of the technological advancements places increased pressure on OB to maintain a delicate balance between technical and social systems. Technological innovations like expert systems, robotics, world wide web etc have been responsible to large extent for the advent of alternative work arrangements like Telecommuting, Hoteling and Satellite offices and also has started affecting the very nature of the management job like developing technical competency of themselves and also of the workers, motivating employees for reinvention, dealing with employee stress, depression, anxiety and helping employees to adjust to technological changes.

Managing ethical issues at work- Formal relationships create complex problems of cooperation, negotiation and decision making due to differences in resource power. This may give rise to many ethical issues in the organization like employee theft, comparable worth of employees, conflict of interest, sexual harassment, romantic involvements, organizational justice, whistle blowing. Managers must confront these ethical challenges of individual and group level and also those ethical issues that are encountered in organizational level like environmental issues and corporate social responsibility and handle them successfully.

Value of OB in developing competencies for facing the challenges: These four challenges are important because the way managers handle them shapes employee behaviour. Organizational behaviour can be used to do this effectively. OB helps people attain the competencies (an interrelated set of abilities, behaviors, attitudes, and knowledge needed by an individual to be effective in most professional and managerial positions) needed to become effective employees, team leaders/members, or managers. Seven Foundation Competencies are:

- Managing Self
- Managing Communication
- Managing Diversity
- Managing Ethics
- Managing Across Cultures
- Managing Teams
- Managing Change

However the field of Organizational Behaviour faces two continuing challenges while doing this. These two continuing challenges are:

Seeking quick fix- Tendency for business firms to have short time horizons for the expected payoff from behavioural programs.

Varying environment-Failure of managers to recognize the impact of different environment and modifying the OB concepts accordingly.

Management have to be conscious of these two challenges and overcome them so that the knowledge of OB can be utilized properly for increasing organizational effectiveness.

Questions

1. What are the various models of Organizational Behaviour ? Discuss the similarities and differences among five models of organizational behavior.
2. What is organizational effectiveness? Critically evaluate the goal approach and systems theory approach of defining effectiveness.
3. Discuss the criteria of effectiveness with reference to the time dimension of effectiveness.
4. Describe with examples the limitations of Organizational Behaviour
5. What are the key forces affecting Organizational Behaviour?
6. What are the continuing challenges of Organizational Behaviour? Describe how the seven competencies help in facing these challenges.

Chapter Three

Social systems and organizational culture

Objectives

- Understanding a Social System
 - Psychological Contract
 - Social Culture, Role, Status
- Understanding Organizational culture
 - Organizational socialization
 - Characteristics of effective socialization
 - Impact of Organizational Culture on Performance and Satisfaction
 - Creating An Ethical Organizational Culture
 - Creating a Customer-Responsive Culture
 - Spirituality and Organizational Culture
 - Influencing culture change
 - Sustaining the culture- Mergers, organizational culture, and cultural leadership

SOCIAL SYSTEMS AND ORGANIZATIONAL CULTURE

- **Understanding a social system**

A social system is a complex set of human relationships interacting in many ways. Each small group is a subsystem within larger groups that are subsystem within even larger groups. Two points are important in the complex interactions among people in a social system (a) The behaviour of any one member can have an impact which is large or small, directly or indirectly on the behaviour of any other as all parts of the system are mutually interdependent. (b) Any social system engages in exchanges with its environment, receiving input from it and providing output to it. A system is said to be in social equilibrium when its interdependent parts are in dynamic working balance. When minor changes occur in the social system they are soon absorbed by adjustments within the system and equilibrium is regained but single significant change or a series of smaller rapid changes may throw the organization out of balance. Any actual or proposed change in the social system or any behaviour of employee may have a short term and long term effect on the system and its stakeholders as measured by the soft and hard criteria. When these effects are favourable for the system it is said to have a functional effect, but when the effects are unfavourable in nature it is said to have dysfunctional effect.

Psychological contract

The interaction among people in the organization specially between employer and employee depends to a large extent on the psychological contract- the perception of employer and employee, of what their mutual obligations are towards each other (Guest 2002).

Important Reading-Psychological contract

For detailed reading on Psychological contract please refer to <http://www.cipd.co.uk/subjects/employment/psychcontract/psychcontract.htm>

- **Social Culture**

A society is an interdependent community, while culture is an attribute of a particular community. Every society has its own culture. Culture is a complex of features held by a social group, which may be as small as a family or a tribe, or as large as a racial or ethnic group, a nation, or in the age of globalization, by people all over the world. Culture has been called "the way of life for an entire society." Culture at the social level includes the codes of manners, dress, language, religion, rituals, norms of behavior such as law and morality, and systems of belief that are commonly shared by people of society. Thus, social values, being shared values, affect people's individual values by affecting value formation process of family, education system, and social groups. The elements of culture are first adopted by members of the social group, found to be useful, and then transmitted or propagated to others. In this way, culture is both defined by the social activities of the group and also defines the behavior of the members of the society and a cultural identity of an individual develops.

Important Reading- Cultural diversity

Chapter 20 Cultural Diversity at Work The Effects of Diversity Perspectives on Work Group Processes and Outcomes Robin J. Ely and David A. Thomas (<http://www.roxbury.net/images/pdfs/soachap20.pdf>),

- **Role**

Role is a character or part played by an individual

A function or position

Expected social behaviour of an individual as perceived by others and also by the individual himself/herself.

Organizational role is a complex concept and comprises of all the above.

Important Reading for detailed understanding of Organizational Role- A Framework for Consulting to Organizational Role by James Krantz and Marc Maltz<http://www.worklab.com/wp-content/uploads/2009/12/Role-Consultation-Article2.pdf>

- **Status**

The Meaning of Status

Status is the social rank of a person in a group. It is a mark of the amount of recognition, honor, esteem, and acceptance given to a person. Within groups, differences in status apparently have been recognized

ever since civilization began. Wherever people gather into groups, status distinctions are likely to arise, because they enable people to affirm the different characteristics and abilities of group members.

Individuals are bound together in status systems, or status hierarchies, which define their rank relative to others in the group. If they become seriously upset over their status, they are said to feel status anxiety.

Loss of status-sometimes called "losing face" or status deprivation-is a serious event for most people; it is considered a much more devastating condition, however, in certain societies. People, therefore, become quite responsible in order to protect and develop their status. One of management's pioneers, Chester Barnard, stated, "The desire for improvement of status and especially the desire to protect status appears to be the basis of a sense of general responsibility."

Since status is important to people, they will work hard to earn it. If it can be tied to actions that further the company's goals, then employees are strongly motivated to support their company.

Status Symbols

The status system reaches its ultimate end with status symbols. These are the visible, external things that attach to a person or workplace and serve as evidence of social rank. They exist in the office, shop, warehouse, refinery, or wherever work groups congregate. They are most in evidence among different levels of managers, because each successive level usually has the authority to provide itself with surroundings just a little different from those of people lower in the structure.

There are a variety of symbols of status, depending on what employees feel is important. For example, in one office the type of wastebasket is a mark of distinction. In another, significant symbols are type of desk and telephones. In the executive offices, such items of rank as rugs, bookcases, curtains, and pictures on the wall are important. Another classic symbol of much significance is a corner office, because those offices are often larger and have windows on two sides. There may even be distinctions between an office with windows and one with no windows. Outside the office, the truck driver who operates the newest or largest truck has a symbol of status.

Facilities at workplace, such as a computer terminal or fax machine ;Quality and newness of equipment used, such as a new vehicle or tools ;Type of clothes normally worn, such as a suit ;Privileges given, such as a club membership or company automobile ;Job title or organizational level, such as vice president ;Employees assigned, such as a private secretary; Degree of financial discretion; Organizational membership, such as a position on the executive committee are all status symbols.

All this concern for symbols of status may seem amusing, but status symbols are a serious matter. They may endanger job satisfaction because employees who do not have a certain symbol, and think they should, can become preoccupied with that need. When, for example, an employee gives unreasonable attention to status symbols, there is evidence of status anxiety, and this situation requires management attention.

Many organizations have a policy that persons of equal rank in the same department should receive approximately equal status symbols. There may be some variation between departments, such as production and sales, because the work is different and rank is not directly comparable. In any case, managers need to face the fact that status differences exist and must be managed successfully. Managers have the power to influence and control status relationships somewhat. The organization gives some status, and it can take some away.

Sources of Status

The sources of status are numerous, but in a typical work situation several sources are easily identified. Education and job level are two important sources of higher status. A person's abilities, job skills, and type of work also are major sources of status.

Other sources of status are amount of pay, seniority, age, and stock options. Pay gives economic recognition and an opportunity to have more of the amenities of life, such as travel. Seniority and age often earn for their holder certain privileges, such as first choice of vacation dates, or the respect of co-workers for their longevity at work. Method of pay (hourly versus salary) and working conditions also provide important status distinctions, such as distinguishing blue-collar and white-collar work. Stock options provide employees with the opportunity to share the financial success of the firm.

Significance of Status

Status is significant to organizational behavior in several ways. When employees are consumed by the desire for status, it often is the source of employee problems and conflicts that management needs to solve. It influences the kinds of transfers that employees will take, because they don't want a low-status location or job assignment. It helps determine who will be an informal leader of a group, and it definitely serves to motivate those seeking to advance in the organization. Some people are status seekers, wanting a job of high status regardless of other working conditions. These people can be encouraged to qualify themselves for high-status jobs so that they will feel rewarded.

- **Organizational Culture**

Organizational culture is the specific collection of values and norms shared by people and groups in an organization and it controls the way that they interact with each other and stakeholders outside the organization.

Deal and Kennedy defined organizational culture as the way things get done around here. They measured organizations in terms of Feedback and risk.

Edgar Schein defines organizational culture as a pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and therefore to be taught to new members as the correct way you perceive, think and feel in relation to those problems. He described three levels of organizational

culture- at the cursory level is the organizational attributes collectively known as artifacts. The next level deals with the professed culture of an organization's members- values. At the deepest level are the organization's tacit assumptions. (For details please refer to **Wikipedia, the free encyclopedia**(http://en.wikipedia.org/wiki/Organizational_culture)

Different Types of Organizational Culture

- **Strong culture vs weak culture**
- **Tough-Guy Macho Culture**
- **The work hard/play hard culture**
- **Bet your company culture**
- **Process culture**
- **Power culture**
- **Role culture**
- **Task culture**
- **Person Culture**
- **Blame culture**
- **Multidirectional culture**
- **Live and Let live culture**
- **Brand congruent culture**
- **Leadership enriched culture**
- **Constructive culture**
- **Passive defensive culture**
- **Aggressive/ defensive culture**
- **Constructive culture**
- **Entrepreneurial culture**

Important Reading- For details of the above types of Organizational culture please refer to- Wikipedia, the free encyclopedia(http://en.wikipedia.org/wiki/Organizational_culture)

How Organization Cultures Form

- **Organizational Socialization**

Prearrival Stage

The period of learning in the socialization process that occurs before a new employee joins the organization

Encounter Stage

The stage in the socialization process in which a new employee sees what the organization is really like and confronts the possibility that expectations and reality may diverge

Metamorphosis Stage

The stage in the socialization process in which a new employee changes and adjusts to the work, work group, and organization

Entry Socialization Options

- *Formal versus Informal*
- *Individual versus Collective*
- *Fixed versus Variable*
- *Serial versus Random*
- *Investiture versus Divestiture*

Source: Based on J. Van Maanen, "People Processing: Strategies of Organizational Socialization," *Organizational Dynamics*, Summer 1978, pp. 19–36; and E. H. Schein, *Organizational Culture*, "American Psychologist, February 1990, p. 116.

Important reading-

Organizational Socialization: Making Sense of the Past and Present as a Prologue for the Future

Alan M. Saks and Blake E. Ashforth (JOURNAL OF VOCATIONAL BEHAVIOR 51, 234–279 (1997) ARTICLE NO. VB971614)

<http://www.uv.es/gonzalez/PSI%20ORG%2006-07/ARTICULOS%20SOCIALIZACION%20ORG/ARTICULO%203%20REVISION-ORG%20SOCIALIZATION.pdf>

Organizational socialization-A new theoretical model and recommendations for future research and HRM practices in organizations

Accessed from <http://www.emeraldinsight.com/journals.htm?articleid=1563117&show=html>

How Organizational Cultures Have an Impact on Performance and Satisfaction

The objective factors in the organization like importance given to innovation and risk taking, attention to details, outcome orientation, people orientation, team orientation, aggressiveness and stability are perceived by the employee as organization culture or personality. The favourable or unfavourable perception of organizational culture affects performance of employees and satisfaction. The effect is greater in case of strong cultures. For further details (Exhibit 17-8 from *Organizational Behaviour*, Stephen P. Robbins, Timothy A. Judge and Seema Sanghi, 12th ed, PHI, pp 657)

Creating An Ethical Organizational Culture

Characteristics of Organizations that develop high ethical standards are: high tolerance for risk; low to moderate in aggressiveness and focus on means as well as outcomes.

Managerial Practices promoting an ethical culture are ; being a visible role model; communicating ethical expectations; providing ethical training; rewarding ethical acts and punishing unethical ones and providing protective mechanisms.

Creating a Customer-Responsive Culture

➤ Key Variables Shaping Customer-Responsive Cultures

1. The types of employees hired by the organization
2. Low formalization: the freedom to meet customer service requirements
3. Empowering employees with decision-making discretion to please the customer
4. Good listening skills to understand customer messages
5. Role clarity that allows service employees to act as “boundary spanners”
6. Employees who engage in organizational citizenship behaviors

Managerial Actions

- Select new employees with personality and attitudes consistent with high service orientation
- Train and socialize current employees to be more customer focused
- Change organizational structure to give employees more control
- Empower employees to make decisions about their jobs
- Lead by conveying a customer-focused vision and demonstrating commitment to customers
- Conduct performance appraisals based on customer-focused employee behaviors
- Provide ongoing recognition for employees who make special efforts to please customers

Spirituality and Organizational Culture

Workplace Spirituality

The recognition that people have an inner life that nourishes and is nourished by meaningful work that takes place in the context of the community

Characteristics

- Strong sense of purpose
- Focus on individual development
- Trust and openness
- Employee empowerment
- Toleration of employee expression

Reasons for the Growing Interest in Spirituality

- As a counterbalance to the pressures and stress of a turbulent pace of life and the lack of community many people feel and their increased need for involvement and connection.
- Formalized religion hasn't worked for many people.
- Job demands have made the workplace dominant in many people's lives, yet they continue to question the meaning of work.
- The desire to integrate personal life values with one's professional life

- An increasing number of people are finding that the pursuit of more material acquisitions leaves them unfulfilled.

Organizational culture and change

Cummings & Worley (2005, p. 491 – 492) give the following six guidelines for cultural change, these changes are in line with the eight distinct stages mentioned by Kotter (1995, p. 2)3:

1. Formulate a clear strategic vision (stage 1,2 & 3 of Kotter, 1995, p. 2)

In order to make a cultural change effective a clear vision of the firm's new strategy, shared values and behaviours is needed. This vision provides the intention and direction for the culture change (Cummings & Worley, 2005, p.490).

2. Display Top-management commitment (stage 4 of Kotter, 1995, p. 2)

It is very important to keep in mind that culture change must be managed from the top of the organization, as willingness to change of the senior management is an important indicator (Cummings & Worley, 2005, page 490). The top of the organization should be very much in favour of the change in order to actually implement the change in the rest of the organization. De Caluwé & Vermaak (2004, p 9) provide a framework with five different ways of thinking about change.

3. Model culture change at the highest level (stage 5 of Kotter, 1995, p. 2)

In order to show that the management team is in favour of the change, the change has to be notable at first at this level. The behaviour of the management needs to symbolize the kinds of values and behaviours that should be realized in the rest of the company. It is important that the management shows the strengths of the current culture as well, it must be made clear that the current organizational does not need radical changes, but just a few adjustments. (See for more: (Deal & Kennedy, 1982; Sathe, 1983; Schall; 1983; Weick, 1985; DiTomaso, 1987)

4. Modify the organization to support organizational change

The fourth step is to modify the organization to support organizational change.

5. Select and socialize newcomers and terminate deviants (stage 7 & 8 of Kotter, 1995, p. 2)

A way to implement a culture is to connect it to organizational membership, people can be selected and terminate in terms of their fit with the new culture (Cummings & Worley, 2005, p. 491).

6. Develop ethical and legal sensitivity

Changes in culture can lead to tensions between organizational and individual interests, which can result in ethical and legal problems for practitioners. This is particularly relevant for changes in employee integrity, control, equitable treatment and job security (Cummings & Worley, 2005, p. 491).

Change of culture in the organizations is very important and inevitable. Culture innovations is bound to be because it entails introducing something new and substantially different from what prevails in existing cultures. Cultural innovation is bound to be more difficult than cultural maintenance. People often resist changes hence it is the duty of the management to convince people that likely gain will outweigh the losses. Besides institutionalization, deification is another process that tends to occur in strongly developed organizational cultures. The organization itself may come to be regarded as precious in itself, as a source of pride, and in some sense unique. Organizational members begin to feel a strong bond with it that transcends material returns given by the organization, and they begin to identify with in. The organization turns into a sort of clan.

Mergers, organizational culture, and cultural leadership

One of the biggest obstacles in the way of the merging of two organizations is organizational culture. Each organization has its own unique culture and most often, when brought together, these cultures clash. When mergers fail employees point to issues such as identity, communication problems, human resources problems, ego clashes, and inter-group conflicts, which all fall under the category of “cultural differences”. One way to combat such difficulties is through cultural leadership. Organizational leaders must also be cultural leaders and help facilitate the change from the two old cultures into the one new culture. This is done through cultural innovation followed by cultural maintenance.

Cultural innovation includes:

Creating a new culture: recognizing past cultural differences and setting realistic expectations for change

Changing the culture: weakening and replacing the old cultures

Cultural maintenance includes:

Integrating the new culture: reconciling the differences between the old cultures and the new one

Embodying the new culture: Establishing, affirming, and keeping the new culture

Questions

1. Define organizational culture. Critically evaluate the different typologies of organizational culture.
2. Define social system. How the psychological contract affects the social system of organization?
3. What is Cultural diversity? Explain with suitable examples the relationship between cultural identity diversity and work group functioning.
4. What is Role and Role perception? Describe a systematic framework for organizational role highlighting the effect of role conflict and role ambiguity on organizational performance.
5. What are status symbols? What is the significance of status for OB?
6. What is Organizational socialization? State the different perspectives on organizational socialization with special reference to a multilevel process model of organizational socialization.
7. What is the role of learning in organizational socialization-explain with examples and a suitable model.
8. Critically evaluate the role of individual in the organizational socialization process.
9. State with reasons if it is possible to change culture? If yes, how?