CHAPTER 1
A STRATEGIC APPROACH TO ORGANIZATIONAL BEHAVIOR

Knowledge Objectives

After studying this chapter, you should be able to:

1. Define organizational behavior and explain the strategic approach to OB.
2. Provide a formal definition of organization.
3. Describe the nature of human capital.
4. Discuss the conditions under which human capital is a source of competitive advantage for an organization.
5. Explain the five characteristics of high-involvement management and the importance of this approach to management.
We give people the space they need to be creative, set goals, define strategies and implement a game plan. That space seems very important to each of us. It's our playing field—but we share it with our co-workers. So workgroups, store teams, even whole departments get to define their game plan as well. We call it “painting our own canvass.” Our people like that freedom and the underlying trust behind it.

George Zimmer, founder and chief executive officer (CEO) of The Men’s Wearhouse, frequently uses words such as these to describe his firm’s philosophy on the people who carry out day-to-day work. Under this philosophy, individuals are given substantial discretion in choosing work methods and goals. Training, which quantitatively and qualitatively is greater at The Men’s Wearhouse than at the vast majority of retailers, sets the stage for effective use of discretion by individuals. Reward systems that value individual as well as team productivity help to channel behavior in appropriate directions. Responsibility and accountability complement the system.

The base for this system of discretion and accountability is provided by a core set of workplace beliefs, including the following:

1. Work should be fulfilling.
2. Workplaces should be fearless and energized.
3. Work and family life should be balanced.
4. Leaders should serve followers.
5. Employees should be treated like customers.
6. People should not be afraid to make mistakes.

The Men’s Wearhouse has been successful with its approach. Compared with most major retailers, it has experienced lower turnover, higher satisfaction, and stronger motivation among employees. As a testament to its philosophy, the company has appeared in *Fortune* magazine’s list of the “100 Best Companies to Work For” and has received an Optimas award from *Workforce* magazine for its management practices. Financial outcomes have also been positive over the years. Net income and return on total invested capital have been superior to industry averages for men’s tailored clothing and comparable to or better than those of many other industries in which returns are usually higher.

Despite the intuitive appeal of many of its practices, many analysts have been surprised by the success of The Men’s Wearhouse,
for two reasons. First, the company operates in an industry where financial success is uncommon. Several industry features are responsible for this state of affairs. The industry does not have strong barriers to entry (new firms easily enter and compete in the market), firms in the industry do not have strong power over customers or suppliers (customers and suppliers have too many choices for any one specialty retailer to have much power), and firms in the industry are highly competitive (rivalries among firms often produce harmful price wars). Second, the company typically does not have access to workers who are among the elites of the U.S. labor force. Charlie Bresler, a top executive at The Men’s Wearhouse, commented, “The retail worker in the United States is somebody who often came from a dysfunctional home, like a lot of us . . . somebody who didn’t do well in school.”

With the success of The Men’s Wearhouse, we might expect frequent attempts to imitate its practices, but this has not been the case. Instead, confronted with the difficult industry conditions described above, executives and managers in many retailing firms have attempted to minimize costs through low compensation and little training. Confronted with a labor pool deemed substandard, they have implemented supervision and surveillance systems designed to tightly control employees. Bresler again sheds light on this segment of the labor market:

Most people who are executives or managers in retail . . . look at human beings who work [for them] and see people who are supposed to do tasks [but] don’t do them very well . . . What the typical retailer sees are . . . people who are stuck there and if they could get a better job, they would.

Confronted with the same industry and applicant pool as other retailers, executives and managers at The Men’s Wearhouse respond differently. In part, they respond on the basis of an ideology based on the notion that every human being has significant value and should be treated accordingly. Eric Anderson, director of training, put it this way, “We happen to sell men’s clothing, but by recognizing what is really important—the people—we have a different paradigm than many other businesses.” There is more to the story, however, than a simple ideology about valuing people. The leadership of the company firmly believes that valuing people is crucial for business success. They believe they get more out of their employees by providing power and autonomy, and the results seem to support this belief. Turning to Bresler one last time, “[Our people] treat customers better partly because . . . they don’t feel put down by the corporation. That energy . . . sells more products. . . . That’s how you build a retail business, from our point of view.”


The Men’s Wearhouse case shows the powerful difference that a firm’s human capital can make. Faced with less than favorable industry characteristics and a labor pool that many find unattractive, the company has succeeded in part by paying careful attention to people issues. Any firm can sell men’s clothing,
but it requires special management to effectively embrace and use to advantage the complexities and subtleties of human behavior. From the motivational and leadership practices of managers to the internal dynamics of employee-based teams to the values that provide the base for the organization’s culture, successful firms develop approaches that unleash the potential of their people.

In today’s competitive world, the ability to understand, appreciate, and effectively leverage human capital is critical in all industries. A strategic approach to organizational behavior is focused on these issues. In this chapter, we introduce the concept of organizational behavior and explain how to view it through a strategic lens.

To introduce the strategic approach to organizational behavior, or OB, we address several issues. First, we define organizational behavior and discuss its strategic importance. Next, we explore human capital, addressing questions about the role of this type of capital in organizations. We then discuss the circumstances in which human capital is most likely to be associated with a competitive advantage for an organization. A discussion of high-involvement management follows. This form of management is helpful in developing and using human capital and is becoming increasingly important as firms search for ways to maximize the potential of all of their people (managers and nonmanagers). In the final section of the chapter, we describe the model and plan for the concepts explained in this book.

### Basic Elements of Strategic Organizational Behavior

Important resources for businesses and other types of organizations include technologies, distribution systems, financial assets, patents, and the knowledge and skills of people. Organizational behavior involves the actions of individuals and groups in an organizational context. Managing organizational behavior focuses on acquiring, developing, and applying the knowledge and skills of people. The strategic OB approach rests on the premise that people are the foundation of an organization’s competitive advantages. An organization might have exceptionally high-quality products and services, excellent customer service, best-in-class cost structure, or some other advantage, but all of these are outcomes of the capabilities of the organization’s people—its human capital. If organized and managed effectively, the knowledge and skills of the people in the organization drive sustainable competitive advantage and long-term financial success.

Thus, the strategic approach to OB involves organizing and managing the people’s knowledge and skills effectively to implement the organization’s strategy and gain a competitive advantage.

Individual, interpersonal, and organizational factors determine the behavior and the ultimate value of an organization’s people. For individuals, factors such as the ability to learn, the ability to be self-managing, technical skills, personality characteristics, and personal values are important. These elements represent or are related to important capabilities. At the interpersonal level, factors such as quality of leadership, communication within and between groups, and conflict within and between groups are noteworthy. These elements influence the degree to which the capabilities of individuals are
unleashed and fully utilized within an organization. Finally, at the organizational level, the culture and policies of the organization are among the most important factors, as they influence whether the talents and positive predispositions of individuals are effectively leveraged to create positive outcomes.

As shown in Exhibit 1.1, the factors discussed above interact to produce the outcomes of productivity, satisfaction, and organizational success. Productivity refers to the output of individuals and groups, whereas satisfaction relates to the feelings that individuals and groups have about their work and the workplace. Organizational success is defined in terms of competitive advantage and ultimately financial performance (success). In essence, then, a strategic approach to organizational behavior requires understanding how individual, interpersonal, and organizational factors influence the behavior and value of an organization’s people, where value is reflected in productivity, satisfaction, and ultimately the organization’s competitive advantages and financial success.

### The Importance of Using a Strategic Lens

Studying organizational behavior with a strategic lens is valuable for managers and aspiring managers at all levels of the organization, as well as for the workers who complete the basic tasks. For example, effective senior managers spend much of their time talking with insiders and outsiders about vision, strategy, and other major issues crucial to the direction of the organization. Skills in conceptualizing, communicating, and understanding the perspectives of others are critical for these discussions, and these skills are addressed by strategic OB. Senior managers also spend time helping middle managers to define and rede-
fine their roles and to manage conflict. Skills in listening, conflict management, negotiating, and motivating are crucial for these activities. Finally, senior managers invest effort in shaping the internal norms and informal practices of the organization (that is, creating and maintaining the culture). Skill in interpersonal influence is an important part of this work. The strategic approach to OB addresses each of these issues.

In recent times, senior managers have commonly been referred to as strategic leaders. However, exercising strategic leadership is not a function of one’s level in the organization; rather, it is a matter of focus and behavior. Strategic leaders think and act strategically, and they use the skills noted above to motivate people and build trusting relationships to help implement the organization’s strategy. Although their primary tasks differ from senior managers, middle and lower-level managers also can act as strategic leaders in the accomplishment of their tasks.

Effective middle managers spend much of their time championing strategic ideas with senior managers and helping the firm to remain adaptive. They also play an important role in implementing the organization’s strategy. They serve as champions of the strategy and work with other middle managers and lower-level managers to build the processes and set them in motion to implement the strategy. Skills in networking, communicating, and influencing are important for these aspects of their work. Middle managers also spend time processing data and information for use by individuals at all levels of the firm, requiring skills in analysis and communication. When delivering the strategic initiatives to lower-level managers, skills in communicating, motivating, understanding values, and managing stress are among the most important. A strategic approach to OB addresses each of these aspects of managerial work.

Effective lower-level managers spend a great deal of their time coaching the firm’s associates—our term for the workers who carry out the basic tasks. Skills in teaching, listening, understanding personalities, and managing stress are among the most important for performing these activities. Lower-level managers also remove obstacles for associates and deal with personal problems that affect their work. Skills in negotiating and influencing others are critical for removing obstacles, whereas skills in counseling and understanding personalities are important for dealing with personal problems. Finally, lower-level managers expend effort to design jobs, team structures, and reward systems. Skills in analysis, negotiating, and group dynamics are among the most important for these activities. The strategic approach to OB addresses each of these aspects of managerial work.

Lower-level managers will be more effective when they understand the organization’s strategy and how their work and that of their associates fit into the strategy. Much of what they do is required to implement the strategy. It is also helpful to get these managers to take a longer-term view. If they do not take a strategic approach, many of these managers are likely to focus on short-term problems. In fact, they may emphasize resolving problems without examining how they can prevent them in the future. Taking a strategic approach enables them to use their skills to prevent problems, implement the strategy effectively, and complete their current tasks efficiently while remaining focused on the future.

Despite the relevance of formal study in OB, some people believe that managers can be successful solely on the basis of common sense. If this were true, fewer organizations would have difficulty unleashing the potential of people, and there would be less dissatisfaction and unhappiness with jobs. Also, if this were true, absenteeism and turnover rates would be lower. The truth is that
fully leveraging the capabilities of people involves subtleties and complexities, and these can be difficult to grasp and manage. Common sense cannot be the only source of action for managers. Effective managers understand that deep knowledge about people and organizations is the true source of their success.

Without meaningful working knowledge of OB, managers’ efforts to be successful resemble those of the drunkard and his keys. According to this classic story, the drunkard dropped his keys by the car but could not find them because it was very dark there. So, instead of bringing light to the appropriate area, he looked under a nearby streetlight where he could see better.

Managers in today’s fast-paced organizations cannot afford to adopt the drunkard’s approach when working with associates and each other. They must avoid looking for answers where it is easiest to see. As discussed in the Experiencing Strategic Organizational Behavior feature, managers frequently harm themselves and others by failing to develop the insights and skills necessary for working with others effectively. The three managers described were unable to realize their potential or that of others with whom they worked because of their ineffective interpersonal skills and relationships.

In closing our discussion regarding the importance of understanding organizational behavior, we focus on the findings of two research studies. In both studies, the investigators examined the impact of formal business education on skills in information gathering, quantitative analysis, and dealing with people. Significantly, they found that business education had positive effects on these important skills, including the interpersonal skills of leadership and helping others to grow. It seems reasonable to conclude from these findings that studying a strategic approach to OB can add value. There is no substitute for experience, but formal study can be very helpful in providing important insights and guidance.

**Troublesome Managers**

Charles Johnson, Michael Groeller, and Susan Williams (not their real names) possessed superior technical skills, strong intelligence, and the ability to perform well as individual contributors. As managers, however, each had been handicapped by problems in working with people. Charles, for example, behaved in ways that seemed intolerant and self-promoting. Furthermore, he did not care that others saw him this way. Michael was arrogant and had ignored advice to change. Susan lacked patience and often lost her temper.

For a time, each of these individuals was able to hide the problems created by their often inappropriate behavior and poor working relationships. Ultimately, however, the problems became visible to others. Charles was a financial genius, but his job was in jeopardy. As a division manager at a manufacturing firm, he failed to understand that development and production problems were likely to cause major delays in a new product. Because of his lack of insight, he implemented an expensive national advertising campaign. The ill-timed campaign resulted in a flood of orders that could not be filled, leading to unhappy distributors and wholesalers, unhappy executives, and displeased shareholders. Had Charles been more approachable—had he developed and treated his people as respected colleagues—he probably
Insights from several disciplines inform our understanding of OB. The field builds on behavioral science disciplines, including psychology, social psychology, sociology, economics, and cultural anthropology. A strategic approach to OB, however, differs from these disciplines in two important ways. First, it integrates knowledge from all of these areas to understand behavior in organizations. It does not address organizational phenomena from the limited perspective of any one discipline. Second, it focuses on behaviors and processes that help to create competitive advantages and financial success. Unlike basic social science disciplines, where the goal is often to simply understand human and group behavior, the goal of the strategic OB approach is to improve the outcomes of organizations.
One might ask the following questions: Can taking courses in psychology, social psychology, sociology, economics, and cultural anthropology provide the knowledge needed to be an effective manager or to successfully accept the responsibility of working as a key member of an organization? Is it necessary to take a course in organizational behavior?

Acquiring knowledge directly from other disciplines can inform the study of organizational behavior. Knowledge from other disciplines, however, is not a substitute for the unique understanding and insights that can be gained from studying OB from a strategic perspective. As noted earlier, a strategic approach to OB integrates useful concepts from other disciplines while emphasizing their application in organizations.

Gaining an effective working knowledge of organizational behavior helps those who want to become successful managers. The following points summarize this important field of study:

1. There are complexities and subtleties involved in fully leveraging the capabilities of people. Common sense alone does not equip the manager with sufficient understanding of these complexities and subtleties.

2. Managers must avoid the allure of seeking simple answers to resolve organizational issues. A working knowledge of OB helps managers gain the confidence required to empower associates and work with them to find creative solutions to problems that arise. The complexity of organizational life challenges people to be at their best as they participate in activities intended to result in organizational success and personal growth.

3. The strategic approach to OB integrates important behavioral science knowledge within an organizational setting and emphasizes application. This knowledge cannot be obtained from information derived independently from other specialized fields (psychology, economics, and the like).

**Definition of an Organization**

As we have already emphasized, OB is focused on organizations and what happens inside them. This is important, because organizations are a key part of modern society. Several commentators from Harvard University recently expressed it this way: “Modern societies are not market economies; they are organizational economies in which companies are the chief actors in creating value and advancing economic progress.” But what is an organization? Before proceeding further, we should establish a formal definition of this term.

Although it is sometimes difficult to define the term organization precisely, most people agree that an organization is characterized by these features:

- Network of individuals
- System
- Coordinated activities
- Division of labor
- Goal orientation
- Continuity over time, regardless of change in individual membership
Thus, we can define an organization as a collection of individuals, whose members may change over time, forming a coordinated system of specialized activities for the purpose of achieving certain goals over some extended period of time.

One prominent type of organization is the business organization, such as Intel, Microsoft, or Procter & Gamble. There are other important types of organizations as well. Public sector organizations, for example, have a major presence in most countries. Although we focus primarily on business firms in this book, the strategic approach to OB applies to the public sector as well as the not-for-profit sector. For example, we can discuss motivating associates in the context of business firms, but the problem of motivating people applies to all types of organizations. Some organizations may have more motivational problems than others, but the knowledge of how to motivate workers is important to managers in all types of situations.

The Role of Human Capital in Creating Competitive Advantage

We have already noted the importance of human capital and competitive advantage to strategic OB. We now examine these concepts more closely.

The Nature of Human Capital

An organization’s resource base includes both tangible and intangible resources. Property, factories, equipment, and inventory are examples of tangible resources. Historically, these types of resources have been the primary means of production and competition. This is less true today because intangible resources have become critically important for organizations to successfully compete in the global economy. Intangible resources, including the reputation of the organization, trust between managers and associates, knowledge and skills of associates, organizational culture, brand name, and relationships with customers and suppliers, are the organization’s nonphysical economic assets that provide value. Such assets are often deeply rooted in a company’s history and experiences, for they tend to develop through day-to-day actions and accumulate over time. On a comparative basis, it is more difficult to quantify the value of intangible resources than that of tangible resources, but intangible resources are increasing in importance nonetheless.

Human capital is a critical intangible resource. As a successful business executive recently stated, “Burn down my buildings and give me my people, and we will rebuild the company in a year. But leave my buildings and take away my people . . . and I’ll have a real problem.” Carly Fiorina, former CEO of Hewlett-Packard, agrees, saying, “The greatest strategy in the world, the greatest financial plan in the world, the greatest turnaround in the world, is only going to be temporary if it isn’t grounded in people.” As we highlighted in the opening case, human capital is the sum of the skills, knowledge, and general attributes of the people in an organization. It represents capacity for today’s work and potential for tomorrow’s work. Human capital encompasses not only easily observed skills, such as those associated with operating machinery or
selling products, but also the skills, knowledge, and capabilities of managers and associates for learning, communicating, motivating, building trust, and effectively working on teams. It also includes basic values, beliefs, and attitudes.

Human capital does not depreciate in value as it is used. Contrast this with tangible resources—for example, manufacturing equipment—whose productive capacity or value declines with use. In economic terms, we can say that human capital does not suffer from the law of diminishing returns. In fact, increasing returns are associated with applications of knowledge because knowledge tends to expand with use.16 In other words, we learn more as we apply knowledge. Knowledge, then, is “infinitely expansible” and grows more valuable as it is shared and used over time.17

The Concept of Competitive Advantage

A competitive advantage results when an organization can perform some aspect of its work better than competitors or when it can perform the work in a way that competitors cannot duplicate.18 By performing the work differently from and better than competitors, the organization offers products/services that are more valuable for the customers.19 For example, Nypro, a plastic injection molding company, differentiates itself from competitors through its ability to creatively tackle the most challenging product development projects posed by customers worldwide.20 In one of its most noteworthy accomplishments, Nypro developed a process for producing disposable contact lenses at a cost that allowed Vistakon, its strategic partner, to enter the market. Before Nypro overcame technical challenges to develop the new process, there had been no cost-effective way to produce disposable contact lenses. Nypro is able to solve the toughest problems better than other firms, and this capability is a source of competitive advantage for the company.

At Nypro, human capital underlies the capability to handle the most challenging projects. Nypro’s equipment, plant designs, pay practices, and sales and distribution systems can be mimicked by other firms. Nypro does not operate in protected markets and does not enjoy economies of scale that others cannot also achieve. The key is Nypro’s people and how their talents are organized and leveraged. Just as they do at The Men’s Wearhouse, people make the difference at Nypro.

Human Capital as a Source of Competitive Advantage

Although human capital is crucial for competitive advantage, not all organizations have the people resources needed for success. The degree to which human capital is useful for creating true competitive advantage is determined by its value, rareness, and imitability.21

Value. In a general sense, the value of human capital can be defined as the extent to which individuals are capable of handling the basic work of an organization. Lawyers with poor legal training do not add value to a law firm because
they cannot provide high-quality legal services. Similarly, individuals with poor skills in painting and caulking do not add value to a house-painting company.

More directly, human capital value can be defined as the extent to which individuals are capable of producing work that supports an organization’s strategy for competing in the marketplace. In general, business firms emphasize one of two basic strategies. The first involves creating low-cost products or services for the customer while maintaining acceptable or good quality. Buyers at the Closeout Division of Consolidated Stores, Inc., for example, scour the country to purchase low-cost goods. Their ability to find such goods through manufacturers’ overruns and discontinued styles is crucial to the success of Closeout, the largest U.S. retailer of closeout merchandise. The buyers’ skills allow the division to sell goods at below-discount prices. The second strategy involves differentiating products or services from those of competitors on the basis of special features or superior quality and charging higher prices for the higher-value goods. Ralph Lauren designers, for example, create special features for which customers are willing to pay a premium.

Rareness. Human capital rareness is the extent to which the skills and talents of an organization’s people are unique in the industry. In some cases, individuals with rare skills are hired into the organization. Corporate lawyers with relatively rare abilities to reduce the tensions of disgruntled consumers, programmers with the unusual ability to produce thousands of lines of code per day with few errors, and house painters who are exceptionally gifted can be hired from the outside. In other cases, individuals develop rare skills inside the organization. Training and mentoring programs assist in these efforts.

Sales associates at Nordstrom, an upscale retailer, have several qualities that are relatively rare in the retailing industry. First, they tend to be highly educated. Nordstrom explicitly targets college graduates for its entry-level positions. College graduates are willing to accept these positions because of their interest in retailing as a career, because managers are commonly drawn from the ranks of successful salespeople, and because Nordstrom’s strong incentive-based compensation system provides financial rewards that are much higher than the industry average. Second, sales associates at Nordstrom have both the willingness and the ability to provide “heroic service.” This type of service at times extends to delivering merchandise to the homes of customers, changing customers’ flat tires, and paying for customers’ parking. Nordstrom’s culture, which is based on shared values that support exceptional customer service, is an important driver of heroic service. Some believe that Nordstrom’s culture is more important to the company’s performance than are its strategy and structure and even its compensation system.

Imitability. Human capital imitability is the extent to which the skills and talents of an organization’s people can be copied by other organizations. A competing retailer, for example, could target college graduates and use a promotion and compensation system similar to Nordstrom’s. If many retailers followed this approach, some of the skills and talents at Nordstrom would become more common in the industry.

The least imitable skills and talents are usually those that are complex and learned inside a particular organization. Typically, these skills involve tacit knowledge, a type of knowledge that people have but cannot articulate. Automobile designers at BMW, the German car manufacturer, cannot tell us exactly how they arrive at effective body designs. They can describe the basic process of
styling with clay models and with CAS (computer-aided styling), but they cannot fully explain why some curves added to the auto body are positive while others are not. They just know. They have a feel for what is right.

The culture of an organization represents shared values, which in turn partially determine the skills and behaviors that associates and managers are expected to have. In some cases, organizational culture promotes difficult-to-imitate skills and behavior. Southwest Airlines, for example, is thought to have a culture that encourages people to display spirit and positive attitudes that are valuable, rare, and difficult to duplicate at other airlines. Spirit and attitude result from complex interactions among people that are challenging to observe and virtually impossible to precisely describe. Associates and managers know the spirit and attitude are there. They cannot, however, fully explain how they work to create value for customers.

**Overall Potential for Competitive Advantage.** For human capital to be the basis for sustainable competitive advantage, it must satisfy all three conditions discussed earlier: it must be valuable for executing an organization’s strategy, it must be rare in the industry, and it must be difficult to imitate. An organization that hires individuals with valuable but common skills does not have a basis for competitive advantage, because any organization can easily acquire those same skills. As shown in Exhibit 1.2, the human capital in such an organization can only contribute to competitive parity; that is, it can only make the organization as good as other organizations but not better. An organization that hires individuals with valuable and rare skills, or an organization that hires individuals with valuable skills and then helps them to develop rare skills in addition to those, has the foundation for competitive advantage but perhaps only in the short run. The organization may not have the foundation for long-term competitive advantage because other organizations may be able

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**Exhibit 1.2 Human Capital and Competitive Advantage**

to copy what the organization has done. For long-term advantage through people, an organization needs human capital that is valuable, rare, and difficult to imitate.33

Although the value, rareness, and low imitability of skills and talents are crucial for competitive advantage, they are not enough alone. These three factors determine the potential of human capital. To translate that potential into actual advantage, an organization must leverage its human capital effectively.34 An organization may have highly talented, uniquely skilled associates and managers, but if these individuals are not motivated or are not given proper support resources, they will not make a positive difference. Thus, sustainable competitive advantage through people depends not only on the skills and talents of those people, but also on how they are treated and deployed. In the next section, we discuss a general approach for effectively developing and leveraging human capital. As a prelude, we explore an important issue related to labor markets in the *Experiencing Strategic Organizational Behavior* feature.

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**Experiencing Strategic Organizational Behavior**

**Creating Financial Success by Avoiding Layoffs and by Hiring during Economic Downturns**

During the last years of the twentieth century, many software and technology companies had multiple jobs that could not be filled. The need for skilled workers in start-up ventures as well as established companies exceeded the available supply. This was especially unfortunate because human capital is a particularly important source of competitive advantage for firms in fast-paced, high-technology markets. Signing bonuses, stock options, and flexible work assignments and schedules were among the tools that organizations used in their attempts to attract and retain skilled, knowledgeable associates and managers.

Later, however, the failure of many “dot.com” companies, a decline in the growth rates of more established competitors in high-technology industries, and a general economic slowdown—together with increases in the number of people gaining technology-based skills through educational programs—created a large, available pool of experienced and knowledgeable people.

For established companies, the most effective response to this changed environment was to carefully nurture and continually develop the capabilities of the people they employed and to consider adding individuals from the attractive labor supply. Research has found that firms hiring during a typical industry-specific or general recession, rather than laying people off, are better able to take advantage of opportunities in economic upturns and thus outperform companies that lay off workers during economic downturns. Indeed, continuous reinvestments in assets, including people who contribute to competitive advantage, provide a moving target for competitors trying to imitate a successful organization. Beyond the ability to position the firm for the future, a policy of avoiding layoffs has two additional benefits: (1) It enhances commitment and motivation among employees, and (2) it avoids the monetary expenses of layoffs, including higher unemployment premiums and severance pay, as well as the costs of hiring new people or rehiring former employees when an upturn occurs.
Arthur Nadata, CEO of Nu Horizons Electronics Corporation, supported this line of reasoning, stating that “We as a company . . . made a decision not to lay off people but to continue to invest during the downturn. Obviously, we’re selective about where we put our money, but we want our people very motivated and we continue to invest.”

Herb Kelleher, former CEO of Southwest Airlines, has been one of the strongest proponents of keeping the firm’s quality human capital (not laying off employees). He has said, “Certainly there were times when we could have made substantially more profits in the short term if we had furloughed people, but we didn’t. We were looking at our employees’ and our company’s longer-term interests.” Southwest is the most profitable airline in the world.

Of course, in a severe recession lasting more than 9 to 12 months, layoffs may be unavoidable. The key is to be careful in removing human capital and to consider the long-term implications of actions taken.


The examples described in the Experiencing Strategic Organizational Behavior feature clearly suggest the importance of human capital to organizational success. The strategy of not laying off associates even during weak economic times has been successful for Southwest Airlines and Nu Horizons Electronics Corporation. And, as noted, research supports their strategy; Bob Greer and his colleagues have shown that firms that hire new associates during economic downturns perform better when economic health returns than firms that lay off associates during downturns. The firms that built up their human capital in bad economic times were prepared to take advantage of the opportunities available as the economy improved. However, firms that laid off associates had to rebuild their workforces before they could act; thus, they missed many opportunities.35 These outcomes underscore the strategic value of human capital. Because of the potential value of human capital to an organization, the way it is managed is critical. We turn next to a process for effectively managing human capital—high-involvement management.

High-Involvement Management

High-involvement management requires that senior, middle, and lower-level managers all recognize human capital as the organization’s most important resource. Sometimes referred to as high-performance management or high-commitment management, the high-involvement management approach involves carefully selecting and training associates and giving them significant decision-making power, information, and incentive compensation.36 Combining decision power with important tactical and strategic information provides associates with the ability to make or influence decisions about how to complete tasks in ways that create value for the organization. Associates are closer to the
day-to-day activities than are others in the organization, and empowering them through high-involvement management allows them to use their unique knowledge and skills. In general, empowerment can increase the likelihood that associates will provide maximum effort in their work, including a willingness to (1) work hard to serve the organization’s best interests, (2) take on different tasks and gain skills needed to work in multiple capacities, and (3) work using their intellect as well as their hands.37

**Key Characteristics of High-Involvement Management**

Five key characteristics of high-involvement management have been identified. We summarize these characteristics in Exhibit 1.3 and examine them further in the following discussion.

**Selective Hiring.** Sound selection systems are the first crucial characteristic of the high-involvement approach. Without selecting the right people, an organization cannot expect delegated authority and information to be used properly. Efforts to generate a large pool of applicants and to assess applicants through rigorous evaluations, including multiple rounds of interviews with

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<tr>
<th>Exhibit 1.3</th>
<th>Dimensions of High-Involvement Management</th>
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<tbody>
<tr>
<td><strong>Aspect</strong></td>
<td><strong>Description</strong></td>
</tr>
<tr>
<td>Selective Hiring</td>
<td>Large pools of applicants are built through advertising, word of mouth, and internal recommendations. Applicants are evaluated rigorously using multiple interviews, tests, and other selection tools. Applicants are selected on the basis of not only skills but also fit with culture and mission.</td>
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<tr>
<td>Extensive Training</td>
<td>New associates and managers are thoroughly trained for job skills through dedicated training exercises as well as on-the-job training. They also participate in structured discussions of culture and mission. Existing associates and managers are expected or required to enhance their skills each year through in-house or outside training and development. Often, existing associates and managers are rotated into different jobs for the purpose of acquiring additional skills.</td>
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<tr>
<td>Decision Power</td>
<td>Associates are given authority to make decisions affecting their work and performance. Associates handle only those issues about which they have proper knowledge. Lower-level managers shift from closely supervising work to coaching associates. In addition to having authority to make certain decisions, associates participate in decisions made by lower-level and even middle managers.</td>
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<tr>
<td>Information Sharing</td>
<td>Associates are given information concerning a broad variety of operational and strategic issues. Information is provided through bulletin boards, company intranets, meetings, posted performance displays, and newsletters.</td>
</tr>
<tr>
<td>Incentive Compensation</td>
<td>Associates are compensated partly on the basis of performance. Individual performance, team performance, and business performance all may be considered.</td>
</tr>
</tbody>
</table>
managers and peers, are important in the selection process. These efforts help to identify the most promising candidates while promoting the development of commitment on the part of the individuals chosen. Individuals selected in the course of thorough processes often respect the integrity of the organization.

Another important part of the selection process involves examining applicants’ fit with the organization’s culture and mission; selecting new hires solely on the basis of technical skills is a mistake. In situations where most or all of the required technical skills can be taught by the organization, it is quite acceptable to pay less attention to existing skills and more attention to cultural fit (along with the person’s ability to learn the needed skills). This is the approach taken by The Men’s Wearhouse. A number of studies show the impact of cultural fit on satisfaction, intent to leave the organization, and job performance. For example, a study of newly hired auditors in the largest accounting firms in the United States found that lack of fit with the organizational culture caused dissatisfaction and lower commitment among these auditors.

**Extensive Training.** Training is the second vital component of high-involvement management. Without proper training, new hires cannot be expected to perform adequately. And even when new hires are well trained for a position, it is important to help them build skills and capabilities beyond those needed in their present position. Furthermore, socialization into the norms of the organization is an important part of initial training. For existing associates, ongoing training in the latest tools and techniques is crucial.

Although valid calculations of return on investment for training are difficult to make, several studies reinforce the value of training. One study involving 143 Fortune 1000 companies reported that training significantly affected productivity, competitiveness, and employee satisfaction. (Training included job skills, social skills, quality/statistical analysis, and cross-training in different jobs).

**Decision Power.** The third key dimension of high-involvement management is decision-making power—providing associates with the authority to make some important decisions while inviting them to influence other decisions. For example, in a mass-production firm, such as Dell Computer, a single associate might have the authority to stop an entire production line to diagnose and address a quality problem. The associate might also have the authority, in conjunction with co-workers, to contact a supplier about quality problems, to schedule vacation time, and to discipline co-workers behaving in inappropriate ways. Beyond this decision-making authority, an associate might have significant input to capital expenditure decisions, such as a decision to replace an aging piece of equipment.

In many cases, decision power is given to teams of associates. In fact, self-managed or self-directed teams are a central part of most high-involvement systems. With regard to our mass-production example, such a team might include the individuals working on a particular production line, or it might include individuals who complete similar tasks in one part of a production line. The tellers in a particular branch bank can operate as a team, the nurses in a particular hospital unit on a particular shift could be a team, and junior brokers in an investment banking firm might act as a formal team in a particular area.

Many studies of decision-making power have been conducted over the years. In general, these studies support giving associates bounded authority and
influence. The study of Fortune 1000 firms discussed earlier assessed the impact of associates’ holding significant decision power. As with training, the executives in the 143 firms reported a positive effect on productivity, competitiveness, and employee satisfaction.43

Information Sharing. The fourth characteristic of high-involvement management is information sharing. In order for associates to make effective decisions and provide useful inputs to decisions made by managers, they must be properly informed. Examples of information that could be shared include the firm’s operating results and business plan, costs of materials, costs of turnover and absenteeism, potential technologies for implementation, competitors’ initiatives, and results and roadblocks in supplier negotiations. At AES, a Virginia-based power company, so much information had been shared with associates that the Securities and Exchange Commission (SEC) identified every employee of the firm as an insider for stock-trading purposes. This was unusual; typically, only those at the top of a firm have enough information to be considered insiders by the SEC.

Incentive Compensation. The fifth and final dimension of high-involvement management is incentive compensation. This type of compensation can take many forms, including the following:

- Individual piece-rate systems, where associates are compensated based on the amount produced or sold.
- Individual incentive systems, where associates receive bonuses based on short- or long-term performance.
- Knowledge or skill-based pay, where associates are paid based on the amount of knowledge or number of skills they acquire.
- Profit sharing, where associates earn bonuses based on company profits.
- Gain sharing, where associates share in a portion of savings generated from employee suggestions for improvement.

In the study of Fortune 1000 firms mentioned earlier, executives indicated that incentive pay positively affected productivity and competitiveness.44

Evidence for the Effectiveness of High-Involvement Management

Considering the five aspects of high-involvement management as a coherent system, research evidence supports the effectiveness of the approach. One study, for example, found this approach to have a positive effect on the performance of steel mini-mills.45 In this study, 30 U.S. mini-mills were classified as having a control orientation or a commitment orientation. Under the control orientation, employees were forced to comply with detailed rules, had little decision-making authority or influence, received limited training and information, and had no incentive compensation. Under the commitment orientation, which closely resembled the high-involvement approach described above, employees had strong training; information on quality, costs, productivity, and usage rates of materials; incentive pay; the authority to make decisions regarding workflow scheduling and new equipment; and input into strategic deci-
sions. The mills with commitment systems had lower rates of unused materials, higher productivity, and lower associate turnover.

In another study, 62 automobile plants around the world were classified as using traditional mass production or flexible production.46 Under the traditional mass-production system, employees did not participate in empowered teams, whereas employees under the flexible approach participated in such teams. Companies that used the flexible system also offered employees more cross-training in different jobs and opportunities for incentive compensation. Furthermore, these companies displayed fewer symbols of higher status for managers (no reserved parking, no separate eating areas, and so on). The plants with flexible production had 47.4 percent fewer defects and 42.9 percent greater productivity than those with traditional production systems.

In a third study, firms were drawn from many different industries, ranging from biotechnology to business services.47 Firms placing strong value on their people had a 79 percent probability of surviving for five years after the initial public offering (IPO), whereas firms placing low value on their people had a 60 percent probability of surviving five years.

Demands on Managers

When all aspects of the high-involvement approach are used together, associates are fully and properly empowered. High-involvement managers place significant value on empowerment because empowered associates have the tools and support required to create value for the organization. But what do high-involvement managers do to promote empowerment? We turn now to a discussion of the demands a high-involvement approach places on managers.

Because they believe strongly in empowering associates, high-involvement managers continually seek to identify situations in which responsibility can be delegated. The intent is to move decision making to the lowest level in the organization where associates have the information and knowledge required to make an effective decision. Managing through encouragement and commitment rather than fear and threats, high-involvement managers respect and value each associate’s skills and knowledge. In addition, effective managers understand that cultural differences in a diverse workforce challenge them to empower people in ways that are consistent with their uniqueness as individuals. Listening carefully to associates and asking questions of them in a genuine attempt to understand their perspectives demonstrates managerial respect and facilitates attempts to be culturally sensitive. People who feel respected for who they are as well as for their skills and knowledge are willing to act in a prudent and forthright manner in completing their assigned work. Over time, empowered, respected associates become confident in their ability to help create value for the organization.
Trust between managers and associates is critical in a high-involvement organization. Managers must trust associates not to abuse their decision power. For their part, associates must trust managers not to punish them for mistakes when they are trying to do the right thing for the organization. Furthermore, research has shown that trust between associates and those formally responsible for their behavior has a positive effect on the organization’s financial performance. Thus, effective managers invest effort in building and maintaining trust. In so doing, they dramatically increase their credibility with associates. Confident in their abilities as well as their associates’ abilities, high-involvement managers recognize that they don’t have all the knowledge necessary for the organization to be successful. As a result, they work with their peers and associates to find solutions when problems arise.

As discussed in the Managerial Advice feature, leaders who embrace empowerment take delegation and trust seriously. They approach empowerment systematically and with a sense of duty, often with a few simple principles to guide them.

**MANAGERIAL ADVICE**

**Using Empowerment to Unleash the Energies of Associates**

N. R. Narayana Murthy is the founder and CEO of Infosys Technologies Limited, one of the largest software companies in India. In 1999, his firm became the first Indian company to be listed on the Nasdaq exchange. Murthy's company provides IT consulting and software services to companies throughout the global economy. Committed to the corporate value that “the softest pillow is a clear conscience,” Murthy sees human intellect as the foundation of success for organizations of all types. He suggests that managers use a few guiding principles to attract, use, and retain people as a source of competitive advantage: (1) be trustworthy in all dealings, (2) develop a culture within the firm that rejoices in success and supports instances of failure, (3) learn how to lead people in ways that demonstrate respect for the dignity of others, and (4) lead people in a way that makes a difference—for them, the organization, and society. Murthy believes that following these simple guidelines contributes to personal managerial success as well as organizational success.

Half a world away, another manager shares Murthy's vision. As the leader of his franchised unit of California Closets, Bernie Nagle gives each associate an opportunity to shape the firm’s competitive actions in the marketplace and to influence the pattern of interactions among associates within the organization. In addition, he makes certain that associates are free to suggest changes that they believe will improve the firm's performance as well as enrich their work environment.

Similar to Murthy, Nagle believes that managers committed to empowering associates should adhere to a few simple principles. In the form of questions, these principles are as follows: (1) How can I make fewer decisions, thereby allowing others to become more involved in managing the business? (2) How can I teach others how to make effective decisions once they’re given the chance? (3) How can I increase the awareness of others regarding the changes required to keep our company competitive—and then help them understand that they can make these changes without asking for permission each time?
High-involvement managers think continuously about how human capital can be used as the foundation for competitive advantage. Is there another way to use our people’s skills and knowledge to further reduce costs or to more crisply differentiate the products we produce? How can the creativity of our empowered associates be used to create more value for the organization? How can we use information our associates gather through their work with people outside our organization (such as customers and suppliers) to make certain we are currently doing things that will allow us to shape the competitive advantages needed to be successful tomorrow? Finding answers to these questions and others that are unique to a particular organization can lead to long-term success.

Nagle offers advice on handling the many associates who have worked under older models of management, where managers used information to unilaterally design the work of associates and used their managerial power as a tool of control. For associates grounded in these experiences for most of their work lives, Nagle suggests gradual delegation of responsibility and accountability. With each success, additional empowerment opportunities can be offered. In this manner, high-involvement managers can “let go” over time as newly empowered associates learn how to more fully utilize their skills and knowledge in an organizational setting. Across time, delegating additional responsibility and accountability in response to task success will likely develop informed, proactive associates.


Organization of the Book

Our objective in this book is to provide managers, aspiring managers, and even individual contributors with the knowledge they need to perform effectively in organizations, especially in today’s high-involvement organizations. Essentially, the book offers readers a working knowledge of OB and its strategic importance. The book has 14 chapters divided into 4 parts. The titles of the parts and the topics of the chapters are presented in Exhibit 1.4, which graphically depicts the model for the book.

As suggested in the exhibit, the strategic approach to OB emphasizes how to manage behavior in organizations to achieve a competitive advantage. The book unfolds in a logical sequence. In Part I, The Strategic Lens, we explain the strategic approach to OB (Chapter 1) and then discuss the importance of managing diversity in organizations (Chapter 2) and describe how organizations must operate in a global context (Chapter 3). In Part II, Individual Processes, we turn to the individual as the foundation of an organization’s human capital, focusing on the development of a sound understanding
of individuals and how they affect each other and the organization’s success. Topics considered include learning and perception (Chapter 4), personality and values (Chapter 5), motivation (Chapter 6), and stress (Chapter 7). In Part III, Groups, Teams, and Social Processes, we examine the effects of interpersonal processes on individual and organizational outcomes. Specific interpersonal processes include leadership (Chapter 8), communication (Chapter 9), decision making (Chapter 10), group dynamics (Chapter 11), and conflict (Chapter 12). Finally, in Part IV, The Organizational Context, we examine several organization-level processes and phenomena. Using insights from the book’s first three parts, we study organizational design and culture (Chapter 13) and organizational change (Chapter 14). Overall, the book takes you on an exciting journey through managerial opportunities and problems related to behavior in organizations.
In this chapter, we have examined the importance of strategic OB to the success of individuals and organizations. In addition, we have discussed the nature of human capital and the circumstances under which it can be the source of competitive advantage for an organization. Finally, we have explored the high-involvement approach to management. To summarize, we have covered the following points:

• The strategic approach to organizational behavior involves knowledge and application of how individual, interpersonal, and organizational factors influence the behavior and value of an organization’s people, where value is reflected in productivity, satisfaction, and ultimately the organization’s competitive advantages and financial success.

• A strategic approach to organizational behavior is important because it addresses key issues for managers at all levels of the organization. For senior managers, the strategic approach to OB provides guidance for activities such as shaping the internal norms and practices of the organization. For middle managers, it provides guidance on matters such as implementing the strategic initiatives designed by senior managers. For lower-level managers, taking a strategic approach to OB helps with coaching and negotiating, among many other activities intended to effectively implement the organization’s strategy. Managers who lack an appreciation for the subject matter of organizational behavior are likely to experience less satisfying careers.

• A strategic approach to organizational behavior builds on knowledge from the behavioral sciences. It differs from these fields, however, in two important ways. First, it integrates knowledge from these fields, rather than taking the narrow view of any one of them. Second, it focuses on behaviors and processes that help to create competitive advantages and financial success for the organization. Other fields often adopt the goal of understanding individual and group behavior without the goal of understanding how such knowledge can contribute to enhancing the performance of organizations.

• An organization is formally defined as a collection of individuals, whose members may change over time, formed into a coordinated system of specialized activities for the purpose of achieving certain goals over some extended period of time.

• Human capital is an intangible resource of the organization. It represents capacity for today’s work and potential for tomorrow’s work. It includes the skills, knowledge, capabilities, values, beliefs, and attitudes of the people in the organization. Human capital is important because in the current global economy, an organization’s ability to create something of value for customers comes largely from the know-how and intellect embodied in its people rather than from machinery and other tangible assets.

• Human capital can be a source of competitive advantage for an organization when it has value (it is relevant for the organization’s strategy), rareness (skills...
and knowledge are possessed by relatively few outside the organization), and low imitability (other organizations cannot easily duplicate the skills and knowledge). These three characteristics set the stage for advantage. For human capital to actually be a source of competitive advantage, it must be managed effectively.

- High-involvement management is an important method for developing and leveraging human capital. This approach has five key components: (1) selective hiring, (2) extensive training, (3) decision power, (4) information sharing, and (5) incentive compensation. Collectively, these five aspects of high-involvement management yield empowered workers.

- The effectiveness of high-involvement management is supported by strong evidence. In studies of the steel, automobile, and semiconductor industries, among many others, high-involvement management has been found to positively affect productivity, satisfaction, financial success, and competitiveness.

Back to the Knowledge Objectives

1. What is organizational behavior? Why is it important for managers and aspiring managers to study OB using a strategic approach? Can the study of a field such as psychology substitute for a strategic approach to organizational behavior? Why or why not?

2. What makes an organization an organization? What are the defining characteristics?

3. What is human capital? Be specific.

4. How does human capital provide the basis for competitive advantage?

5. What are the five characteristics of high-involvement management? What evidence exists to support the effectiveness of this approach?

Key Terms

- associates, p. 7
- competitive advantage, p. 12
- high-involvement management, p. 16
- human capital, p. 11
- human capital imitability, p. 13
- human capital rareness, p. 13
- human capital value, p. 13
- managing organizational behavior, p. 5
- organization, p. 11
- organizational behavior, p. 5
- strategic approach to OB, p. 5
Different people approach their careers in different ways. Some, for example, attempt to obtain as much power as possible in order to control personal and organizational outcomes. Others emphasize hard work and cooperative attitudes. The questionnaire that follows is designed to assess your tendencies, as well as your beliefs about the approaches of most managers. Following the questionnaire, we describe four distinct approaches to careers, some of which are more useful in high-involvement organizations than others.

**Instructions**

A number of descriptive paragraphs appear below. They describe sets of beliefs or perceptions that vary among individuals. The paragraphs are divided into four sections: Life Goals, Motivation, Self-Image, and Relations with Others. Please evaluate each paragraph as follows:

1. Read the paragraph. Taking the paragraph as a whole (using all of the information in the paragraph, not just one or two sentences), rate the paragraph on a scale from “not characteristic of me” (1) to “highly characteristic of me” (7). If you are currently a full-time student, rate each paragraph on the basis of how you believe you would feel if you were working full-time in an organization. If you are a part-time student with a career, rate each paragraph on the basis of how you actually feel.

2. In addition, rate each paragraph in terms of the way you would like to be, regardless of how you are now. Rate each on a scale from “would not like to be like this” (1) to “would very strongly like to be like this” (7).

3. Finally, rate each paragraph in terms of how descriptive it is of most managers, from “not at all characteristic of most managers” (1) to “very characteristic of most managers” (7). In providing this assessment, think about managers with whom you have worked, managers you have read about or heard about, and managers you have seen in videos.
Questionnaire

Please be as honest, realistic, and candid as possible in your self-evaluations. Try to accurately describe yourself, not represent what you think others might want you to say or believe. Generally, individuals do not have high scores on every question.

A. Life Goals

1. I equate my personal success in life with the development and success of the organization for which I work. I enjoy a sense of belonging, responsibility, and loyalty to an organization. If it were best for my organization, I would be satisfied with my career if I progressed no higher than a junior or middle management level.
   How characteristic is this of you (1–7)?_______
   How much would you like to be like this (1–7)?_______
   How characteristic is this of most managers (1–7)?_______

2. I have two major goals in life: to do my job well and to be committed to my family. I believe strongly in the work ethic and want to succeed by skillfully and creatively accomplishing goals and tasks. I also want to be a good family person. Work and family are equally important.
   How characteristic is this of you (1–7)?_______
   How much would you like to be like this (1–7)?_______
   How characteristic is this of most managers (1–7)?_______

3. My goal in life is to acquire power and prestige; success for me means being involved in a number of successful, diverse enterprises. I generally experience life and work as a jungle; like it or not, it’s a dog-eat-dog world, and there will always be winners and losers. I want to be one of the winners.
   How characteristic is this of you (1–7)?_______
   How much would you like to be like this (1–7)?_______
   How characteristic is this of most managers (1–7)?_______

4. I tend to view life and work as an important game. I see my work, my relations with others, and my career in terms of options and possibilities as if they were part of a strategic game that I am playing. My main goal in life is to be a winner at this game while helping others to succeed as well.
   How characteristic is this of you (1–7)?_______
   How much would you like to be like this (1–7)?_______
   How characteristic is this of most managers (1–7)?_______

B. Motivation

1. My interest in work is in the process of building something. I am motivated by problems that need to be solved; the challenge of work itself or the creation of a quality product gets me excited. I would prefer to miss a deadline rather than do something halfway—quality is more important to me than quantity.
   How characteristic is this of you (1–7)?_______
   How much would you like to be like this (1–7)?_______
   How characteristic is this of most managers (1–7)?_______
2. I like to take risks and am fascinated by new methods, techniques, and approaches. I want to motivate myself and others by pushing everyone to the limit. My interest is in challenge, or competitive activity, where I can prove myself to be a winner. The greatest sense of exhilaration for me comes from managing a team of people and gaining victories. When work is no longer challenging, I feel bored and slightly depressed.
   How characteristic is this of you (1–7)?
   How much would you like to be like this (1–7)?
   How characteristic is this of most managers (1–7)?

3. I like to control things and to acquire power. I want to succeed by climbing the corporate ladder, acquiring positions of greater power and responsibility. I want to use this power to gain prestige, visibility, and financial success and to be able to make decisions that affect many other people. Being good at “politics” is essential to this success.
   How characteristic is this of you (1–7)?
   How much would you like to be like this (1–7)?
   How characteristic is this of most managers (1–7)?

4. My interest in work is to derive a sense of belonging from organizational membership and to have good relations with others. I am concerned about the feelings of people with whom I work, and I am committed to maintaining the integrity of my organization. As long as the organization rewards my efforts, I am willing to let my commitment to my organization take precedence over my own narrow self-interest.
   How characteristic is this of you (1–7)?
   How much would you like to be like this (1–7)?
   How characteristic is this of most managers (1–7)?

C. Self-Image

1. I am competitive and innovative. My speech and my thinking are dynamic and come in quick flashes. I like to emphasize my strengths and don’t like to feel out of control. I have trouble realizing and living within my limitations. I pride myself on being fair with others; I have very few prejudices. I like to have limitless options to succeed; my biggest fears are being trapped or being labeled as a loser.
   How characteristic is this of you (1–7)?
   How much would you like to be like this (1–7)?
   How characteristic is this of most managers (1–7)?

2. My identity depends on being part of a stable, noteworthy organization. I see myself as a trustworthy, responsible, and reasonable person who can get along with almost anyone. I’m concerned about making a good impression on others and representing the organization well. I may not have as much toughness, aggressiveness, and risk-taking skill as some, but I make substantial contributions to my organization.
   How characteristic is this of you (1–7)?
   How much would you like to be like this (1–7)?
   How characteristic is this of most managers (1–7)?
3. My sense of self-worth is based on my assessment of my skills, abilities, self-discipline, and self-reliance. I tend to be quiet, sincere, and practical. I like to stay with a project from conception to completion.
   - How characteristic is this of you (1–7)?
   - How much would you like to be like this (1–7)?
   - How characteristic is this of most managers (1–7)?

4. I tend to be brighter, more courageous, and stronger than most of the people with whom I work. I see myself as bold, innovative, and entrepreneurial. I can be exceptionally creative at times, particularly in seeing entrepreneurial possibilities and opportunities. I am willing to take major risks in order to succeed and willing to be secretive if it will further my own goals.
   - How characteristic is this of you (1–7)?
   - How much would you like to be like this (1–7)?
   - How characteristic is this of most managers (1–7)?

D. Relations with Others

1. I tend to dominate other people because my ideas are better. I generally don’t like to work closely and cooperate with others. I would rather have other people working for me, following my directions. I don’t think anyone has ever really helped me freely; either I controlled and directed them, or they were expecting me to do something for them in return.
   - How characteristic is this of you (1–7)?
   - How much would you like to be like this (1–7)?
   - How characteristic is this of most managers (1–7)?

2. My relations with others are generally good. I value highly those people who are trustworthy, who are committed to this organization, and who act with integrity in the things that they do. In my part of the organization, I attempt to sustain an atmosphere of cooperation, mild excitement, and mutuality. I get “turned off” by others in the organization who are out for themselves, who show no respect for others, or who get so involved with their own little problems that they lose sight of the “big picture.”
   - How characteristic is this of you (1–7)?
   - How much would you like to be like this (1–7)?
   - How characteristic is this of most managers (1–7)?

3. At times, I am tough and dominating, but I don’t think I am destructive. I tend to classify other people as winners and losers. I evaluate almost everyone in terms of what they can do for the team. I encourage people to share their knowledge with others, trying to get a work atmosphere that is both exciting and productive. I am impatient with those who are slower and more cautious, and I don’t like to see weakness in others.
   - How characteristic is this of you (1–7)?
   - How much would you like to be like this (1–7)?
   - How characteristic is this of most managers (1–7)?
4. My relations with others are generally determined by the work that we do. I feel more comfortable working in a small group or on a project with a defined and understandable structure. I tend to evaluate others (both peers and managers) in terms of whether they help or hinder me in doing a craftsmanlike job. I do not compete against other people as much as I do against my own standards of quality.

   How characteristic is this of you (1–7)?
   How much would you like to be like this (1–7)?
   How characteristic is this of most managers (1–7)?

When you have evaluated each paragraph, follow the instructions below and “score” the questionnaire.

Scoring Key for Career Style Inventory

To calculate scores for each of the four primary career orientations, add up your scores for individual paragraphs as shown below. For example, to obtain your “characteristic of me” score for the orientation known as “craftsperson,” add your “characteristic of me” scores for paragraph 2 under Life Goals, paragraph 1 under Motivation, paragraph 3 under Self-Image, and paragraph 4 under Relations with Others.

Scores can range from 4 to 28. A score of 23 or higher can be considered high. A score of 9 or lower can be considered low.

<table>
<thead>
<tr>
<th>Craftsperson Orientation</th>
<th>Characteristic of me</th>
<th>Would like to be like this</th>
<th>Characteristic of most managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life Goals—Paragraph 2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Motivation—Paragraph 1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Self-Image—Paragraph 3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relations with Others—Paragraph 4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL scores for Craftsperson</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Company Orientation      |                      |                           |                                |
| Life Goals—Paragraph 1   |                      |                           |                                |
| Motivation—Paragraph 4   |                      |                           |                                |
| Self-Image—Paragraph 2   |                      |                           |                                |
| Relations with Others—Paragraph 2 |   |                           |                                |
| TOTAL scores for Company Man/Woman |         |                           |                                |

| Jungle Fighter Orientation |                      |                           |                                |
| Life Goals—Paragraph 3   |                      |                           |                                |
| Motivation—Paragraph 3   |                      |                           |                                |
| Self-Image—Paragraph 4   |                      |                           |                                |
| Relations with Others—Paragraph 1 |   |                           |                                |
| TOTAL scores for Jungle Fighter |                |                           |                                |

| Strategic Game Orientation |                      |                           |                                |
| Life Goals—Paragraph 4   |                      |                           |                                |
| Motivation—Paragraph 2   |                      |                           |                                |
| Self-Image—Paragraph 1   |                      |                           |                                |
| Relations with Others—Paragraph 3 |   |                           |                                |
| TOTAL scores for Gamesman/Gameswoman |                |                           |                                |
**Descriptions of the Four Primary Career Orientations**

The **Craftsperson**, as the name implies, holds traditional values, including a strong work ethic, respect for people, concern for quality, and thrift. When talking about work, such a person tends to show an interest in specific projects that have a defined structure. He or she sees others, peers as well as managers, in terms of whether they help or hinder the completion of work in a craftsmanlike way.

The virtues of craftpersons are admired by almost everyone. In high-involvement organizations, craftspersons are valuable because they respect people and work hard and smart. On the downside, they can become overly absorbed in perfecting their projects, which can slow them down and harm their leadership on a broader stage.

The **Jungle Fighter** lusts for power. He or she experiences life and work as a jungle where “eat or be eaten” is the rule and the winners destroy the losers. A major part of his or her psychic resources is budgeted for a personal department of defense. Jungle fighters tend to see their peers as either accomplices or enemies and their associates as objects to be used.

There are two types of jungle fighters: lions and foxes. The lions are the conquerors who, when successful, may build an empire. The foxes make their nests in the corporate hierarchy and move ahead by stealth and politicking. The most gifted foxes rise rapidly by making use of their entrepreneurial skills. In high-involvement organizations, Jungle Fighters can cause many problems. They tend not to value people. Leveraging human capital may take place, but only in limited ways for the purpose of self-gain.

The **Company Man or Woman** bases personal identity on being part of a protective organization. He or she can be fearful and submissive, seeking security even more than success. These are not positive attributes for high-involvement organizations. On the other hand, the company man or woman is concerned with the human side of the company, interested in the feelings of people, and committed to maintaining corporate integrity. The most creative company men and women sustain an atmosphere of cooperation and stimulation, but they tend to lack the daring to lead in competitive and innovative organizations.

The **Strategic Gamesman or Gameswoman** sees business life in general, and his or her career in particular, in terms of options and possibilities, as if he or she were playing a game. Such a person likes to take calculated risks and is drawn to new techniques and methods. The contest is invigorating, and he or she communicates enthusiasm, energizing peers and associates like the quarterback on a football team. Unlike the jungle fighter, the gamesman or gameswoman competes not to build an empire or to pile up riches, but to gain the exhilaration of victory. The main goal is to be known as a winner, along with the rest of the team.

The character of a strategic gamesman or gameswoman, which might seem to be a collection of near paradoxes, is very useful in a high-involvement organization. Such a person is cooperative but competitive, detached and playful but compulsively driven to succeed, a team player but a would-be superstar, a team leader but often a rebel against bureaucratic hierarchy, fair and unprejudiced but contemptuous of weakness, tough and dominating but not destructive. Balancing these issues is important in a team-oriented organization, where associates and managers at all levels are expected to work together for personal and organizational success.

After earning a business degree with a major in marketing, Ann Wood went to work for Norwich Enterprises as a research analyst in the Consumer Products Division. While working, she also attended graduate school at night, receiving her MBA in three years. Within a year of reaching that milestone, Ann was promoted to manager of market research. Ann became assistant director of marketing after another three years. After a stay of slightly less than 24 months in that position, Ann was appointed director of marketing for the Consumer Products Division. In this new role, she leads many more people than in her previous roles—85 in total across three different groups: market research, marketing strategy and administration, and advertising and public relations.

Ann felt good this morning, ready to continue working on several important projects that Anil Mathur, Norwich’s executive vice president for marketing, had assigned to her. Ann felt that she was on a fast track to further career success and wanted to continue performing well. With continuing success, she expected an appointment in Norwich’s international business operations in the near future. Ann was pleased about this prospect, as international experience was becoming a prerequisite at Norwich for senior-level managerial positions—her ultimate goal. Several problems, however, were brought to her attention on what she thought was going to be a good day at the office.

As Ann was entering the building, Joe Jackson, the current manager of the market research group, stopped her in the hall and complained that the company’s intranet had been down about half of the night. This technical problem had prevented timely access to data from a central server, resulting in a delay in the completion of an important market analysis. Ann thought that immediately jumping in to help with the analysis would be useful in dealing with this matter. She had promised Anil that the analysis would be available to him and other upper-level managers this morning. Now it would have to be finished on a special priority basis, delaying work on other important projects.

Joe also told Ann that two of his analysts had submitted their resignations over the last 24 hours. Ann asked, “Why are we having so much trouble with turnover?” The manager responded, “The market is tight for smart analysts who understand our product lines. We’ve been having problems hiring anyone with the skills we need, much less people who have any loyalty. Maybe we should offer higher starting salaries and more attractive stock options if we expect to have much hope of keeping the people we need.” Ann asked Joe to develop a concrete proposal about what could be done to reduce turnover, promising to work with him to resolve the issue.

Just as she reached her office, Ann’s phone rang. It was Brooke Carpenter, the manager of market strategy and administration. “I’m glad you’re here, Ann. I need to talk to you now. I’m on my way.” As Brooke came through the door, Ann could tell that he was quite upset. He explained that two of his people had discovered through searches on the Internet that the average pay for their type of work was 7 percent higher than what they were currently earning. Sharing this information with co-workers had created an unpleasant environment in which people were concentrating on pay instead of focusing on tasks to be completed. Ann had a conference call coming in a few minutes, stopping her from dealing with the matter further, but she asked Brooke to set up a time when the two of them could meet with his people to talk about their concerns.

After her conference call, Ann spent the rest of her morning dealing with e-mails that were primarily related to dissatisfaction with her department’s work. Most of these concerned the delays that other Norwich units were experiencing in receiving outputs...
from her department. The problem was complicated by the inability to retain workers.

Ann had just returned from lunch when her phone rang. “Ann, it’s Brooke. Can you meet with us at 2:30 this afternoon? I know that this is short notice, but we really do need to talk with my people.” Although the time was inconvenient, given that Anil expected his analysis today, Ann knew that dealing with issues concerning Brooke’s associates was also important. Plus, she believed that Anil’s report was about to be finished by the research group, taking that immediate problem off her plate.

The meeting with Brooke and his people lasted almost an hour. Not surprisingly, other concerns surfaced during the conversation. Ann thought to herself that this was to be expected. Her managerial experience indicated that complaints about pay often masked concerns about other issues. She learned that people weren’t satisfied with the technology made available to them to do their work or Norwich’s commitment to training and development. Young and eager to advance, Brooke’s associates wanted assurances from Ann that Norwich would spend more money and time to develop their skills. Ann agreed to the importance of skill development—both for associates and for Norwich. She said that she would examine the matter and provide feedback to them. “It may take some time, but my commitment to you is that I’ll work hard to make this happen. While I can’t promise much about the pay structure overnight, I’ll also investigate this matter to become more informed. Brooke and I will work on this together so you can have direct access to what is going on.” Ann wanted to deal with these issues, knowing that their resolution had the potential to help both associates and the company reach their goals.

Ann then spent a couple of hours dealing with still more e-mail messages, a few phone calls, and other requests that reached her desk during the day. Anil received the report he needed and seemed to be satisfied. Although she had been busy, Ann felt good as she left for home around 8:30 that night. Nothing came easily, she thought.

Discussion Questions
1. Describe the people-related problems or issues Ann Wood faced during the day. Did she handle these effectively? If not, what do you believe she should have done?
2. Is Ann Wood a high-involvement manager? If so, provide evidence. If not, how well do you think she’ll perform in her new job as head of marketing?
3. Assume that Ann Wood wants her managers and associates to be the foundation for her department’s competitive advantages. Use the framework summarized in Exhibit 1.2 (in the chapter text) to assess the degree to which Ann’s people are a source of competitive advantage at this point in time.

TEAM EXERCISE  McDonald’s: A High-Involvement Organization?

One experience most people in North America and Europe have shared is that of dining in the hamburger establishment known as McDonald’s. In fact, someone has claimed that thirtieth-century archeologists may dig into the ruins of our present civilization and conclude that twenty-first-century religion was devoted to the worship of golden arches.

Your group, Fastalk Consultants, is known as the shrewdest, most insightful, and most overpaid management consulting firm in the country. You have been hired by the president of McDonald’s to make recommendations for improving the motivation and performance of personnel in their franchise operations. Let us assume that the key activities in franchise operations are food preparation, order-taking and dealing with customers, and routine clean-up operations.
Recently, the president of McDonald’s has come to suspect that his company’s competitors, such as Burger King, Wendy’s, Jack in the Box, Dunkin’ Donuts, various pizza establishments, and others, are making heavy inroads into McDonald’s market. He has hired a separate market research firm to investigate and compare the relative merits of the sandwiches, french fries, and drinks served by McDonald’s and the competitors and has asked the market research firm to assess the advertising campaigns of the competitors. Hence, you will not be concerned with marketing issues, except as they may affect employee behavior. The president wants you to look into the organization of the franchises to determine their strengths and weaknesses. He is very interested in how the restaurants score with respect to high-involvement management and the impact on McDonald’s of the use or nonuse of this approach.

The president has established an unusual contract with you. He wants you and your colleagues in the firm to make recommendations based on your observations as customers. He does not want you to do a complete analysis with interviews, surveys, or behind-the-scenes observations.

Steps
1. Assemble into groups of four to five. Each group will act as a separate Fastalk consulting team.
2. Think about your past visits to McDonald’s. What did you see and experience? How was the food prepared and served? What was the process? Did the employees seem to be happy with their work? Did they seem to be well trained and well suited for the work? Did the supervisor act as a coach or a superior? Your instructor may ask you to visit a McDonald’s in preparation for this exercise and/or to research the organization via the Internet or school library.
3. Assess McDonald’s on each dimension of high-involvement management.
4. Develop recommendations for the president of McDonald’s.
5. Reassemble as a class. Discuss your group’s assessments and recommendations with the rest of the class, and listen to other groups’ assessments. Do you still assess McDonald’s in the same way after hearing from your colleagues in the class?
6. The instructor will present additional points for consideration.


Endnotes


15 Dess & Picken, Beyond productivity; Hitt, Ireland, & Hoskisson, Strategic management.


17 Dess & Picken, Beyond productivity.


23 Porter, Competitive strategy.

24 Hitt, Ireland, & Hoskisson, Strategic management.

25 Porter, Competitive strategy.

26 Hitt, Ireland, & Hoskisson, Strategic management.

27 Barney & Wright, On becoming a strategic partner; Lepak & Snell, The human resource architecture.


29 Barney & Wright, On becoming a strategic partner.

30 Ibid.