**Chapter 1: What Is Organizational Behavior?**

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**NOTE FROM THE AUTHOR**

My name is Jason Colquitt, and I’m the lead author on the Colquitt-LePine-Wesson textbook, *Organizational Behavior*. I’m also the author of this Instructor’s Manual and I want to encourage adopters to reach out to me if I can help in any way with the book. I’m happy to point you to video clips that complement our OB on Screen feature or to share the details of a research project on performance and commitment that I do with my students. I also created PowerPoints for earlier editions of the textbook that have extensive photos and vivid colors, along with narration notes from my own teaching. I’m happy to share those PowerPoints with you, as the current PowerPoints are limited by new restrictions on photos and colors. I also have those files in Keynote form if you are a Mac user. In sum, I enjoy corresponding with adopters very much, so please do not hesitate to reach out to me. My email address is jason.colquitt@gmail.com.

**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**

The Resource Based View in Sports Case Analysis

High Performance Work Practices at Netflix Case Analysis

How Do We Know? Click and Drag\*

How Do You Know? Self-Assessment

Types of Relationships in OB 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

1. **What Is Organizational Behavior?**

**Try This!:** Open the very first class by asking them 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.

* 1. 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

* 1. 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

* + 1. Individual Outcomes – These are the two primary goals of organizational behavior.
			1. Job performance (Chapter 2) – how well employees do on the job
			2. Organizational commitment (Chapter 3) – how likely employees are to remain with an organization

* + 1. Individual Mechanisms – These directly affect job performance and organizational commitment.

* + - 1. Job satisfaction (Chapter 4) – what employees feel about their work
			2. Stress (Chapter 5) – psychological responses to job demands that tax or exceed an employee’s capabilities
			3. Motivation (Chapter 6) – energetic forces that drive an employee’s work
			4. Trust, justice, and ethics (Chapter 7) – degree to which employees feel that their company does business with fairness, honesty, and integrity
			5. Learning and decision making (Chapter 8) – how employees gain job knowledge and use that knowledge to make decisions

* + 1. Individual Characteristics – These affect individual mechanisms.

* + - 1. Personality and cultural values (Chapter 9) – describe various individual traits and characteristics
			2. Ability (Chapter 10) – describes an individual’s cognitive abilities, emotional skills, and physical abilities

* + 1. Group Mechanisms – Also affect individual mechanisms, given that most employees do not work alone

* + - 1. Team characteristics and diversity (Chapter 11) – the qualities that teams possess, including norms, roles, and the way team members depend on each other
			2. Team processes and communication (Chapter 12) – how teams behave with regard to communication, cooperation, and conflict
			3. Leader power and negotiation (Chapter 13) – the process by which individuals gain authority over other individuals
			4. Leader styles and behaviors (Chapter 14) – describes the specific actions leaders take to influence others at work

* + 1. Organizational Mechanisms – These also affect individual mechanisms, because they influence the environment in which work is done.

* + - 1. Organizational structure (Chapter 15) – shows how various units within an organization communicate
			2. Organization culture (Chapter 16) – describes the shared rules, norms, and values that shape behavior for organizational employees
1. **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?

* 1. 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:

* + - 1. Rare – “Good people are hard to find.”
			2. Inimitable – People are difficult to imitate for three reasons:
				1. History – People have a collective pool of experience, wisdom, and knowledge that benefits the organization.
				2. 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 retail stores that mimic 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?

* + - * 1. Socially Complex Resources – Resources like culture, teamwork, trust and reputation come from the social dynamics of a given firm in a given time.

* 1. Research Evidence

* + 1. Study 1
			1. The survey included executives from 968 publicly held firms with 100 or more employees.
			2. High performance work practices were related to decreased turnover, increased sales, increased market value, and increased profitability.

* + 1. Study 2

* + - 1. The prospectuses of 136 companies undergoing IPOs in 1988 were examined for evidence that the company valued OB issues.
			2. Firms which valued OB had a 19 percent higher survival rate than those that did not.

* + 1. Study 3

* + - 1. Companies that made *Fortune*’s list of “100 Best Companies to Work For” were matched to companies of similar size and industry which did not make the list.
			2. 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” in 2017, 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 band members’ relationships, education, and experience, etc. This is an activity that 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 over long periods of time. For employee strategic resources to build over time, good hiring and retention of employees is important. After all, a workforce with a lot of turnover can’t develop complex interactions and a history of shared experiences. Typical student jobs are in industries with a lot of 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.

* 1. 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.

* + - 1. No single OB practice can increase profitability by itself.
			2. Rule of One-Eighth
				1. Half the organizations don’t believe there is a connection between people and profits.
				2. Half of those who see the connection try to make a single change, rather than attempting to make comprehensive changes.
				3. Half of the firms that make comprehensive changes persist long enough for those changes to make a difference.
				4. ½ x ½ x ½ = ⅛

**OB at the Bookstore: *How to Have a Good Day*.** Focus the discussion on whether students are aware of how much research is done on OB sorts of questions. Do they realize that psychologists, neuroscientists, and economists really do study practical questions like “why do people procrastinate”? Then ask students whether they see value in making more of an effort to seek out translations of that work (whether via science-based business books like this one, TED Talks, research podcasts, or *Harvard Business Review* research translations).

1. **How Do We “Know” What We Know About ORGANIZATIONAL BEHAVIOR?**

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

* + 1. Method of experience – believing something because it is consistent with your experience
		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 (for example, 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?

**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 What factors affect the two primary OB outcomes?

1.5 What is the role of 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.

**Connect Exercise: How Do You Know? Self-Assessment.** This activity helps students reflect on how the methods of knowing are applied to everyday life. Results of the quiz suggest the students’ tendencies to rely on each of the four methods in their own lives.

**Learning Goals**

1.5 What is the role of the scientific method?

1.6 How are correlations interpreted?

**Topic:** Method of science

**Difficulty Level:** 1 = Easy

**Blooms:** Apply

**AACSB:** Reflective Thinking

**Follow-Up Activity:** The results of this self-assessment are meant for personal reflection and application to organizational situations. Students can discuss why they may have the tendency to rely (or not to rely) on certain methods and whether it is effective for them. This discussion then extends to how the students would like decisions to be made in their company and why the method of science is most robust.

* 1. Scientific Method

* + 1. Theory – collection of assertions 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
			1. One tool in the verification process is the correlation.

**Try This!** Ask ten 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.

* + - 1. 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.
			2. 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@gmail.com 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?

**Bonus OB on Screen (from 3rd edition): *Social Network*.** The clip referenced in the book begins around the 21:32 mark of the film, continuing until about the 24:20 mark. The clip depicts Tyler and Cameron Winklevoss approaching Mark Zuckerberg to work on their site, the Harvard Connection. The scene encapsulates the inimitable advantage that Facebook had in the beginning (and that Harvard Connection would have had): Unlike Myspace or Friendster, you needed a harvard.edu email address to access it. Ask the students to describe why that represented such an inimitable advantage in the beginning. Then guide discussion toward the inimitable advantages that Facebook has garnered since the site was opened up to everyone.

**Bonus OB on Screen (from 1st and 2nd edition): *Office Space*.** The clip begins around the 18:20 mark of the film, continuing until about the 25:44 mark. The clip depicts Peter Gibbons, a computer programmer at Initech, as he struggles to get through his work day. Eventually he seeks the advice of a therapist, which inadvertently causes him to embrace the role of an “office slacker.” The scenes provide a case study of an employee with low job performance and low organizational commitment. Ask the students why Peter seems to be struggling. What concepts from Figure 1-1 seem most relevant? Students who have seen the entire movie will be able to point to a number of different concepts that explain Peter’s current ineffectiveness.

**Connect Exercise: Types of Relationships in OB Click and Drag.** This exercise helps students understand correlation strength and how it represents frequency of occurrence. The student matches each statement about a relationship between variables to a correlation strength: none, moderate, strong, and perfect. This activity will prepare students to better understand research results in future chapters.

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

**Learning Goals**

1.6 How are correlations interpreted?

**Topic:** Method of science

**Difficulty Level:** 3 = Hard

**Blooms:** Evaluate

**AACSB:** Analytical Thinking

**Follow-Up Activity:** Broaden the discussion of correlation strength to illustrate that frequency of occurrence is just one piece of the puzzle in determining what actions to take. Give the students two statements: “Temperature drops in winter are usually associated with higher turnover” and “Rarely, the A/C breaks in the manufacturing area and all work must stop”. Ask the students to discuss in groups the implications of the relationships in each statement and compare them. The latter is probably costlier to the organization but is rare. The organization can exert control over a/c, but not over the outside weather. Effects that result from turnover may be high training costs, as well as frequent low morale and lack of teamwork. This discussion illustrates that ‘more frequent’ is not always more important to the organization. Student comments about contingencies on the importance of the relationships (job types, industry, size of organization) will give the discussion added depth.

**Connect Exercise: Flashlights and Pop Tarts Case Analysis.** This exercise presents unlikely correlations in everyday life and illustrates why correlation does not mean that one causes the other. 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 more caffeine, my alertness strongly increases (strong and positive relationship). However, as I drink more caffeine, the number of practice problems I get right moderately decreases (moderate and negative relationship).

1. **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 Methods of Knowing.** Please email me at colq@uga.edu if you have any questions about using these assessments in your teaching.

**DISCUSSION QUESTIONS**

1.1 Assuming you possessed the right technical skills, would a job at IKEA be appealing to you? What would be the most important positives associated with the position, in your view? What would be the most important negatives?

*The answers will vary from person to person, but one of the more oft-mentioned positives would be working for a company that stood for something—that had a “social mission.” One negative might be working for a company whose product seems routine and common, as there are a number of companies that the lay consumer might view as substitutable.*

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 his or her 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 him, 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 his 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 that 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 having 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: IKEA**

**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.*

**BONUS CASE: IKEA (from 6th edition)**

Does the name Ingvar Kamprad ring a bell? What if I told you he grew up on a farm called Elmtaryd near the village of Agunnaryd? That’s right—he’s the founder of Sweden-based IKEA (and now you know what the letters stand for). IKEA operates 389 stores worldwide, employing 183,000 employees. Kamprad built his massive company from the humblest of beginnings. At the age of five, he began buying boxes of matches in order to sell them by the book for profit. He founded Ikea in 1943 at the age of seventeen, using seed money from his father. Kamprad began by selling knickknacks and trinkets before moving on to furniture five years later. IKEA expanded beyond Sweden in 1963 and opened its first U.S. store in Philadelphia in 1985.

Kamprad has been described as having the classic entrepreneur’s personality—highly conscientiousness, highly creative, but very willing to disagree with the opinions and views of others. Those traits helped him make a number of innovations, including shipping furniture using “flatpacking”—where the buyer assembles the finished product. Today, Kamprad’s company tries to instill specific traits in its employees and its organizational culture. New hires are given the “Little IKEA Dictionary” that describes the importance of humility, heritage, simplicity, equality, togetherness, and sustainability.

How do such values shape the experience of working at Ikea? In terms of equality, Lars Petersson, the leader of Ikea’s Conshohocken, Pennsylvania-based U.S. headquarters, notes that “Hierarchy is not a big Swedish thing…We actually work with trust rather than control.” The company has also successfully combatted the glass ceiling, with more than half of senior managerial roles filled by women. In terms of sustainability, Nabeela Ixtabalan, the head of human resources, notes “My boss would say, ‘Go home, you’ve been here too long,’…Here, if you can’t do your job successfully in a reasonable amount of time, you’re doing something wrong.” Ikea’s pay philosophy is also sensitive to the long term. Hourly wages average $15.45—double the minimum wage—and are indexed to MIT’s Living Wage Calculator. And part-time employees qualify for health benefits if they work 20 hours per week. These and other aspects of life at IKEA explain why it was recently named one of Fortune’s *100 Best Companies to Work For*.

The values in the “Little IKEA Dictionary” do more than shape the experience of working at IKEA. They also shape the actions the company takes as it interfaces with the world at large. For example, IKEA is a leader in helping to support refugees—people forced to leave their countries because of wars, disasters, or persecutions. The company designed and manufactured the Better Shelter—a flat-packed shelter that’s solar-powered and can fit a family of five. More than 16,000 shelters have been distributed around the world since 2015. The shelter even won the the prestigious Beazley Design of the Year Award. IKEA also plans to sell a line of rugs made by Syrian refugees. The initiative will provide jobs for 200 refugees and the rugs will be sold in several Middle Eastern countries. Jesper Broden, an IKEA managing director, notes, “The situation in Syria is a major tragedy of our time…We decided to look into how IKEA can contribute.”

As another example, the company is doing what it can to promote environmental sustainabilit—a key challenge given the number of stores it operates. IKEA has installed solar panels at 90% of its stores. Moreover, a recent report placed it among the top U.S. companies for producing solar power (alongside Target, Walmart, Apple, Costco, and Kohl’s). IKEA also unveiled “The Farm,” a hydroponic garden that allows it to grow the food served in its in-store cafes—famous for their Swedish meatballs and cinnamon rolls. Finally, the company launched a “Save the Furniture” campaign in Belgium, where customers can sell their old furniture to IKEA, with the store then selling the furniture to its customers. The program, which will be piloted in the U.S., is described as “amnesty for pre-loved furniture” and is not limited to IKEA’s own products.

 Of course, those sorts of expressions of IKEA’s values may not be as salient to employees as management philosophies, promotion rates, working hours, and compensation levels. Still, such actions may instill a sense of pride among the rank-and-file, encouraging them to see more meaning and purpose in their work. Such actions may also make employees think twice before accepting jobs at competitors who are less “society minded.” Of course, customer awareness of IKEA’s policies and initiatives could breed product loyalty—or even turn customers into applicants for job openings in the company.

Sources.

 S. Begley, “IKEA will sell rugs and textiles made by Syrian refugees.” *Fortune*, January 31, 2017; A. Byland, “How Ingvar Kamprad Made His Billions,” *The Motley Fool*, April 19, 2014; K. Fehrenbacher, “These Are the U.S. Companies with the Most Solar Power.” *Fortune*, October 19, 2016; *IKEA 2016 by Numbers*, August, 2016, <http://franchisor.ikea.com/wp-content/uploads/2016/12/IKEA-Highlights-2016-Facts-and-Figures.pdf>; M. Gladwell, *David and Goliath: Underdogs, Misfits, and the Art of Battling Giants*. New York: Little, Brown, and Company, 2013; G. Houston, “How IKEA Plans to Help Restaurants Build Their Own Indoor Farms.” *Fortune*, June 21, 2016; B. Kowitt, “The Coolest Things IKEA, Coca-Cola, and Walmart are Doing to Cut Waste.” *Fortune*, May 16, 2016; B. Kowitt, “At IKEA: No Ranks, No Rancor,” *Fortune*, March 15, 2016; R. Levering, “The 100 Best Companies to Work For,” *Fortune*, March 15, 2016; M. Rhodan, “IKEA Refugee Shelter Wins Design of the Year Award,” *Fortune*, January 30, 2017.

**Questions**:

1.1 To what extent does a company’s culture wind up reflecting the personality of its founder? To what extent does it reflect the values of the country it was founded in? Which seems to be a stronger force in the case of IKEA?

*Certainly there will be elements of both, and both the founder and the country seem to have impacted the culture at IKEA. It’s also important to note that—because founders grow up in a particular country—their traits are themselves shaped by the prevailing culture.*

1.2 IKEA operates in a number of countries around the world. The governments and people in those countries may have different attitudes about working hours, diversity efforts, pay levels, and political and environmental activism. Should companies alter their policies and activities in a way that is sensitive to such differences?

*Most multinational companies do allow for variation in HR policies across countries—when those policies are peripheral to the core mission and philosophy of the firm. Policies that are core aspects of the firm’s identity, however, wind up being maintained across countries. In IKEA’s case, some of those policies and activities are core to their culture. Variation on them is likely restricted as a result.*

 1.3 Assume you were an employee at an organization like IKEA, and *Fortune* surveyed you for its *100 Best Companies to Work For* list. To what extent would your attitudes be shaped not just by internal work policies, but also by how the company engages with society?

*This will vary by person, but how a company engages with society is becoming a bigger and bigger part of what it means to work there. Social media amplifies how a company conducts itself, and business reporting has become more sensitive to such issues over time. Thus, the external facing aspects of a company are likely to be even bigger drivers of employee attitudes.*

**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 minutes. 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, 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 importance 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 his or her 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. *The Principles of Scientific Management*. New York: Norton, 1967.

Mayo, E. *The Human Problems of an Industrial Civilization*. London: Macmillan, 1933.

Roethlisberger, F.J.; and W. J. Dickson. *Management and the Worker*. Cambridge, MA: Harvard University Press, 1939.

McGregor, D. *The Human Side of Enterprise*. New York: McGraw-Hill, 1960.

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

Fayol, H. *Industrial and General Administration*. London: Pittman, 1949.

Drucker, P.F. *Management Tasks, Responsibilities, Practices*. New York: Harper & Row, 1974.

* 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).