
Chapter 2

Organizational Behavior

An organization consists of individuals with different tasks attempting to accomplish a common purpose. (For a business, this purpose is the creation and delivery of goods or services for its customers.) Organizational behavior is the study of how individuals and groups perform together within an organization. It focuses on the best way to manage individuals, groups, organizations, and processes. Organizational behavior is an extensive topic and includes management, theories and practices of motivation, and the fundamentals of organizational structure and design.

From the smallest nonprofit to the largest multinational conglomerate, firms and organizations all have to deal with the concept of organizational behavior. Knowledge about organizational behavior can provide managers with a better understanding of how their firm or organization attempts to accomplish its goals. This knowledge may also lead to ways in which a firm or organization can make its processes more effective and efficient, thus allowing the firm or organization to successfully adapt to changing circumstances.

This chapter will help you better understand the theories and structures of organizational behavior. The chapter begins by discussing some of the basic characteristics of managers and management. It then

describes some of the popular theories and practical applications related to motivation and helps answer the question “What motivates employees and why does it motivate them?” The chapter then examines some of the fundamentals of organizational structure and describes ways in which organizational structures differ from one another. Finally it discusses a few methods by which organizations can control processes and outcomes.

MANAGEMENT

As discussed in the next chapter, “Leadership and Team Building,” management used to be focused on direction and control. Now it is more involved with support and facilitation and the evolving notion of the manager as “coach.” In conjunction with this role as a supportive facilitator, managers are now focusing on efficiently and effectively utilizing the intellectual capital of an organization. Intellectual capital consists of the knowledge, expertise, and dedication of an organization’s workforce. The management of intellectual capital is necessary in order to get the most out of an organization’s material resources and achieve organizational goals.

In practice, managers accomplish organizational goals through the process of defining goals, organizing structures, motivating employees, and monitoring performance and outcomes. In performing these processes a manager often takes on several different roles. These roles were described by Henry Mintzberg and include interpersonal roles, informational roles, and decisional roles. Interpersonal roles are ways in which a manager works and communicates with others. Informational roles are ways in which a manager acquires, processes, and shares information. Decisional roles are how a manager uses information to make decisions, which involves identifying opportunities and problems and acting on them appropriately, allocating resources, handling conflicts, and negotiating.

In order to fill these roles effectively managers use skills that allow them to translate knowledge into action. Robert Katz describes three different sets of skills that managers use, including technical, human, and conceptual skills. Technical skills are used to perform a specialized task. They are learned both from experience and from

education, and they can involve using a specific type of technology or process. Human skills are used when working with others and include, among other things, basic communications skills, persuasive ability, and conflict resolution. Conceptual skills are used in analyzing and solving complex interrelated problems. They require having a good understanding of the organization as a whole and understanding how the interrelated parts work together—for example, a good understanding of an organization's behavioral attributes, its weaknesses, and actions needed to achieve its goals and objectives.

Emotional Intelligence and the Manager

Daniel Goleman defined an important aspect of human skills in his work on emotional intelligence. Emotional intelligence is tied closely to management effectiveness and ultimately organizational behavior; it suggests that a manager's performance may be influenced by several factors:

- ✓ Self-awareness—understanding your moods and emotions.
- ✓ Self-regulation—thinking about your actions and controlling destructive ones.
- ✓ Motivation—working hard to accomplish your goals.
- ✓ Empathy—understanding the emotions of others.
- ✓ Social skills—developing good connections and relationships with others.

Understanding emotional intelligence is especially important in light of changes in organizational structures, which have created firms with less hierarchy and closer peer contact.

Motivation

Motivation is an important driver in an organization and is crucial to the management of intellectual capital. Motivation underlies what employees choose to do (quality and/or quantity), how much effort they will put into accomplishing the task, and how long they will work in order to accomplish it. Employees who are motivated will work more

effectively and efficiently and shape an organization's behavior. A motivated workforce will have a strong effect on an organization's bottom line. Motivation is strongly tied to job satisfaction. Job satisfaction is how individuals feel about the tasks they are supposed to accomplish and may also be influenced by the physical and social nature of the workplace. The more satisfied employees are with their jobs, the more motivated they will be to do their jobs well.

There are several important studies relating to motivation. These include Abraham Maslow's hierarchy of needs, Frederick Herzberg's study of hygiene and motivational factors, Douglas McGregor's Theory X and Theory Y, Theory Z, Victor Vroom's Expectancy Theory, J. Stacy Adams' Equity Theory, and Reinforcement Theory.

Maslow's Hierarchy of Needs. In 1943 Abraham Maslow developed a theory about human motivation called the hierarchy of needs. This theory has been popular in the United States and describes human needs in five general categories. According to Maslow, once an individual has met his needs in one category, he is motivated to seek needs in the next higher level. Maslow's hierarchy of needs consists of the following general categories:

Physiological needs. These are the first and lowest level of needs. They relate to the most basic needs for survival and include the need for food and shelter.

Safety needs. The second level of needs involves an individual's need for security, protection, and safety in the physical and interpersonal events of daily life.

Social needs. The third level of needs is associated with social behavior. It is based on an individual's desire to be accepted as part of a group and includes a desire for love and affection.

Esteem needs. The fourth level of needs relates to an individual's need for respect, recognition, and prestige and involves a personal sense of competence.

Self-actualization. This is the fifth and highest level of needs. Needs of this level are associated with an individual's desire to reach his full potential by growing and using his abilities to the fullest and most creative extent.

As individuals move higher in the corporate hierarchy, they may see higher-order needs as being more important than those of lower orders. Needs may also vary based on career stage, organizational structure, and geographic location. The hierarchy of needs could also lack effective application in different cultural contexts. Certain cultures may value social needs over psychological and safety needs. In addition, the theory necessitates that a manager be able to identify and understand an employee's needs. This is not always easy and can lead to inaccurate assumptions. Taken in the proper context, however, recognizing the importance of needs is a useful method for conceptualizing factors of employee motivation and thus being able to direct an organization's behavior.

Herzberg's Factors. In the 1950s Frederick Herzberg studied the characteristics of a job in order to determine which factors served to increase or decrease workers' satisfaction. His study identified two factors related to job satisfaction: "hygiene" factors and motivational factors.

Hygiene factors are those that must be maintained at adequate levels. They are related more to the environment in which an employee is working rather than the nature of the work itself. Important hygiene factors include organizational policies, quality of supervision, working conditions, relationships with peers and subordinates, status, job security, and salary. Adequate levels of these factors are necessary to prevent dissatisfaction; improving these factors beyond adequate levels, however, does not necessarily lead to an increase in job satisfaction.

A different set of factors, identified as motivational factors, is associated with having a direct effect on increasing job satisfaction. These factors include achievement, recognition, responsibility, growth, the work itself, and the opportunity for advancement.

Like Maslow's hierarchy of needs, Herzberg's factors must be tempered by sensitivity to individual and cultural differences and require that managers identify what employees consider to be "adequate levels." Managers sometimes simplify both of these theories and inappropriately assume that they know what their employees need.

McGregor's Theory X and Theory Y. Douglas McGregor's theories focus less on employee needs and more on the nature of manager-

ial behavior. These theories are based on the assumption that a supervisor's perceptions of her employees will strongly influence the way in which she attempts to motivate her employees. McGregor created two theories based on his studies, called Theory X and Theory Y.

In the case of Theory X, a supervisor assumes that her employees are adverse to work and will do everything they can to avoid it. Acting on this assumption, the supervisor will exert tight control over employees, monitor their work closely, and hesitantly delegate authority.

In this case of Theory Y, a supervisor assumes that, contrary to Theory X, workers are willing to work and would be willing to accept increased responsibilities. In light of these assumptions, the supervisor will provide employees with more freedom and creativity in the workplace and will be more willing to delegate authority.

Managers will seek to motivate their employees based on their perceptions of the employees' interests. This theory brings to light the variation in practice that can exist depending on the assumptions that managers make about their employees.

Theory Z. Theory Z emerged in the 1980s. It attempts to motivate workers by giving them more responsibility and making them feel more appreciated. It was developed, in part, in the light of Japanese management practices, which allowed for more worker participation in decision making and provided for less specialized career paths.

Expectancy Theory. Developed by Victor Vroom, this concept assumes that the quality of employees' efforts is influenced by the outcomes they will receive for their efforts. They will be motivated to the degree that they feel that their efforts will result in an acceptable performance, that that performance will be rewarded, and that the value of the reward will be highly positive. In order for managers to practically apply the theories associated with expectancy theory, they need to define the desired behaviors clearly. Once this is accomplished, the manager should think about rewards that could serve as possible reinforcers and how these rewards will have different values for different individuals. Employees must then be informed about what must be done to receive these rewards, and managers need to provide feedback on employee performance. If a desired behavior is achieved, the reward must be given immediately.

Equity Theory. Equity theory was a result of the work of J. Stacy Adams and states that when individuals determine whether the compensation they receive is fair compared to their coworkers' compensation, any perceived inequity will affect their motivation. This sense of inequity can either be felt as negative inequity, when employees feel they have received less than others who performed the same task, or felt as positive inequity, when workers feel they have received more than others who performed the same task. Either type of inequity can motivate a worker to act in a way that restores the sense of equity. Examples of employee behavior may include not working as hard, asking for a raise, quitting, comparing themselves to a different coworker, rationalizing that the inequity will be only temporary, or getting a coworker to accept more work. To limit a perceived sense of inequity, employees should be compensated to the degree that their efforts contribute to the firm. This theory, however, is difficult to implement given the differences of opinion that might arise between an employee and a supervisor regarding what constitutes equitable pay. To apply this theory successfully it is important to address the employee's perceptions. This can be accomplished first by recognizing and anticipating that inequities can and will exist. It is then important to communicate clear evaluations of any rewards given and an appraisal of the performance on which these rewards are based. There may also be comparison points that are appropriate to share.

Reinforcement Theory. A carrot-and-stick approach to motivational behavior, the reinforcement theory is concerned with positive and negative reinforcement. It applies consequences to certain behaviors. There are four basic reinforcement strategies: positive reinforcement, negative reinforcement, punishment, and extinction. Positive reinforcement motivates workers by providing them with rewards for desirable behavior. To be effective a reward must be delivered only if the desired behavior is displayed. It should also be delivered as quickly as possible after the desired behavior is exhibited. Negative reinforcement, in contrast, involves withdrawing negative consequences if the desired behavior is displayed. This method of reinforcement is sometimes called "avoidance" because its aim is to have the individual avoid the negative consequences by performing the desired behavior. Unlike positive and negative reinforcement, punishment is not designed to in-

spire positive behavior, but to discourage negative behavior. Extinction is the withdrawal of reinforcing consequences for a desired behavior. Its intent is to eliminate undesirable behavior.

Conclusions from Motivational Theories

In shaping and directing an organization's behavior, the seven theories discussed previously provide some insight into the organization's behavior. Several conclusions can be drawn from these theories.

Needs. Employees have needs. In order to motivate employees, supervisors should attempt to understand the breadth of their employees' needs. This is not always an easy task and requires open and frequent communication between managers and employees. By structuring a job so that it meets these needs a supervisor can increase an employee's motivation.

Compensation. Compensation is an important part of motivation, with a goal to compensate employees according to the contribution each employee makes to the firm. Employees will be dissatisfied if they feel that they are getting less than they deserve. In order to decrease the likelihood of perceived inequities, a manager needs to be proactive and informative regarding reward structures.

Rewards. Employees need to know that the goal they are working toward is achievable and that when they accomplish this goal that they will be rewarded in an appropriate and timely manner.

MOTIVATION: FROM THEORY TO PRACTICE

The insights drawn from the discussion of motivational theory highlight the importance of assessing needs, compensation, and rewards when creating an organizational structure that will increase an employee's job satisfaction and motivation and direct organizational behavior; some of these actions include implementing an adequate compensation program, increasing job security, allowing for flexible work schedules, and establishing employee involvement programs.

Adequate Compensation Program

Before determining how compensation should be set, it is necessary to align the compensation program with several elements of the business.

- ✓ *Business goals.* A compensation plan should be developed in light of a firm's business goals. Employees should be compensated to the degree that their efforts help the business accomplish its goals.
- ✓ *Employee goals.* A compensation plan should be clear in stating individual employee goals. In order to effectively motivate employees, they need to know what goals they will be expected to achieve.
- ✓ *Achievable goals.* The goals that individual employees are expected to accomplish must be realistic and achievable. If employees feel that the goals associated with their positions are unreachable, they will not be motivated to work. If a supervisor can set reasonable goals and make the employee aware that numerous achievable bonuses will be given if these goals are met, the employee will be motivated.
- ✓ *Employee input.* Employees will be more satisfied with their jobs if they are consulted about the compensation plan before it is put into effect.

An adequate compensation program, taking these issues into account, will affect employee motivation; a compensation plan should give the highest relative raises to the individuals who achieve the highest levels of performance. This type of system is referred to as a merit-based pay system and bases pay on performance. It can be effectively implemented in conjunction with an incentive plan that rewards employees for achieving specific performance goals. These plans stand in contrast to a system that provides across-the-board pay raises, which will not motivate workers to put extra effort into achieving set goals.

Job Security

Employees who feel they are in danger of losing their jobs may not show high work productivity. Worker satisfaction can, and productiv-

ity may, be increased by providing job security. One way firms can increase job security is by providing cross-training in other functions. This will give employees the versatility to accomplish new tasks if their current positions change or are no longer available.

Flexible Work Schedules

In today's time-pressed world, many employees view time away from work as an important factor shaping their at-work motivation and on-job productivity. There are several methods for allowing flexible work schedules that meet the needs of employees seeking greater home/work flexibility. One of the more common is a compressed workweek. This system lets an employee work the same number of hours over the course of fewer days. Instead of working five eight-hour days, an employee might work four ten-hour days. Other examples of flexible work schedules include job sharing where two or more people share a certain work schedule.

Employee Involvement Programs

Employee involvement programs seek to motivate employees by increasing their responsibilities or getting them more involved in decision-making processes. There are several types of employee involvement programs; the more basic programs include job enlargement, job rotation, and teamwork. More ambitious programs include open-book management and worker empowerment.

Job Enlargement. Job enlargement is a direct way to increase job responsibility. It involves expanding a position and giving an employee a greater variety of tasks.

Job Rotation. A job rotation program periodically reassigns employees to new positions. In addition to increasing employees' involvement in the firm and adjusting their responsibilities, job rotation can also improve employees' skill sets, thereby increasing their job security. In addition, it can also relieve the boredom in the workplace associated with doing the same job over a long period of time.

Teamwork. This program attempts to increase motivation by putting individuals with different positions onto a team and setting them the task of achieving a specific goal. Teamwork serves to increase an employee's responsibilities and involvement in the firm. The best types of teams are self-directed. This provides the team with the authority to make decisions regarding planning, accomplishing, and evaluating the task they are working on. For more on this topic of teamwork, see Chapter 3, "Leadership and Team Building."

Open-Book Management. Open-book management is a challenging, but direct way of increasing employee involvement and responsibility. It involves allowing employees to see how their job performance affects key performance indicators important to the firm. In order to institute this program a firm needs to make key indicators available to employees and educate them on how to interpret key performance measures. Employees also need to be empowered to make decisions related to their positions and training and be given the opportunity to see how these decisions affect the rest of the firm. Open-book management also necessitates an adequate compensation program whereby compensation is tied to performance.

Worker Empowerment. Worker empowerment attempts to increase employee job responsibility as well as employee involvement. It does this by giving employees more authority and involving them in the decision-making process. Employees who are empowered can often make better and more informed decisions than can a manager who is not directly involved in the process. Participative management is similar to worker empowerment. Although it does not provide employees with direct decision-making power, it encourages managers to consult closely with workers before making decisions. Another type of participatory management is management by objective. This approach allows employees to set their own goals and provides them with the freedom to decide how they can best achieve these goals.

Measuring Job Satisfaction

How do managers know that after gaining an understanding of the theories of motivation and applying different approaches to increase

job satisfaction that their efforts have been successful? In practice a manager must draw conclusions on a daily basis from social observations and interactions in the workplace. Sometimes, however, it is a good idea to conduct a more formal survey. This can be accomplished through either interviews, surveys, or focus groups that often involve only a specific group of employees. Two useful surveys are the Minnesota Satisfaction Questionnaire and the Job Descriptive Index. Both of these surveys address areas of employee satisfaction in regard to different aspects of an organization and provide managers with useful information. They cover work, working conditions, rewards, opportunities for advancement, and the quality of relationships with managers and coworkers.

ORGANIZATIONAL STRUCTURE

Whether you are in the beginning stages of starting your own business or you are looking for ways to improve an existing business, it is important to think about the firm's organizational structure. Examining organizational structure will help answer questions about the ways in which a firm conducts business. Who is responsible for accomplishing various tasks within the firm? How are these individuals grouped? Who manages these individuals or groups? How do they manage them?

Five Structural Factors

In essence, the primary goal of an organizational structure is to coordinate and allocate a firm's resources so that the firm can carry out its plans and achieve its goals and objectives. The fundamentals of organizational structure revolve around five factors: the division of labor, departmentalization, the nature of the managerial hierarchy, the managerial span of control, and the amount of centralization or decentralization in the organization.

Division of Labor. The division of labor involves two steps: dividing work into separate tasks and assigning these tasks to workers. What are the different tasks carried out by your firm? Who is responsible for accomplishing these tasks?

Departmentalization. Departmentalization is the process of grouping similar types of jobs together so that they can be accomplished more efficiently and effectively. There are five different ways in which to departmentalize business activities. Different types of departmentalization can exist to varying degrees within a business. What types of departmentalization exist within your firm? Could your firm be departmentalized differently?

1. *Function.* An example of functional departmentalization would be a firm that has a marketing and finance department. It involves grouping tasks based on the function that the organizational unit accomplishes within a firm.
2. *Product.* A consumer electronics firm that has separate departments for camera and MP3 players is using product-based departmentalization. In this case departments are based on the goods or services that an organizational unit sells or provides.
3. *Process.* A manufacturing firm that includes separate departments for assembly and shipping is an example of a firm with process-based departmentalization. In this case departmentalization revolves around the production process used by the organizational unit.
4. *Customer.* A bank with separate departments for its business customers and individual customers is using customer-based departmentalization. Its departmentalization is based on the type of customer served.
5. *Geographic.* An example of a firm using geographic departmentalization is an automobile manufacturing company that has different departments for each country in which it sells cars. In this case departmentalization is based on the geographic segmentation of organizational units.

Managerial Hierarchy. Managerial hierarchy relates to the way in which management is layered. It usually includes three levels—upper or top management, middle management, and supervisory roles. The higher levels of management generally have fewer employees, but more power.

Span of Control. Span of control is closely related to managerial hierarchy. At each level of management within a firm an individual is responsible for a different number of employees. Span of control relates to the number of employees that a manager directly supervises. Span of control is determined by a number of factors, including the type of activity, the location of the workers, a manager's ability to delegate tasks, the amount and nature of communication between the manager and the individuals being supervised, and the skill level and motivation of the individuals being supervised.

Centralization versus Decentralization. Centralization is the degree to which formal authority is centralized within a unit or level of an organization. Decentralization is the process of actively shifting authority lower in a firm's hierarchical structure. This effectively gives more decision-making power and responsibility to those in supervisory roles. Centralization and decentralization have their benefits and costs. While centralization provides top-level managers with a better overview of operations and allows for tighter fiscal control, it can result in slower decision making and limit innovation and motivation. Decentralization, by contrast, can speed up decision making and increase motivation and innovation, but this is done at the expense of a top manager's view of the firm and financial control.

Mechanistic and Organic Organizational Structures

The five structural factors just discussed give rise to numerous organizational possibilities. Mechanistic and organic structures are two possibilities at opposite ends of the organizational spectrum. They give shape to the concept of the factors of organizational structure. A mechanistic organization is characterized by the following structural factors:

- ✓ Degree of work specialization is high.
- ✓ Departmentalization is rigid.
- ✓ Managerial hierarchy has many layers.
- ✓ Span of control is narrow.
- ✓ Decision making is centralized.

- ✓ Chain of command is long.
- ✓ Organizational structure is very tall.

An organic organization is characterized by the following factors:

- ✓ Degree of work specialization is low.
- ✓ Departmentalization is loose.
- ✓ Managerial hierarchy has few layers.
- ✓ Span of control is wide.
- ✓ Decision making is decentralized.
- ✓ Chain of command is short.
- ✓ Organizational structure is flat.

Informal Organizations

A formal organizational structure, represented by an organizational chart or written job descriptions, is not the only structure that exists within an organization. Between different departments and levels of hierarchy, various informal organizations exist within an organizational structure. An informal organization consists of a network of channels of communication based on informal relationships between individuals within a firm. These networks are often based on friendships and social contacts. In addition to providing information and a sense of control over the work environment, they can also be a source of recognition and status. Informal organizations can be examined more closely through social network analysis. This process maps the social relationships between individuals within an organization. Once they are recognized and understood, informal organizations can be utilized within an existing organizational structure in order to increase communication and overall effectiveness and efficiency.

Line and Staff Organizations

The factors related to organizational structures also help describe different positions for individuals within a firm. Two examples of this are

line positions and staff positions. Organizational structures often involve the interrelation between these two types of positions.

Line positions are directly related to the production of goods and services. They are common in firms that involve production, manufacturing, or providing financial services.

Staff positions are supportive in nature, helping those in line positions and top management more effectively achieve the firm's goals and objectives. Staff positions provide, for example, legal, public relations, human resources, and technology support services.

Reengineering

Reengineering involves the complete redesign of a firm's structures and processes. It is done in the hope of increasing a firm's operational efficiency and effectiveness by controlling costs, improving quality, improving customer service, and increasing the speed at which business is conducted. Once a firm has examined itself in light of the five factors of organizational structure, it can better understand where it can make changes to align its structure with the firm's goals and objectives.

High-Performance Organizations

The goal of the high-performance organization is to effectively and efficiently utilize intellectual capital. High-performance organizations focus on employee involvement, teamwork, organizational learning, total quality management (TQM), and integrated production techniques. Employee involvement is accomplished through worker empowerment or participative management. Teamwork is accomplished through self-directed groups. Organizational learning involves gathering, communicating, and storing organizational information in order to anticipate changes and challenges and make more informed decisions about the future. TQM focuses on high quality, continuous improvement, and customer satisfaction. Integrated production techniques implement flexibility in manufacturing and services and involve job design and information systems to more effectively and efficiently utilize the resources, knowledge, and techniques that a business uses to create goods or services. It stresses the use of just-in-time production and service systems and relies heavily on computers to assist, control, and integrate

different organizational functions. Implementing integrated production techniques requires speeding up communication and decision making within the organizational structure.

The process of transforming an organization into a high-performance organization begins by actively seeking to understand an organization's work site problems and opportunities and its purpose, mission, strategy, and vision. These elements must be tied together into a new mission statement and vision for the firm that is aligned with the organization's core values. In order to be successful, this process requires the active involvement of individuals from various levels and groups within the organization. The broad level of participation will also ensure a greater level of acceptance in the organization. Once these initial steps have been taken, the factors of employee involvement, teamwork, organizational learning, total quality management, and integrated production techniques can result in organizational, individual, and community benefits. The organization will be more effective in achieving its goals, job satisfaction and employee motivation will increase, and the organization will be better able to contribute to the community as a whole.

Although there are numerous benefits associated with high-performance organizations, establishing and maintaining them is a difficult task. One of the most daunting elements is successfully integrating employee involvement, teamwork, organizational learning, total quality management, and integrated production techniques. These are not separate functions; teamwork must contain elements of employee involvement, organizational learning, and total quality management. This can be especially challenging for managers who, in addition to their regular functions, are asked to implement these changes. Managers can experience many kinds of resistance. Employees may feel that the changes could put them out of a job. They may be resistant to participating in group decision making or in team-based activities. Managers may also experience obstacles related to cultural differences regarding hierarchy and participation. In light of these challenges, some firms succeed in implementing only some of the elements associated with high-performance organizations.

Successfully creating a high-performance organization requires a high degree of cooperation and a strong level of commitment and acceptance from all employees. It is a challenging and difficult process, but it offers significant rewards throughout the organization.

METHODS OF CONTROL

Managers achieve organizational goals by managing intellectual capital in order to get the most out of organizational resources. An important part of this process is monitoring performance and outcomes. This can be done in several ways. Two of the more common ways that directly affect organizational behavior are output controls and process controls. Controls relate to setting standards, obtaining measurements of results related to these standards, and taking corrective actions when these standards are not met. Managers must be judicious in their use of controls so as not to overburden the organization.

Output Controls

Output controls are about setting desired outcomes and allowing managers to decide how these outcomes can best be achieved. Output controls promote management creativity and flexibility. This type of control serves to separate methods from outcomes and subsequently decentralizes power by shifting it down the hierarchical structure.

Process Controls

Once effective methods have been determined for solving organizational problems, managers sometimes institutionalize them in order to prevent the problem from recurring. These types of controls are called process controls and are a way of regulating how specific tasks are conducted. Three types of process controls are (1) policies, procedures, and rules; (2) formalization and standardization; and (3) total quality management controls.

Policies, Procedures, and Rules. These are often used in the absence of direct management control. Policies are general recommendations for conducting activities, while procedures are a more focused set of guidelines. Rules are the strictest set of limits and establish things that should and should not be done.

Formalization and Standardization. Formalization involves creating a written set of policies, procedures, and rules that simplifies procedures in order to guide decision making and behavior. Standardization is the degree to which the actions necessary to accomplish a task are limited. It attempts to make sure that when certain tasks are carried out they are carried out in a similar fashion.

Total Quality Management Controls. The previous methods of process control are based on organizational experience. TQM management controls differ in that they are based on an ongoing statistical analysis of a firm's operations. TQM involves all levels of management and has proved to be the most effective when it is instituted in an organization that has clearly defined outcomes and is done in conjunction with employee empowerment or participatory management programs.

CURRENT TRENDS IN ORGANIZATIONAL BEHAVIOR AND DESIGN

Modern organizational structures are currently undergoing changes in response to new trends in the global business environment.

One of the more prevalent trends is the increase in the network organization. A network organization is one that consists of a group of independent firms communicating via the latest advances in information technology. It can include suppliers, customers, and even competitors. These firms operate as an alliance in order to share skills, costs, and access to each other's markets in order to work together quickly and take advantage of business opportunities. These types of firms are characterized by technology, opportunism, trust, and a lack of borders. They assemble and disperse in response to business opportunities.

Another trend affecting organizational structures is the increase in large global mergers. By their very nature these types of mergers necessitate that a firm reexamine its existing structure in light of its new position within the larger structure. In addition, management decisions designed to increase employee motivation must take into account the culture context in which they are made. Global mergers can also increase the use of virtual groups and the diversity of membership characteristics.

SUMMARY

Organizational behavior is the study of how individuals and groups perform together within an organization. It focuses on the best way to manage individuals, groups, organizations, and processes. This chapter has covered the basics of organizational behavior by defining the nature of managerial behavior, addressing the fundamental theories and practices of motivation, explaining the basics of organizational structure, and discussing some methods of control.

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