

16

Creating and Maintaining Organizational Culture

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LEARNING OBJECTIVES

After studying this chapter, you should be able to:

1. Describe the common characteristics of organizational culture.
2. Compare the functional and dysfunctional effects of organizational culture on people and the organization.
3. Identify the factors that create and sustain an organization's culture.
4. Show how culture is transmitted to employees.
5. Describe the similarities and differences in creating an ethical culture, a positive culture, and a spiritual culture.
6. Show how national culture can affect the way organizational culture is interpreted in another country.

★ **Chapter Warm-up**

If your professor has assigned this, go to the Assignments section of **mymanagementlab.com** to complete the chapter warm-up.

★ **WATCH IT**

If your professor has assigned this, go to the Assignments section of **mymanagementlab.com** to complete the video exercise titled **Organizational Culture (TWZ Role Play)**.

WHAT IS ORGANIZATIONAL CULTURE?

An executive was once asked what he thought *organizational culture* meant. He gave essentially the same answer U.S. Supreme Court Justice Potter Stewart gave in defining pornography: “I can’t define it, but I know it when I see it.” We have all felt an indescribable essence about the organizations we’ve experienced. The pervasive atmosphere can have a strong and measurable impact on behavior. Let’s begin discussing this important element of organizational behavior (OB) by exploring the parameters of the phenomenon.

A Definition of Organizational Culture

Organizational culture

A system of shared meaning held by members that distinguishes the organization from other organizations.

Organizational culture refers to a system of shared meaning held by members that distinguishes the organization from other organizations.¹ Seven primary characteristics seem to capture the essence of an organization’s culture:²

1. **Innovation and risk taking.** The degree to which employees are encouraged to be innovative and take risks.
2. **Attention to detail.** The degree to which employees are expected to exhibit precision, analysis, and attention to detail.
3. **Outcome orientation.** The degree to which management focuses on results or outcomes rather than on the techniques and processes used to achieve them.
4. **People orientation.** The degree to which management decisions take into consideration the effect of outcomes on people within the organization.
5. **Team orientation.** The degree to which work activities are organized around teams rather than individuals.
6. **Aggressiveness.** The degree to which people are aggressive and competitive rather than easygoing.
7. **Stability.** The degree to which organizational activities emphasize maintaining the status quo in contrast to growth.

Each of these characteristics exists on a continuum from low to high. Appraising an organization on the strength of each provides a basis for the shared understanding members have about the organization, how things are done in it, and the way they are supposed to behave. Organizational culture shows how employees perceive the characteristics of an organization, not whether they like them—that is, it’s a *descriptive* term. Research on organizational culture has sought to measure how employees see their organization: Does it encourage teamwork? Does it reward innovation? Does it stifle initiative? In contrast, job satisfaction is an *evaluative* term: it seeks to measure how employees feel about the organization’s expectations, reward practices, and the like. See Exhibit 16-1 for a contrast of two companies with very different organizational cultures.

Dominant culture

A culture that expresses the core values that are shared by a majority of the organization’s members.

Core values

The primary or dominant values that are accepted throughout the organization.

Do Organizations Have Uniform Cultures?

Organizational culture represents a perception the organization’s members hold in common. Statements about organizational culture are valid only if individuals with different backgrounds or at different levels in the organization describe the culture in similar terms.³

Within the organization, the **dominant culture** expresses the **core values** a majority of members share and that give the organization its distinct personality.⁴ That’s what

EXHIBIT 16-1

Contrasting Organizational Cultures

Organization A

This organization is a manufacturing firm. Managers are expected to fully document all decisions, and “good managers” are those who can provide detailed data to support their recommendations. Creative decisions that incur significant change or risk are not encouraged. Because managers of failed projects are openly criticized and penalized, managers try not to implement ideas that deviate much from the status quo. One lower-level manager quoted an often-used phrase in the company: “If it ain’t broke, don’t fix it.”

There are extensive rules and regulations in this firm that employees are required to follow. Managers supervise employees closely to ensure there are no deviations. Management is concerned with high productivity, regardless of the impact on employee morale or turnover.

Work activities are designed around individuals. There are distinct departments and lines of authority, and employees are expected to minimize formal contact with other employees outside their functional area or line of command. Performance evaluations and rewards emphasize individual effort, although seniority tends to be the primary factor in the determination of pay raises and promotions.

Organization B

This organization is also a manufacturing firm. Here, however, management encourages and rewards risk taking and change. Decisions based on intuition are valued as much as those that are well rationalized. Management prides itself on its history of experimenting with new technologies and its success in regularly introducing innovative products. Managers or employees who have a good idea are encouraged to “run with it.” And failures are treated as “learning experiences.” The company prides itself on being market driven and rapidly responsive to the changing needs of its customers.

There are few rules and regulations for employees to follow, and supervision is loose because management believes that its employees are hardworking and trustworthy. Management is concerned with high productivity but believes that this comes through treating its people right. The company is proud of its reputation as being a good place to work.

Job activities are designed around work teams, and team members are encouraged to interact with people across functions and authority levels. Employees talk positively about the competition between teams. Individuals and teams have goals, and bonuses are based on achievement of these outcomes. Employees are given considerable autonomy in choosing the means by which the goals are attained.

allows us to say, for example, that the Zappos culture values customer care and dedication over speed and efficiency, which explains the behavior of Zappos executives and employees.⁵

In addition to the dominant cultures of each organization, **subcultures** tend to develop in large organizations in response to common problems or experiences a group of members face in the same department or location. Most large organizations have a dominant culture and numerous subcultures.⁶ For example, the purchasing department can have a subculture that includes the core values of the dominant culture, such as aggressiveness, plus additional values unique to members of that department, such as risk-taking. If organizations were composed only of subcultures, the dominant organizational culture would be significantly less powerful. It is the “shared meaning” aspect of culture that makes it a potent device for guiding and shaping behavior.

Strong versus Weak Cultures

It’s possible to differentiate between strong and weak cultures.⁷ If most employees (responding to surveys) have the same opinions about the organization’s mission and values, the culture is strong; if opinions vary widely, the culture is weak.

Subcultures

Minicultures within an organization, typically defined by department designations and geographical separation.

Strong culture

A culture in which the core values are intensely held and widely shared.

In a **strong culture**, the organization's core values are both intensely held and widely shared.⁸ The more members who accept the core values and the greater their commitment, the stronger the culture and the greater its influence on member behavior. The reason is that a high degree of shared values and intensity create a climate of high behavioral control. Nordstrom employees know in no uncertain terms what is expected of them, for example, and these expectations go a long way toward shaping their behavior.

A strong culture should reduce employee turnover because it demonstrates high agreement about what the organization represents. Such unanimity of purpose builds cohesiveness, loyalty, and organizational commitment. These qualities, in turn, lessen employees' propensity to leave.⁹

Culture versus Formalization

We've seen in this text that high formalization creates predictability, orderliness, and consistency. A strong culture modifies behavior similarly. Therefore, we should view formalization and culture as two different roads to a common destination. The stronger an organization's culture, the less management needs to be concerned with developing formal rules and regulations to guide employee behavior. Those guides will be internalized in employees when they adopt the organization's culture.

WHAT DO CULTURES DO?

Let's discuss the functions of culture and the role culture performs in relation to organizational climate, ethics, sustainability, and innovation. Then we will explore when culture is an asset... and when it is a distinct liability.

The Functions of Culture

Culture defines the rules of the game. First, it has a boundary-defining role: It creates distinctions between organizations. Second, it conveys a sense of identity for organization members. Third, culture facilitates commitment to something larger than individual self-interest. Fourth, it enhances the stability of the social system. Culture is the social glue that helps hold the organization together by providing standards for what employees should say and do. Finally, it is a sense-making and control mechanism that guides and shapes employees' attitudes and behavior. This last function is of particular interest to us in the study of OB.¹⁰

A strong culture supported by formal rules and regulations ensures employees will act in a relatively uniform and predictable way. Today's trend toward decentralized organizations makes culture more important than ever, but ironically, it also makes establishing a strong culture more difficult. When formal authority and control systems are reduced through decentralization, culture's *shared meaning* can point everyone in the same direction. However, employees organized in a team may show greater allegiance to their team and its values than to the organization as a whole. Furthermore, in virtual organizations, the lack of frequent face-to-face contact makes establishing a common set of norms very difficult. Strong leadership that fosters a strong culture by communicating frequently about common goals and priorities is especially important for innovative organizations.¹¹

Individual–organization “fit”—that is, whether the applicant’s or employee’s attitudes and behavior are compatible with the culture—strongly influences who gets a job offer, a favorable performance review, or a promotion. It’s no coincidence that Disney theme park employees appear almost universally attractive, clean, and wholesome with bright smiles. The company selects employees who will maintain that image.

Culture Creates Climate

If you’ve worked with someone whose positive attitude inspired you to do your best, or with a lackluster team that drained your motivation, you’ve experienced the effects of climate. **Organizational climate** refers to the shared perceptions organizational members have about their organization and work environment.¹² This aspect of culture is like team spirit at the organizational level. When everyone has the same general feelings about what’s important or how well things are working, the effect of these attitudes will be more than the sum of the individual parts. One meta-analysis found that across dozens of different samples, psychological climate was strongly related to individuals’ levels of job satisfaction, involvement, commitment, and motivation.¹³ A positive workplace climate has been linked to higher customer satisfaction and organizational financial performance as well.¹⁴

Dozens of dimensions of climate have been studied, including innovation, creativity, communication, warmth and support, involvement, safety, justice, diversity, and customer service.¹⁵ There are a number of findings managers can use to improve their plans for organizational design and team building. For example, someone who encounters a diversity climate will feel more comfortable collaborating with coworkers regardless of their demographic backgrounds. Climates can interact with one another to produce behavior. For example, a climate of worker empowerment can lead to higher levels of performance in organizations that also have a climate of personal accountability.¹⁶ Climate also influences the habits people adopt. If there is a climate of safety, everyone wears safety gear and follows safety procedures even if individually they wouldn’t normally think very often about being safe—indeed, many studies have shown that a safety climate decreases the number of documented injuries on the job.¹⁷

The Ethical Dimension of Culture

Organizational cultures are not neutral in their ethical orientation, even when they are not openly pursuing ethical goals. Over time, an **ethical work climate (EWC)**, which is the shared concept of right and wrong behavior, develops as part of the organizational climate. EWC reflects the true values of the organization and shapes the ethical decision making of its members.

Researchers have developed *ethical climate theory (ECT)* and the *ethical climate index (ECI)* to categorize and measure the ethical dimensions of organizational cultures.¹⁸ Of the nine identified ECT climate categories, five are most prevalent in organizations: *instrumental*, *caring*, *independence*, *law and code*, and *rules*. Each explains the general mind-set, expectations, and values of managers and employees in relationship to their organizations. For instance, in an *instrumental* ethical climate, managers may frame their decision making around the assumption that employees (and companies) are motivated by self-interest (egoistic). In a *caring* climate, conversely, managers may operate under the expectation that their decisions will positively affect the greatest number of stakeholders (employees, customers, suppliers) possible.

Organizational climate

The shared perceptions organizational members have about their organization and work environment.

Ethical work climate (EWC)

The shared concept of right and wrong behavior in the workplace that reflects the true values of the organization and shapes the ethical decision making of its members.

Ethical climates of *independence* rely on each individual's personal moral ideas to dictate his or her workplace behavior. *Law and code* climates require managers and employees to use an external standardized moral compass such as a professional code of conduct for norms, while *rules* climates tend to operate by internal standardized expectations from, perhaps, an organizational policy manual. Organizations often progress through different categories as they move through their business life cycle.

An organization's ethical climate powerfully influences the way its individual members feel they should behave, so much so that researchers have been able to predict organizational outcomes from the climate categories.¹⁹ For example, instrumental climates are negatively associated with employee job satisfaction and organizational commitment, even though those climates appeal to self-interest (of the employee and the company). They are positively associated with turnover intentions, workplace bullying, and deviant behavior. Caring and rules climates may bring greater job satisfaction. Caring, independence, rules, and law and code climates reduce employee turnover intentions, workplace bullying, and dysfunctional behavior. Research indicates that ethical cultures take a long-term perspective and balance the rights of multiple stakeholders including employees, stockholders, and the community. Managers are supported for taking risks and innovating, discouraged from engaging in unbridled competition, and guided to heed not just *what* goals are achieved but *how* they are achieved.

Culture and Sustainability

Sustainability

Organization practices that can be sustained over a long period of time because the tools or structures that support them are not damaged by the processes.



As the name implies, **sustainability** refers to practices that can be maintained over very long periods of time²⁰ because the tools or structures that support the practices are not damaged by the processes. One survey found that a great majority of executives saw sustainability as an important part of future success.²¹ Concepts of sustainable management have their origins in the environmental movement, so processes that are in harmony with the natural environment are encouraged. *Social sustainability* practices address the ways social systems are affected by an organization's actions over time, and in turn, how changing social systems may affect the organization.

For example, farmers in Australia have been working collectively to increase water use efficiency, minimize soil erosion, and implement tilling and harvesting methods that ensure long-term viability for their farm businesses.²² In a very different context, 3M has an innovative pollution-prevention program rooted in cultural principles of conserving resources, creating products that have minimal effects on the environment, and collaborating with regulatory agencies to improve environmental effects.²³

To create a truly sustainable business, an organization must develop a long-term culture and put its values into practice.²⁴ In other words, there needs to be a sustainable system for creating sustainability! In one workplace study, a company seeking to reduce energy consumption found that soliciting group feedback reduced energy use significantly more than simply issuing reading materials about the importance of conservation.²⁵ In other words, talking about energy conservation and building the value into the organizational culture resulted in positive employee behavioral changes. Like other cultural practices we've discussed, sustainability needs time and nurturing to grow.

Culture and Innovation

The most innovative companies are often characterized by their open, unconventional, collaborative, vision-driven, and accelerating cultures.²⁶ Start-up firms often have innovative cultures by definition because they are usually small, agile, and focused on solving problems in order to survive and grow. Consider digital music leader Echo Nest, recently bought by Spotify. As a start-up, Echo Nest was an unconventional, flexible, and open company; they would even host music app “hack” days for users, fostered a music culture within their organization.²⁷ All these are hallmarks of Spotify’s culture, too, making the fit rather seamless.²⁸ Because of the similar organizational cultures, Echo Nest and Spotify may be able to continue their start-up level of innovation.

At the other end of the start-up spectrum, consider 30-year-old Intuit, one of the World’s 100 Most Innovative Companies according to *Forbes*. Intuit employees attend workshops to teach them how to think creatively... and unconventionally. Sessions have led to managers talking through puppets and holding bake sales to sell prototype apps with their cupcakes. The culture stresses open accountability. “I saw one senior guy whose idea they’d been working on for nine months get disproved in a day because someone had a better way. He got up in front of everyone and said, ‘This is my bad. I should have checked my hypothesis earlier,’” said Eric Ries, author of *The Lean Startup*. As a consultant for entrepreneurs, Ries considers the older software company equally innovative to start-ups because of its culture.²⁹

Alexion Pharmaceuticals is also one of *Forbes*’ Most Innovative and, like Intuit, it has been in operation long past the usual innovation life-cycle stage. Unlike Intuit, though, this maker of life-saving medicines is not known for management shenanigans. The key to Alexion’s continuing innovation is a culture of caring, which drives it to develop medicines that save victims of rare diseases even when the patients affected are few, the cost of development is prohibitively high, and the probability of success is low.³⁰

Culture as an Asset

As we have discussed, organizational culture can provide a positive ethical environment and foster innovation. Culture can also significantly contribute to an organization’s bottom line in many ways.

One strong example can be found in the case of ChildNet. ChildNet is a nonprofit child welfare agency in Florida whose organizational culture was described as “grim” from 2000 (when one of its foster children disappeared) through 2007 (when the CEO was fired amid FBI allegations of fraud and forgery). “We didn’t know if we would have jobs or who would take over,” employee Maggie Tilelli said. However, after intense turnaround efforts aimed at changing the organizational culture, ChildNet became Florida’s top-ranked agency within four years and *Workforce Management*’s Optima award winner for General Excellence in 2012. While ChildNet demonstrates how an organizational culture can positively affect outcomes, Dish Network illustrates the elusiveness of matching a particular culture to an industry or organization. By every measure, Dish Network is a business success story—it is the second-largest U.S. satellite TV provider and it has made founder Charlie Ergen one of the richest men in the world. Yet Dish was recently ranked as the worst U.S. company to work for, and employees say that this is due to the micromanaging culture Ergen created and enforces. Employees recounted arduous mandatory overtime, fingerprint scanners to record work hours to the minute, public berating (most notably from Ergen), management

condescension and distrust, quarterly “bloodbath” layoffs, and no working from home. One employee advised another online, “You’re part of a poisonous environment . . . go find a job where you can use your talents for good rather than evil.”

Culture as a Liability

Culture can enhance organizational commitment and increase the consistency of employee behavior, which clearly benefits an organization. Culture is valuable to employees too, because it spells out how things are done and what’s important. But we shouldn’t ignore the potentially dysfunctional aspects of culture, especially a strong one, on an organization’s effectiveness. Hewlett-Packard, once known as a premier computer manufacturer, rapidly lost market share and profits as dysfunction in its top management team trickled down, leaving employees disengaged, uncreative, unappreciated, and polarized.³¹ Let’s unpack some of the major factors that signal a negative organizational culture, beginning with institutionalization.

Institutionalization

A condition that occurs when an organization takes on a life of its own, apart from any of its members, and acquires immortality.

INSTITUTIONALIZATION When an organization undergoes **institutionalization**—that is, it becomes valued for itself and not for the goods or services it produces—it takes on a life of its own, apart from its founders or members.³² Institutionalized organizations often don’t go out of business even if the original goals are no longer relevant. Acceptable modes of behavior become largely self-evident to members, and although this isn’t entirely negative, it does mean behaviors and habits go unquestioned, which can stifle innovation and make maintaining the organization’s culture an end in itself.

BARRIERS TO CHANGE Culture is a liability when shared values don’t agree with those that further the organization’s effectiveness. This is most likely when an organization’s environment is undergoing rapid change, and its entrenched culture may no longer be appropriate.³³ Consistency of employee behavior, which is an asset in a stable environment, may then burden the organization and make it difficult to respond to changes.

BARRIERS TO DIVERSITY There are many barriers to diversity that are driven by organizational culture. Hiring new employees who differ from the majority in race, age, gender, disability, or other characteristics creates a paradox:³⁴ Management wants to demonstrate support for the differences these employees bring to the workplace, but newcomers who wish to fit in must accept the organization’s core culture. The desire for quick assimilation creates one barrier to diversity. Second, because diverse behaviors and unique strengths are likely to diminish as people assimilate, strong cultures can become liabilities when they effectively eliminate the advantages of diversity. Third, a strong culture that condones prejudice, supports bias, or becomes insensitive to differences can undermine formal corporate diversity policies.

STRENGTHENING DYSFUNCTIONS We’ve discussed cultures that generally cohere around a positive set of values and attitudes. This consensus can create a powerful forward momentum. However, coherence around negativity and dysfunctional management systems in a corporation can produce downward forces that are equally powerful. One study of thousands of hospitality-industry employees in hundreds of locations found that local organizational cultures marked by low or decreasing job satisfaction had higher

levels of turnover regardless of a generally positive organization-wide culture.³⁵ As we know from this text, low job satisfaction and high turnover indicate dysfunction on the organization's part. Negative attitudes in groups add to negative outcomes, suggesting a powerful influence of culture on individuals.

BARRIERS TO ACQUISITIONS AND MERGERS Historically, when management looked at acquisition or merger decisions, the key decision factors were potential financial advantage and product synergy. In recent years, cultural compatibility has become the primary concern.³⁶ All things being equal, whether the acquisition works seems to have much to do with how well the two organizations' cultures match up. When they don't mesh well, the organizational cultures of both become a liability to the whole new organization. For example, a study conducted by Bain and Company found that 70 percent of mergers failed to increase shareholder values, and Hay Group found that more than 90 percent of mergers in Europe failed to reach financial goals.³⁷ Considering this dismal rate of success, Lawrence Chia from Deloitte Consulting observed, "One of the biggest failings is people. The people at Company A have a different way of doing things from Company B . . . you can't find commonality in goals." Culture clash was also commonly argued to be one of the causes of AOL Time Warner's problems. The \$183 billion merger between America Online (AOL) and Time Warner in 2001 was the largest in U.S. corporate history. It was a disaster. Only 2 years later, the new company saw its stock fall an astounding 90 percent, and it reported what was then the largest financial loss in U.S. history.



CREATING AND SUSTAINING CULTURE

An organization's culture doesn't pop out of thin air, and once established it rarely fades away. What influences the creation of a culture? What reinforces and sustains it once in place?

How a Culture Begins

An organization's customs, traditions, and general way of doing things are largely due to what it has done before and how successful it was in doing it. This leads us to the ultimate source of an organization's culture: the founders.³⁸ Founders have a vision of what the organization should be, and a firm's initially small size makes it easy to impose that vision on all members.

Culture creation occurs in three ways.³⁹ First, founders hire and keep only employees who think and feel the same way they do. Second, they indoctrinate and socialize employees to their way of thinking and feeling. And finally, the behavior of the founder(s) encourages employees to identify with them and internalize their beliefs, values, and assumptions. When the organization succeeds, the personality of the founder(s) becomes embedded in the culture. For example, the fierce, competitive style and disciplined, authoritarian nature of Hyundai, the giant Korean conglomerate, exhibits the same characteristics often used to describe founder Chung Ju-Yung. Other founders with sustaining impact on their organization's culture include Bill Gates at Microsoft, Ingvar Kamprad at IKEA, Herb Kelleher at Southwest Airlines, Fred Smith at FedEx, and Richard Branson at the Virgin Group.

Keeping a Culture Alive

Once a culture is in place, practices within the organization maintain it by giving employees a set of similar experiences.⁴⁰ The selection process, performance evaluation criteria, training and development activities, and promotion procedures ensure those hired fit in with the culture, reward those employees who support it, and penalize (or even expel) those who challenge it. Three forces play a particularly important part in sustaining a culture: selection practices, actions of top management, and socialization methods. Let's look at each.

SELECTION The explicit goal of the selection process is to identify and hire individuals with the knowledge, skills, and abilities to perform successfully. The final decision, because it is significantly influenced by the decision maker's judgment of how well candidates will fit into the organization, identifies people whose values are consistent with at least a good portion of the organization's.⁴¹ The selection process also provides information to applicants. Those who perceive a conflict between their values and those of the organization can remove themselves from the applicant pool. Selection thus becomes a two-way street, allowing employer and applicant to avoid a mismatch and sustaining an organization's culture by removing those who might attack or undermine its core values, for better or worse.

TOP MANAGEMENT The actions of top management have a major impact on the organization's culture.⁴² Through words and behavior, senior executives establish norms that filter through the organization about, for instance, whether risk taking is desirable, how much freedom managers give employees, what is appropriate dress, and what actions earn pay raises, promotions, and other rewards.

SOCIALIZATION No matter how good a job the organization does in recruiting and selection, new employees need help adapting to the prevailing culture. That help is **socialization**.⁴³ Socialization can help alleviate the problem many employees report when their new jobs are different than they expected. For example, Clear Channel Communications, Facebook, Google, and other companies are adopting fresh onboarding (new hire assimilation) procedures, including assigning "peer coaches," holding socializing events, personalizing orientation programs, and giving out immediate work assignments. "When we can stress the personal identity of people, and let them bring more of themselves at work, they are more satisfied with their job and have better results," researcher Francesca Gino of Harvard said.⁴⁴

We can think of socialization as a process with three stages: prearrival, encounter, and metamorphosis.⁴⁵ This process, shown in Exhibit 16-2, has an impact on the new employee's work productivity, commitment to the organization's objectives, and decision to stay with the organization.

Socialization

A process that adapts employees to the organization's culture.

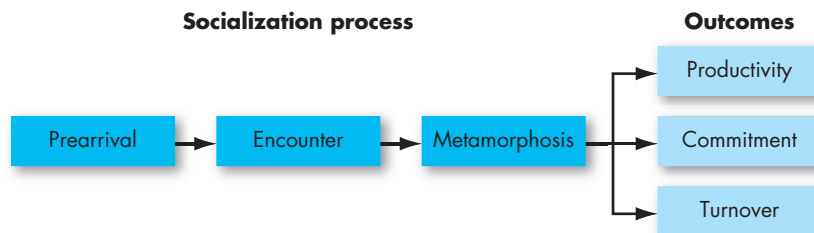


EXHIBIT 16-2
A Socialization
Model

1. **Prearrival stage.** The **prearrival stage** recognizes that each individual arrives with a set of values, attitudes, and expectations about both the work and the organization. One major purpose of a business school, for example, is to socialize students to the attitudes and behaviors companies want. Newcomers to high-profile organizations with strong market positions have their own assumptions about what it's like to work there.⁴⁶ Most new recruits will expect Nike to be dynamic and exciting and a stock brokerage firm to be high in pressure and rewards. How accurately people judge an organization's culture before they join the organization, and how proactive their personalities are, become critical predictors of how well they adjust.⁴⁷
2. **Encounter stage.** The selection process can help inform prospective employees about the organization as a whole. Upon entry into the organization, the new member enters the **encounter stage** and confronts the possibility that expectations—about the job, coworkers, boss, and organization in general—may differ from reality. If expectations were fairly accurate, this stage merely cements earlier perceptions. However, this is not often the case. At the extreme, a new member may become disillusioned enough to resign. Proper recruiting and selection should significantly reduce this outcome, along with encouraging friendship ties in the organization—newcomers are more committed when friendly coworkers help them “learn the ropes.”⁴⁸
3. **Metamorphosis stage.** Finally, to work out any problems discovered during the encounter stage, the new member changes or goes through the **metamorphosis stage**. The options presented in Exhibit 16-3 are alternatives designed to bring about metamorphosis. Most research suggests two major “bundles” of socialization

Prearrival stage

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

Encounter stage

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

Metamorphosis stage

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

Formal vs. Informal The more a new employee is segregated from the ongoing work setting and differentiated in some way to make explicit his or her newcomer's role, the more socialization is formal. Specific orientation and training programs are examples. Informal socialization puts the new employee directly into the job, with little or no special attention.

Individual vs. Collective New members can be socialized individually. This describes how it's done in many professional offices. They can also be grouped together and processed through an identical set of experiences, as in military boot camp.

Fixed vs. Variable This refers to the time schedule in which newcomers make the transition from outsider to insider. A fixed schedule establishes standardized stages of transition. This characterizes rotational training programs. It also includes probationary periods, such as the 8- to 10-year “associate” status used by accounting and law firms before deciding on whether or not a candidate is made a partner. Variable schedules give no advance notice of their transition timetable. Variable schedules describe the typical promotion system, in which one is not advanced to the next stage until one is “ready.”

Serial vs. Random Serial socialization is characterized by the use of role models who train and encourage the newcomer. Apprenticeship and mentoring programs are examples. In random socialization, role models are deliberately withheld. New employees are left on their own to figure things out.

Investiture vs. Divestiture Investiture socialization assumes that the newcomer's qualities and qualifications are the necessary ingredients for job success, so these qualities and qualifications are confirmed and supported. Divestiture socialization tries to strip away certain characteristics of the recruit. Fraternity and sorority “pledges” go through divestiture socialization to shape them into the proper role.

EXHIBIT 16-3

Entry Socialization Options

practices. The more management relies on formal, collective, fixed, and serial socialization programs while emphasizing divestiture, the more likely newcomers' differences will be stripped away and replaced by standardized predictable behaviors. These *institutional* practices are common in police departments, fire departments, and other organizations that value rule following and order. Programs that are informal, individual, variable, and random while emphasizing investiture are more likely to give newcomers an innovative sense of their roles and methods of working. Creative fields such as research and development, advertising, and film-making rely on these *individual* practices. Most research suggests high levels of institutional practices encourage person–organization fit and high levels of commitment, whereas individual practices produce more role innovation.⁴⁹

Researchers examine how employee attitudes change during socialization by measuring it at several time points over the first few months. Several studies have now documented patterns of “honeymoons” and “hangovers” for new workers, showing that the period of initial adjustment is often marked by decreases in job satisfaction as idealized hopes come into contact with the reality of organizational life.⁵⁰ Newcomers may find that the level of social support they receive from supervisors and coworkers is gradually withdrawn over the first few weeks on the job, as everyone returns to “business as usual.”⁵¹ Role conflict and role overload may rise for newcomers over time, and workers with the largest increases in these role problems experience the largest decreases in commitment and satisfaction.⁵² It may be that the initial adjustment period for newcomers presents increasing demands and difficulties, at least in the short term.

Summary: How Organizational Cultures Form

Exhibit 16-4 summarizes how an organization's culture is established and sustained. The original culture derives from the founders' philosophy and strongly influences hiring criteria as the firm grows. The success of socialization depends on the deliberateness of matching new employees' values to those of the organization in the selection process and on top management's commitment to socialization programs. Top managers' actions set the general climate, including what is acceptable behavior and what is not, and employees sustain and perpetuate the culture.

HOW EMPLOYEES LEARN CULTURE

Culture is transmitted to employees in a number of forms, the most potent being stories, rituals, material symbols, and language.

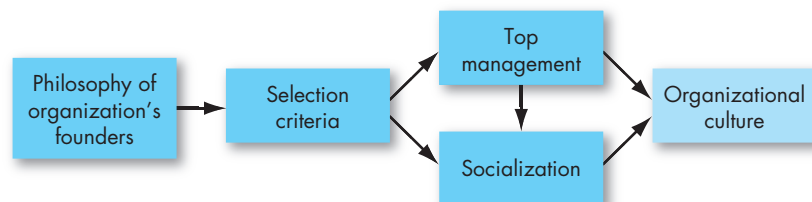


EXHIBIT 16-4
How
Organizational
Cultures Form

Stories

When Henry Ford II was chairman of Ford Motor Company, you would have been hard pressed to find a manager who hadn't heard how he reminded his executives when they got too arrogant, "It's my name that's on the building." The message was clear: Henry Ford II ran the company.

Today, a number of senior Nike executives spend much of their time serving as corporate storytellers.⁵³ When they tell how co-founder (and Oregon track coach) Bill Bowerman went to his workshop and poured rubber into a waffle iron to create a better running shoe, they're talking about Nike's spirit of innovation. When new hires hear tales of Oregon running star Steve Prefontaine's battles to make running a professional sport and attain better performance equipment, they learn of Nike's commitment to helping athletes.

Stories such as these circulate through many organizations, anchoring the present in the past and legitimizing current practices. They typically include narratives about the organization's founders, rule breaking, rags-to-riches successes, workforce reductions, relocations of employees, reactions to past mistakes, and organizational coping.⁵⁴ Employees also create their own narratives about how they came to either fit or not fit with the organization during the process of socialization, including first days on the job, early interactions with others, and first impressions of organizational life.⁵⁵

Rituals

Rituals are repetitive sequences of activities that express and reinforce the key values of the organization—what goals are most important and/or which people are important versus which are expendable.⁵⁶ Some companies have nontraditional rituals to help support the values of their cultures. Kimpton Hotels & Restaurants, one of *Fortune*'s 100 Best Companies to Work For, maintains its customer-oriented culture with traditions like a Housekeeping Olympics that includes blindfolded bedmaking and vacuum races.⁵⁷ At marketing firm United Entertainment Group, employees work unusual hours a few times a year, arriving in the late afternoon and working until early morning. CEO Jarrod Moses does this to support a culture of creativity. He says, "You mess with somebody's internal clock, and some interesting ideas come out."⁵⁸

Rituals

Repetitive sequences of activities that express and reinforce the key values of the organization, which goals are most important, which people are important, and which are expendable.

Symbols

The layout of corporate headquarters, the types of automobiles top executives are given, and the presence or absence of corporate aircraft are a few examples of **material symbols**. Others include the size of offices, the elegance of furnishings, perks, and attire.⁵⁹ These convey to employees who is important, the degree of egalitarianism top management desires, and the kinds of behavior that are appropriate, such as risk taking, conservative, authoritarian, participative, individualistic, or social.

One example of the intentional use of material symbols is Texas electric company Dynegy. Dynegy's headquarters doesn't look like your typical head-office operation. There are few individual offices, even for senior executives. The space is essentially made up of cubicles, common areas, and meeting rooms. This informality conveys to employees that Dynegy values openness, equality, creativity, and flexibility. While some organizations provide their top executives with chauffeur-driven limousines and a corporate jet,

Material symbols

What conveys to employees who is important, the degree of egalitarianism top management desires, and the kinds of behavior that are appropriate.

other CEOs drive the company car themselves and travel in the economy section. At some firms, like Chicago shirtmaker Threadless, an “anything goes” atmosphere helps emphasize a creative culture. Threadless meetings are held in an Airstream camper parked inside the company’s converted FedEx warehouse, while employees in shorts and flip-flops work in bullpens featuring disco balls and garish decorations chosen by each team.⁶⁰

Some cultures are known for the perks in their environments, such as Google’s bocce courts, FACTSET Research’s on-site pie/cheese/cupcake trucks, software designer Autodesk’s bring-your-dog office, SAS’s free health care clinic, Microsoft’s organic spa, and adventure-gear specialist REI’s free equipment rentals. Other companies communicate the values of their cultures through the gift of time to think creatively, either with leaders or off-site. For instance, Biotech leader Genentech and many other top companies provide paid sabbaticals. Genentech offers every employee 6 weeks’ paid leave for every 6 years of service to support a culture of equitability and innovative thinking.⁶¹

Language

Many organizations and subunits within them use language to help members identify with the culture, attest to their acceptance of it, and help preserve it. Unique terms describe equipment, officers, key individuals, suppliers, customers, or products that relate to the business. New employees may at first be overwhelmed by acronyms and jargon that, once assimilated, act as a common denominator to unite members of a given culture or subculture.

INFLUENCING AN ORGANIZATIONAL CULTURE

As we discussed, the culture of an organization is set by its founders and is often difficult to change afterward. It’s true that the ideal scenario is a strong founder (or founders) who carefully plans the organization’s culture beforehand. That’s seldom the case, though; organizational culture usually grows organically over time. When we think of the development of culture as ongoing and conducted through each employee, we can see ways to increase the ethical, positive, and/or spiritual aspects of the environment, as discussed next.

An Ethical Culture

Despite differences across industries and cultures, ethical organizational cultures share some common values and processes.⁶² Therefore, managers can create a more ethical culture by adhering to the following principles:⁶³

- **Be a visible role model.** Employees will look to the actions of top management as a benchmark for appropriate behavior, but everyone can be a role model to positively influence the ethical atmosphere. Send a positive message.
- **Communicate ethical expectations.** Whenever you serve in a leadership capacity, minimize ethical ambiguities by sharing a code of ethics that states the organization’s primary values and the judgment rules employees must follow.
- **Provide ethical training.** Set up seminars, workshops, and training programs to reinforce the organization’s standards of conduct, clarify what practices are permissible, and address potential ethical dilemmas.

- **Visibly reward ethical acts and punish unethical ones.** Evaluate subordinates on how their decisions measure up against the organization's code of ethics. Review the means as well as the ends. Visibly reward those who act ethically and conspicuously punish those who don't.
- **Provide protective mechanisms.** Seek formal mechanisms so everyone can discuss ethical dilemmas and report unethical behavior without fear of reprimand. These might include identifying ethical counselors, ombudspeople, or ethical officers for liaison roles.

A widespread positive ethical climate has to start at the top of the organization.⁶⁴ One study demonstrated that when top management emphasizes strong ethical values, supervisors are more likely to practice ethical leadership. Positive attitudes transfer down to line employees, who show lower levels of deviant behavior and higher levels of cooperation and assistance. Several other studies have come to the same general conclusion: The values of top management are a good predictor of ethical behavior among employees. One study involving auditors found perceived pressure from organizational leaders to behave unethically was associated with increased intentions to engage in unethical practices.⁶⁵ Clearly, the wrong type of organizational culture can negatively influence employee ethical behavior. Finally, employees whose ethical values are similar to those of their department are more likely to be promoted, so we can think of ethical culture as flowing from the bottom up as well.⁶⁶

A Positive Culture

At first blush, creating a positive culture may sound hopelessly naïve or like a Dilbert-style conspiracy. The one thing that makes us believe this trend is here to stay, however, are signs that management practice and OB research are converging. A **positive organizational culture** emphasizes building on employee strengths, rewards more than it punishes, and encourages individual vitality and growth.⁶⁷ Let's consider each of these areas.

BUILDING ON EMPLOYEE STRENGTHS Although a positive organizational culture does not ignore problems, it does emphasize showing workers how they can capitalize on their strengths. As management guru Peter Drucker said, "Most Americans do not know what their strengths are. When you ask them, they look at you with a blank stare, or they respond in terms of subject knowledge, which is the wrong answer." Wouldn't it be better to be in an organizational culture that helped you discover your strengths and how to make the most of them?

REWARDING MORE THAN PUNISHING Although most organizations are sufficiently focused on extrinsic rewards such as pay and promotions, they often forget about the power of smaller (and cheaper) rewards such as praise. Part of creating a positive organizational culture is "catching employees doing something right." Many managers withhold praise because they're afraid employees will coast or because they think praise is not valued. Employees generally don't ask for praise, and managers usually don't realize the costs of failing to give it.

Positive organizational culture

A culture that emphasizes building on employee strengths, rewards more than it punishes, and encourages individual vitality and growth.

ENCOURAGING VITALITY AND GROWTH No organization will get the best from employees who see themselves as mere cogs in the machine. A positive culture recognizes the difference between a job and a career. It supports not only what the employee contributes to organizational effectiveness but how the organization can make the employee more effective—personally and professionally.

RECOGNIZING OUTSIDE CONTEXT Is a positive culture a cure-all? Though many companies have embraced aspects of a positive organizational culture, it is a new enough idea for us to be uncertain about how and when it works best.



Not all national cultures value being positive as much as the U.S. culture does and, even within U.S. culture, there surely are limits to how far organizations should go. The limits may need to be dictated by the industry and society. For example, Admiral, a British insurance company, has established a Ministry of Fun in its call centers to organize poem writing, foosball, conkers (a British game involving chest-nuts), and fancy-dress days, which may clash with an industry value of more serious cultures. When does the pursuit of a positive culture start to seem coercive? As one critic notes, “Promoting a social orthodoxy of positiveness focuses on a particular constellation of desirable states and traits but, in so doing, can stigmatize those who fail to fit the template.”⁶⁸ There may be benefits to establishing a positive culture, but an organization also needs to be objective and not pursue it past the point of effectiveness.

A Spiritual Culture

What do Southwest Airlines, Hewlett-Packard, Ford, The Men’s Wearhouse, Tyson Foods, Wetherill Associates, and Tom’s of Maine have in common? They’re among a growing number of organizations that have embraced workplace spirituality.

Workplace spirituality

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

WHAT IS SPIRITUALITY? Workplace spirituality is *not* about organized religious practices. It’s not about God or theology. **Workplace spirituality** recognizes that people have an inner life that nourishes and is nourished by meaningful work in the context of community.⁶⁹ Organizations that support a spiritual culture recognize that people seek to find meaning and purpose in their work and desire to connect with other human beings as part of a community. Many of the topics we have discussed—ranging from job design to corporate social responsibility (CSR)—are well matched to the concept of organizational spirituality. When a company emphasizes its commitment to paying third-world suppliers a fair (above-market) price for their products to facilitate community development—as did Starbucks—or encourages employees to share prayers or inspirational messages through e-mail—as did Interstate Batteries—it may encourage a more spiritual culture.⁷⁰

WHY SPIRITUALITY NOW? As noted in our discussion of emotions in Chapter 3, the myth of rationality assumed the well-run organization eliminated people’s feelings. Concern about an employee’s inner life had no role in the perfectly rational model. But just as we realize that the study of emotions improves our understanding of OB, an awareness of spirituality can help us better understand employee behavior.

EXHIBIT 16-5 Reasons for the Growing Interest in Spirituality

- Spirituality can counterbalance the pressures and stress of a turbulent pace of life. Contemporary lifestyles—single-parent families, geographic mobility, the temporary nature of jobs, new technologies that create distance between people—underscore the lack of community many people feel and increase the need for involvement and connection.
- Formalized religion hasn't worked for many people, and they continue to look for anchors to replace a lack of faith and to fill a growing feeling of emptiness.
- Job demands have made the workplace dominant in many people's lives, yet they continue to question the meaning of work.
- People want to integrate personal life values with their professional lives.
- An increasing number of people are finding that the pursuit of more material acquisitions leaves them unfulfilled.

Of course, employees have always had an inner life. So why has the search for meaning and purposefulness in work surfaced now? We summarize the reasons in Exhibit 16-5.

CHARACTERISTICS OF A SPIRITUAL ORGANIZATION The concept of workplace spirituality draws on our previous discussions of values, ethics, motivation, and leadership. Although research remains preliminary, several cultural characteristics tend to be evident in spiritual organizations:⁷¹

- **Benevolence.** Spiritual organizations value kindness toward others and the happiness of employees and other organizational stakeholders.
- **Strong sense of purpose.** Spiritual organizations build their cultures around a meaningful purpose. Although profits may be important, they're not the primary value.
- **Trust and respect.** Spiritual organizations are characterized by mutual trust, honesty, and openness. Employees are treated with esteem and are valued, consistent with the dignity of each individual.
- **Open-mindedness.** Spiritual organizations value flexible thinking and creativity among employees.

ACHIEVING SPIRITUALITY IN THE ORGANIZATION Many organizations have grown interested in spirituality but have experienced difficulty putting principles into practice. Several types of practices can facilitate a spiritual workplace,⁷² including those that support work–life balance. Leaders can demonstrate values, attitudes, and behaviors that trigger intrinsic motivation and a sense of fulfilling a calling through work. Second, encouraging employees to consider how their work provides a sense of purpose can help achieve a spiritual workplace; often this is done through group counseling and organizational development, a topic we take up in Chapter 17. Third, a growing number of companies, including Taco Bell and Sturdiesteel, offer employees the counseling services of corporate chaplains. Many chaplains are employed by agencies, such as Marketplace Chaplains USA, while some corporations, such as R.J. Reynolds Tobacco and Tyson Foods, employ chaplains directly. The workplace presence of corporate chaplains, who are often ordained Christian ministers, is obviously controversial, although their role is not to increase spirituality but to help human resources departments

serve the employees who already have Christian beliefs.⁷³ Similar roles for leaders of other faiths certainly must be encouraged.

CRITICISMS OF SPIRITUALITY Critics of the spirituality movement in organizations have focused on three issues. First is the question of scientific foundation. There is comparatively little research on workplace spirituality, and it has been defined so broadly in some sources that practices from job rotation to corporate retreats at meditation centers have been identified as spiritual. Second, an emphasis on spirituality can clearly make some employees uneasy. Critics have argued that secular institutions, especially business firms, should not impose spiritual values on employees.⁷⁴ This criticism is undoubtedly valid when spirituality is defined as bringing religion and God into the workplace. However, it seems less stinging when the goal is limited to helping employees find meaning and purpose in their work lives. Finally, whether spirituality and profits are compatible objectives is a relevant concern for managers and investors in business. The evidence, although limited, indicates they are. In one study, organizations that provided their employees with opportunities for spiritual development outperformed those that didn't.⁷⁵ Other studies reported that spirituality in organizations was positively related to creativity, employee satisfaction, job involvement, and organizational commitment.⁷⁶

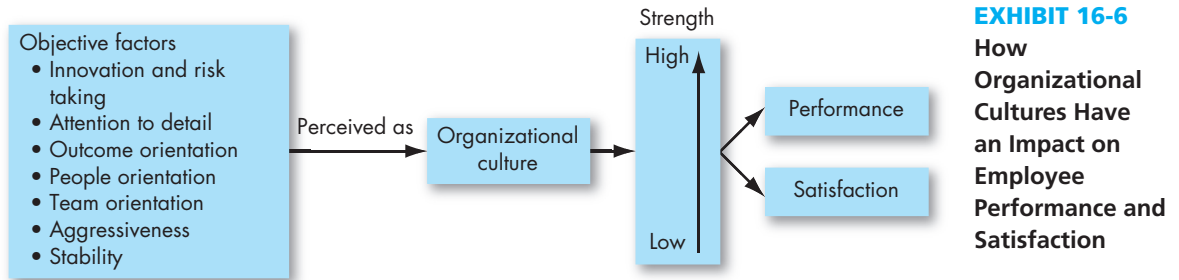
THE GLOBAL CONTEXT

We considered global cultural values (collectivism–individualism, power distance, and so on) in Chapter 4. Here our focus is a bit narrower: How is organizational culture affected by the global context? Organizational culture is so powerful that it often transcends national boundaries. But that doesn't mean organizations should, or could, ignore national and local culture.

One of the primary things U.S. managers can do is be culturally sensitive. The United States is a dominant force in business and in culture—and with that influence comes a reputation. “We are broadly seen throughout the world as arrogant people, totally self-absorbed and loud,” says one U.S. executive. Some ways in which U.S. managers can be culturally sensitive include talking in a low tone of voice, speaking slowly, listening more, and avoiding discussions of religion and politics.



The management of ethical behavior is one area where national culture can rub against corporate culture.⁷⁷ U.S. managers endorse the supremacy of anonymous market forces as a moral obligation for business organizations. This worldview sees bribery, nepotism, and favoring personal contacts as highly unethical. They also value profit maximization, so any action that deviates from profit maximization may suggest inappropriate or corrupt behavior. In contrast, managers in developing economies are more likely to see ethical decisions as embedded in the social environment. That means doing special favors for family and friends is not only appropriate but possibly even an ethical responsibility. Managers in many nations view capitalism skeptically and believe the interests of workers should be put on a par with the interests of shareholders, which may limit profit maximization. Creating a multinational organizational culture can initiate strife between employees of traditionally competing countries. As national organizations seek to employ workers in overseas operations, management must decide whether to standardize many facets of organizational culture.



SUMMARY

Exhibit 16-6 depicts the impact of organizational culture. Employees form an overall subjective perception of the organization based on factors such as the degree of risk tolerance, team emphasis, and support of individuals. This overall perception represents, in effect, the organization's culture or personality and affects employee performance and satisfaction, with stronger cultures having greater impact.

IMPLICATIONS FOR MANAGERS

- Realize that an organization's culture is relatively fixed in the short term. To affect change, involve top management and strategize a long-term plan.
- Hire individuals whose values align with those of the organization; these employees will tend to remain committed and satisfied. Not surprisingly, "misfits" have considerably higher turnover rates.
- Understand that employees' performance and socialization depend to a considerable degree on their knowing what to do and not do. Train your employees well and keep them informed of changes to their job roles.
- You can shape the culture of your work environment, sometimes as much as it shapes you. All managers can especially do their part to create an ethical culture and to consider spirituality and its role in creating a positive organizational culture.
- Be aware that your company's organizational culture may not be "transportable" to other countries. Understand the cultural relevance of your organization's norms before introducing new plans or initiatives overseas.

★ TRY IT!

If your professor has assigned this, go to the Assignments section of **mymanagementlab.com** to complete the **Simulation: Organizational Culture**.



★ PERSONAL INVENTORY ASSESSMENTS

Organizational Structure Assessment

To learn about how organizations are structured, complete this PIA.

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Go to **mymanagementlab.com** for the following Assisted-graded writing questions:

- 16-1.** What are the ways you would like to influence an organization's culture? How will you go about making a difference?
- 16-2. Pearson MyLab Management Only**—comprehensive writing assignment for this chapter.

17

Organizational Change

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LEARNING OBJECTIVES

After studying this chapter, you should be able to:

1. Contrast the forces for change and planned change.
2. Describe ways to overcome resistance to change.
3. Compare the four main approaches to managing organizational change.
4. Demonstrate three ways of creating a culture for change.
5. Identify the potential environmental, organizational, and personal sources of stress at work as well as the role of individual and cultural differences.
6. Identify the physiological, psychological, and behavioral symptoms of stress at work.
7. Describe individual and organizational approaches to managing stress at work.

★ Chapter Warm-up

If your professor has chosen to assign this, go to the Assignments section of **mymanagementlab.com** to complete the chapter warm-up.

CHANGE

If we want to realize positive outcomes for organizational behavior (OB), which after all is the purpose of this text in its entirety, we need to address two realities of organizational life: change and stress. Let's first discuss change, which often brings about increased stress. As we will find, change brought upon by many forces is either reactionary or planned.

Forces for Change

“Change or die!” is the rallying cry among today’s managers worldwide. Change often occurs along one (or more) of six dimensions:



1. **The changing nature of the workforce.** Almost every organization must adjust to a multicultural environment, demographic changes, immigration, and outsourcing.
2. **Technology** is continually changing jobs and organizations. It is not difficult to imagine the idea of an office becoming an antiquated concept in the near future.
3. **Economic shocks** also have a huge impact on organizations. During the great recession of 2007 to 2009, millions of jobs were lost worldwide, home values dropped dramatically, and many large, well-known corporations like Merrill Lynch, Countrywide Financial, and Ameriquest disappeared or were acquired. Recovery has occurred in many countries, and with it, new job prospects and investments. Other countries, like Greece and Spain, struggle to regain their economic footing, limiting the economic viability of many Greek and Spanish organizations.
4. **Competition** is changing. Competitors are as likely to be across the ocean as across town. Successful organizations are fast on their feet, capable of developing new products rapidly and getting them to market quickly. In other words, they are flexible and require an equally flexible and responsive workforce.
5. **Social trends** don’t remain static. Consumers who were strangers now meet and share product information in chat rooms and blogs. Organizations must therefore continually adjust product and marketing strategies to be sensitive to changing social trends. Consumers, employees, and organizational leaders are increasingly sensitive to environmental concerns. “Green” practices are quickly becoming expected rather than optional.
6. Not even globalization’s strongest proponents could have imagined the change in world politics in recent years. We’ve seen a major set of financial crises that have rocked global markets, a dramatic rise in the power and influence of China, and intense shakeups in governments across the Arab world. Throughout the industrialized world, businesses—particularly in the banking and financial sectors—have come under new scrutiny.

Reactionary versus Planned Change

Change

Making things different.

Planned change

Change activities that are intentional and goal oriented.

Change agents

People who act as catalysts and assume the responsibility for managing change activities.

Change is simply making things different. However, only proactive situations describe **planned change**. Many changes are in direct reaction to, say, employee demands. Some organizations treat all change as an accidental occurrence. In this chapter, we address change as an intentional, goal-oriented activity.

What are the goals of planned change? First, it seeks to improve the ability of the organization to adapt to changes in its environment. Second, it seeks to change employee behavior.

Who is responsible for managing change activities in organizations? The answer is **change agents**.¹ They see a future for the organization others have not identified, and they are able to motivate, invent, and implement this vision. Change agents can be managers or non-managers, current or new employees, or outside consultants.

RESISTANCE TO CHANGE

Our egos are fragile, and we often see change as threatening. Even when employees are shown data that suggest they need to change, they latch onto whatever information they can find that suggest they are okay and don't need to change.² Employees who have negative feelings about a change cope by not thinking about it, increasing their use of sick time, or quitting. All of these reactions can sap the organization of vital energy when it is most needed.³ Resistance to change doesn't just come from lower levels of the organization. In many cases, higher-level managers will resist changes proposed by subordinates, especially if these leaders are focused on immediate performance.⁴ Conversely, when leaders are more focused on mastery and exploration, they are more willing to hear and adopt subordinates' suggestions for change.

Resistance to change can be positive if it leads to open discussion and debate.⁵ These responses are usually preferable to apathy or silence and can indicate that members of the organization are engaged in the process, providing change agents an opportunity to explain the change effort. Change agents can also monitor resistance in order to modify the change to fit the preferences of members of the organization.

Resistance doesn't necessarily surface in standardized ways. It can be overt, implicit, immediate, or deferred. It's easiest for management to deal with overt and immediate resistance such as complaints, a work slowdown, or a strike threat. The greater challenge is managing resistance that is implicit or deferred because these responses—loss of loyalty or motivation, increased errors or absenteeism—are more subtle and more difficult to recognize for what they are. Deferred actions also cloud the link between the change and the reaction to it, sometimes surfacing weeks, months, or even years later. Or a single change of little inherent impact may be the straw that breaks the camel's back because resistance to earlier changes has been deferred and stockpiled.

Exhibit 17-1 summarizes major forces for resistance to change, categorized by their sources. Individual sources reside in human characteristics such as perceptions, personalities, and needs. Organizational sources reside in the structural makeup of organizations themselves.

Overcoming Resistance to Change

Eight tactics can help change agents deal with resistance to change.⁶ Let's review them briefly.

COMMUNICATION Communication is more important than ever in times of change. One study of German companies revealed changes are most effective when a company communicates a rationale that balances the interests of various stakeholders (shareholders, employees, community, customers) rather than those of shareholders only.⁷ Other research on a changing organization in the Philippines found that formal information sessions decreased employees' anxiety about the change, and that providing high-quality information about the change increased their commitment to it.⁸



PARTICIPATION It's difficult to resist a change decision in which we've participated. Assuming participants have the expertise to make a meaningful contribution, their involvement can reduce resistance, obtain commitment, and increase the quality of the change decision. However, against these advantages are the negatives: the potential for a poor solution and a great consumption of time.

EXHIBIT 17-1

Sources of Resistance to Change

Individual Sources

Habit—To cope with life's complexities, we rely on habits or programmed responses. But when confronted with change, this tendency to respond in our accustomed ways becomes a source of resistance.

Security—People with a high need for security are likely to resist change because it threatens their feelings of safety.

Economic factors—Changes in job tasks or established work routines can arouse economic fears if people are concerned that they won't be able to perform the new tasks or routines to their previous standards, especially when pay is closely tied to productivity.

Fear of the unknown—Change substitutes ambiguity and uncertainty for the unknown.

Selective information processing—Individuals are guilty of selectively processing information in order to keep their perceptions intact. They hear what they want to hear, and they ignore information that challenges the world they've created.

Organizational Sources

Structural inertia—Organizations have built-in mechanisms—such as their selection processes and formalized regulations—to produce stability. When an organization is confronted with change, this structural inertia acts as a counterbalance to sustain stability.

Limited focus of change—Organizations consist of a number of interdependent subsystems. One can't be changed without affecting the others. So limited changes in subsystems tend to be nullified by the larger system.

Group inertia—Even if individuals want to change their behavior, group norms may act as a constraint.

Threat to expertise—Changes in organizational patterns may threaten the expertise of specialized groups.

Threat to established power relationships—Any redistribution of decision-making authority can threaten long-established power relationships within the organization.

BUILDING SUPPORT AND COMMITMENT When managers or employees have low emotional commitment to change, they resist it and favor the status quo.⁹ Employees are also more accepting of changes when they are committed to the organization as a whole.¹⁰ So, firing up employees and emphasizing their commitment to the organization overall can help them emotionally commit to the change rather than embrace the status quo. Counseling and therapy, new-skills training, or a short paid leave of absence may facilitate adjustment to change when employees' fear and anxiety are high.



DEVELOPING POSITIVE RELATIONSHIPS People are more willing to accept changes if they trust the managers implementing them.¹¹ One study surveyed 235 employees from a large housing corporation in the Netherlands that was experiencing a merger. Those who had a more positive relationship with their supervisor, and who felt that the work environment supported development, were much more positive about the change process.¹² Underscoring the importance of social context, other work shows that even individuals who are generally resistant to change will be more willing to accept new and different ideas when they feel supported by their coworkers and believe the environment is safe for taking risks.¹³ Another set of studies found that individuals who were dispositionally resistant to change felt more positive about change if they trusted the change agent.¹⁴

IMPLEMENTING CHANGES FAIRLY One way organizations can minimize negative impact is to make sure change is implemented fairly. As we saw in Chapter 7, procedural fairness is especially important when employees perceive an outcome as negative, so it's crucial that employees see the reason for the change and perceive its implementation as consistent and fair.¹⁵

MANIPULATION AND COOPTATION *Manipulation* refers to covert influence attempts. Twisting facts to make them more attractive, withholding information, and creating false rumors to get employees to accept change are all examples of manipulation. *Cooptation*, on the other hand, combines manipulation and participation. It seeks to buy off the leaders of a resistance group by giving them a key role, seeking their advice not to find a better solution but to get their endorsement. Both manipulation and cooptation are relatively inexpensive ways to gain the support of adversaries, but they can backfire if the targets become aware they are being tricked or used. Once that's discovered, the change agent's credibility may drop to zero.

SELECTING PEOPLE WHO ACCEPT CHANGE Research suggests the ability to easily accept and adapt to *change* is related to personality—some people simply have more positive attitudes toward change.¹⁶ Individuals who are open to experience, are willing to take risks, and are flexible in their behavior are prime candidates. This seems to be universal. One study of managers in the United States, Europe, and Asia found those with a positive self-concept and high risk tolerance coped better with organizational change. A study of 258 police officers found those who were higher in the need for growth/development and internal work motivation, and who also had an internal locus of control, held more positive attitudes about organizational change efforts.¹⁷ Individuals higher in general mental ability are also better able to learn and adapt to changes in the workplace.¹⁸ In sum, an impressive body of evidence shows organizations can facilitate change by selecting people predisposed to accept it.



COERCION Last on the list of tactics is *coercion*, the application of direct threats or force on dissenters. If management is determined to close a manufacturing plant whose employees don't acquiesce to a pay cut, the company is using coercion. Other examples of coercion include threatening employees with forced transfers, blocked promotions, negative performance evaluations, and poor letters of recommendation. Coercion is most effective when some force or pressure is enacted on at least some resisters—for instance, if an employee is publicly refused a transfer request, the threat of blocked promotions will become a real possibility in the minds of other employees. The advantages and drawbacks of coercion are approximately the same as for manipulation and cooptation.

The Politics of Change

No discussion of resistance would be complete without a mention of the politics of change. Because change invariably threatens the status quo, it inherently implies political activity.

Politics suggests the impetus for change is more likely to come from outside change agents, employees new to the organization (who have less invested in the status quo), or managers who are slightly removed from the main power structure. Managers who have spent a long time with an organization and achieved a senior position in the hierarchy are often major impediments to change. Of course, as you might guess, these longtime power holders tend to implement incremental changes when they are forced to introduce change. Radical change is often considered too threatening. This explains why boards of directors that recognize the imperative for rapid and radical change frequently turn to outside candidates for new leadership.¹⁹

APPROACHES TO MANAGING ORGANIZATIONAL CHANGE

We now turn to several approaches to managing change: Lewin's classic three-step model of the change process, Kotter's eight-step plan, action research, and organizational development.

Lewin's Three-Step Model

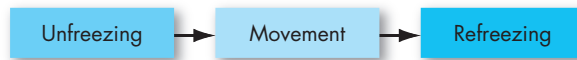
Kurt Lewin argued that successful change in organizations should follow three steps: *unfreezing* the status quo, *movement* to a desired end state, and *refreezing* the new change to make it permanent²⁰ (see Exhibit 17-2).

By definition, status quo is an equilibrium state. To move from equilibrium—to overcome the pressures of both individual resistance and group conformity—unfreezing must happen in one of three ways (see Exhibit 17-3). For one, the **driving forces**, which direct behavior away from the status quo, can be increased. For another, the **restraining forces**, which hinder movement away from equilibrium, can be decreased. A third alternative is to combine the first two approaches. Companies that have been successful in the past are likely to encounter restraining forces because people question the need for change.²¹

Once the movement stage begins, it's important to keep the momentum going. Organizations that build up to change do less well than those that get to and move through the movement stage quickly. When change has been implemented, the new situation must be re-frozen so it can be sustained over time. Without this last step, change will likely be short-lived and employees will attempt to revert to the previous equilibrium state. The objective of re-freezing, then, is to stabilize the new situation by balancing the driving and restraining forces.

EXHIBIT 17-2

Lewin's Three-Step Change Model

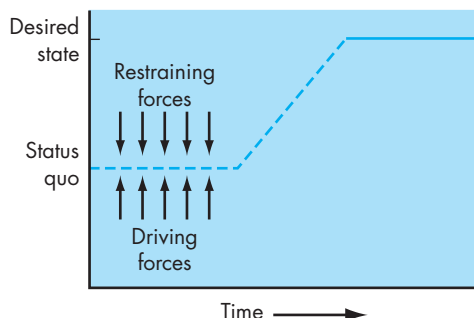


Kotter's Eight-Step Plan

John Kotter built on Lewin's three-step model to create a more detailed approach for implementing change.²² Kotter began by listing common mistakes managers make when trying to initiate change. They may fail to do one or more of the following: to create a sense of urgency about the need for change, to create a coalition for managing the change process, to have a vision for change and effectively communicate it, and/or to anchor the changes into the organization's culture. They also may fail to remove obstacles that could impede the vision's achievement and/or provide short-term and achievable goals. Finally, they may declare victory too soon.

EXHIBIT 17-3

Unfreezing the Status Quo



1. Establish a sense of urgency by creating a compelling reason for why change is needed.
2. Form a coalition with enough power to lead the change.
3. Create a new vision to direct the change and strategies for achieving the vision.
4. Communicate the vision throughout the organization.
5. Empower others to act on the vision by removing barriers to change and encouraging risk taking and creative problem solving.
6. Plan for, create, and reward short-term “wins” that move the organization toward the new vision.
7. Consolidate improvements, reassess changes, and make necessary adjustments in the new programs.
8. Reinforce the changes by demonstrating the relationship between new behaviors and organizational success.

EXHIBIT 17-4

Kotter's Eight-Step Plan for Implementing Change

Source: Based on M. du Plessis, “Re-implementing an Individual Performance Management System as a Change Intervention at Higher Education Institutions Overcoming Staff Resistance,” *Proceedings of the 7th European Conference on Management Leadership and Governance*, 2011, 105–15.

Kotter established eight sequential steps to overcome these problems. They're listed in Exhibit 17-4. Notice how Kotter's first four steps essentially extrapolate Lewin's “unfreezing” stage. Steps 5, 6, and 7 represent “movement,” and the final step works on “refreezing.” So Kotter's contribution lies in providing managers and change agents with a more detailed guide for successfully implementing change.

Action Research

Action research is a change process based on the systematic collection of data and selection of a change action based on what the analyzed data indicate.²³ Its value is in providing a scientific methodology for managing planned change. Action research consists of five steps (note how they closely parallel the scientific method): diagnosis, analysis, feedback, action, and evaluation.

Action research provides at least two specific benefits. First, it's problem-focused. The change agent objectively looks for problems, and the type of problem determines the type of change action. A second benefit of action research is the lowering of resistance. Because action research engages employees so thoroughly in the process, it reduces resistance to change. Once employees have actively participated in the feedback stage, the change process typically takes on a momentum of its own.

Action research

A change process based on the systematic collection of data and the selection of a change action based on what the analyzed data indicate.

Organizational Development

Organizational development (OD) is a collection of change methods that try to improve organizational effectiveness and employee well-being.²⁴

OD methods value human and organizational growth, collaborative and participative processes, and a spirit of inquiry.²⁵ Contemporary OD borrows heavily from post-modern philosophy in placing heavy emphasis on the subjective ways people see and make sense of their work environment. The change agent may take the lead in OD, but there is a strong emphasis on collaboration.

Organizational development (OD)

A collection of planned change interventions, built on humanistic–democratic values, that seeks to improve organizational effectiveness and employee well-being.

What are some OD techniques or interventions for bringing about change? Here are six.

Sensitivity training

Training groups that seek to change behavior through unstructured group interaction.

SENSITIVITY TRAINING A variety of names—**sensitivity training**, laboratory training, encounter groups, and T-groups (training groups)—all refer to an early method of changing behavior through unstructured group interaction.²⁶ Current organizational interventions such as diversity training, executive coaching, and team-building exercises are descendants of this early OD intervention technique.

Survey feedback

The use of questionnaires to identify discrepancies among member perceptions; discussion follows and remedies are suggested.

SURVEY FEEDBACK One tool for assessing the attitudes of organizational members, identifying discrepancies among member perceptions, and solving differences is the **survey feedback** approach.²⁷ Basically, data collected from strategic surveys is then used to spur problem identification and discussion.

The survey feedback approach can be helpful to keep decision makers informed about the attitudes of employees toward the organization. However, individuals are influenced by many factors when they respond to surveys, which may make some findings unreliable. Second, a high number of nonresponses may indicate organizational dysfunction or decreased job satisfaction, which the absence of data will not show. Managers who use the survey feedback approach should therefore monitor their organization's current events and employee response rates.

Process consultation (PC)

A meeting in which a consultant assists a client in understanding process events with which he or she must deal and identifying processes that need improvement.

PROCESS CONSULTATION Managers often sense their unit's performance can be improved but are unable to identify what to improve and how. The purpose of **process consultation (PC)** is for an outside consultant to assist a client, usually a manager, "to perceive, understand, and act upon process events" with which the manager must deal.²⁸ These events might include those surrounding the workflow, informal relationships among unit members, and formal communication channels in the organization.

PC is similar to sensitivity training in assuming we can improve organizational effectiveness by dealing with interpersonal problems and in emphasizing involvement. But PC is more task-directed, and consultants do not solve the organization's problems, but rather guide or coach the client to solve his or her own problems after *jointly* diagnosing what needs improvement. The client develops the skill to analyze processes within his or her unit and can therefore use the skill long after the consultant is gone. Because the client actively participates in both the diagnosis and the development of alternatives, he or she arrives at a greater understanding of the process and the remedy, and becomes less resistant to the action plan chosen.

Team building

High interaction among team members to increase trust and openness.

TEAM BUILDING We've noted throughout this text that organizations increasingly rely on teams to accomplish work tasks. **Team building** uses high-interaction group activities to increase trust and openness among team members, improve coordination efforts, and increase team performance.²⁹

Team building typically includes goal-setting, development of interpersonal relations among team members, role analysis to clarify each member's role and responsibilities, and team process analysis. It may emphasize or exclude certain activities, depending on the purpose of the development effort and the specific problems the team is confronting. Basically, however, team building uses high interaction among members to increase trust and openness. In these times when organizations increasingly rely on teams, team building is an important topic.

INTERGROUP DEVELOPMENT A major area of concern in OD is dysfunctional conflict among groups. **Intergroup development** seeks to change groups' attitudes, stereotypes, and perceptions about each other. Here, training sessions closely resemble diversity training, except rather than focusing on demographic differences, they focus on differences among occupations, departments, or divisions within an organization. Among several approaches for improving intergroup relations, a popular one emphasizes problem solving.³⁰ Each group meets independently to list its perceptions of itself and another group and how it believes the other group perceives it. The groups then share their lists, discuss similarities and differences, and look for causes of disparities.

Once they have identified the causes of discrepancies, the groups move to the integration phase—developing solutions to improve relations between them. Subgroups can be formed of members from each of the conflicting groups to conduct further diagnoses and formulate alternative solutions.

APPRECIATIVE INQUIRY Most OD approaches are problem-centered. They identify a problem or set of problems, then look for a solution. **Appreciative inquiry (AI)** instead accentuates the positive.³¹ Rather than looking for problems to fix, it seeks to identify the unique qualities and special strengths of an organization, which members can build on to improve performance. That is, AI focuses on an organization's successes rather than its problems.

The AI process consists of four steps—discovery, dreaming, design, and destiny—often played out in a large-group meeting over two to three days and overseen by a trained change agent. *Discovery* sets out to identify what people think are the organization's strengths. Employees recount times they felt the organization worked best or when they specifically felt most satisfied with their jobs. In *dreaming*, employees use information from the discovery phase to speculate on possible futures, such as what the organization will be like in five years. In *design*, participants find a common vision of how the organization will look in the future and agree on its unique qualities. For the fourth step, participants seek to define the organization's *destiny* or how to fulfill their dream, and they typically write action plans and develop implementation strategies.

Intergroup development
Organizational development (OD) efforts to change the attitudes, stereotypes, and perceptions that groups have of each other.

Appreciative inquiry (AI)

An approach that seeks to identify the unique qualities and special strengths of an organization, which can then be built on to improve performance.

CREATING A CULTURE FOR CHANGE

We've considered how organizations can *adapt* to change. But recently, some OB scholars have focused on a more proactive approach—how organizations can *embrace* change by transforming their cultures. In this section, we review three approaches: managing paradox, stimulating an innovative culture, and creating a learning organization. We also address the issue of organizational change and stress.

Managing Paradox

Managers can learn a few lessons from **paradox theory**,³² which states the key paradox in management is that there is no final optimal status for an organization.³³ In a *paradox* situation, we are required to balance tensions across various courses of action. There is a constant process of finding a balancing point, a dynamic equilibrium, among shifting priorities over time. The first lesson is that as the environment and members of the organization change, different elements take on more or less importance. For example, sometimes a company needs to acknowledge past success and learn how it worked, while at other times looking

Paradox theory
The theory that the key paradox in management is that there is no final optimal status for an organization.

backward will only hinder progress. There is some evidence that managers who think holistically and recognize the importance of balancing paradoxical factors are more effective, especially in generating adaptive and creative behaviors in those they are managing.³⁴

Stimulating a Culture of Innovation

How can an organization become more innovative? Although there is no guaranteed formula, certain characteristics—in structure, culture, and human resource (HR) policies—surface repeatedly when researchers study innovative organizations. Let's first clarify what we mean by innovation.

Innovation

A new idea applied to initiating or improving a product, process, or service.

DEFINITION OF INNOVATION We said change refers to making things different. **Innovation**, a specialized kind of change, is applied to initiating or improving a product, process, or service.³⁵ So all innovations imply change, but not all changes introduce new ideas or lead to significant improvements. Innovations can range from incremental improvements, such as tablets, to radical breakthroughs, such as Nissan's electric LEAF car.

SOURCES OF INNOVATION Structural variables are one potential source of innovation.³⁶ A comprehensive review of the structure–innovation relationship leads to the following conclusions:³⁷

1. **Organic structures.** Because they're lower in vertical differentiation, formalization, and centralization; organic organizations facilitate the flexibility, adaptation, and cross-fertilization that make the adoption of innovations easier.
2. **Long tenure in management.** Managerial tenure can provide the legitimacy and knowledge of how to accomplish tasks and obtain desired outcomes through creative methods.
3. **Slack resources.** Having an abundance of resources allows an organization to afford to purchase or develop innovations, bear the cost of instituting them, and absorb failures.
4. **High interunit communication.**³⁸ These organizations are heavy users of committees, task forces, cross-functional teams, and other mechanisms that facilitate interaction across departmental lines.



CONTEXT AND INNOVATION. Innovative organizations tend to have similar cultures. They encourage experimentation and reward both successes and failures. Unfortunately, in too many organizations, people are rewarded for the absence of failures rather than for the presence of successes. Such cultures extinguish risk taking and innovation. Innovative organizations have policies to actively promote the training and development of their members so they keep current, offer high job security so employees don't fear getting fired for making mistakes, and encourage individuals to become champions of change. These practices should be mirrored for workgroups as well. One study of 1,059 individuals on over 200 different teams in a Chinese high-tech company found that work systems emphasizing commitment to employees increased creativity in teams.³⁹ These effects were even greater in teams where there was cohesion among coworkers.

IDEA CHAMPIONS AND INNOVATION Once a new idea has been developed, **idea champions** actively and enthusiastically promote it, build support, overcome resistance, and ensure it is implemented.⁴⁰ Champions often have similar personality characteristics:

extremely high self-confidence, persistence, energy, and a tendency to take risks. They usually display traits associated with transformational leadership—they inspire and energize others with their vision of an innovation’s potential and their strong personal conviction about their mission. Situations can also influence the extent to which idea champions are forces for change. For example, passion for change among entrepreneurs is greatest when work roles and the social environment encourage them to put their creative identities forward.⁴¹ On the flip side, work roles that push creative individuals to do routine management and administration tasks will diminish both the passion for and successful implementation of change. Idea champions are good at gaining the commitment of others, and their jobs should provide considerable decision-making discretion. This autonomy helps them introduce and implement innovations when the context is supportive.⁴²

Do successful idea champions do things differently in varied cultures? Yes.⁴³ Generally, people in collectivist cultures prefer appeals for cross-functional support for innovation efforts; people in high power-distance cultures prefer champions to work closely with those in authority to approve innovative activities before work has begun; and the higher the uncertainty avoidance of a society, the more champions should work within the organization’s rules and procedures to develop the innovation.

Idea champions
Individuals who take an innovation and actively and enthusiastically promote the idea, build support, overcome resistance, and ensure that the idea is implemented.



Creating a Learning Organization

Another way an organization can proactively manage change is to make continuous growth part of its culture—to become a learning organization.⁴⁴

WHAT’S A LEARNING ORGANIZATION? Just as individuals learn, so do organizations. A **learning organization** has developed the continuous capacity to adapt and change. The Dimensions of the Learning Organization Questionnaire (DLOQ) has been adopted and adapted internationally to assess the degree of commitment to learning organization principles.⁴⁵

Exhibit 17-5 summarizes the five basic characteristics of a learning organization—one in which people put aside their old ways of thinking, learn to be open with each other, understand how their organization really works, form a plan or vision everyone can agree on, and work together to achieve that vision.⁴⁶

Learning organization
An organization that has developed the continuous capacity to adapt and change.

1. There exists a shared vision that everyone agrees on.
2. People discard their old ways of thinking and the standard routines they use for solving problems or doing their jobs.
3. Members think of all organizational processes, activities, functions, and interactions with the environment as part of a system of interrelationships.
4. People openly communicate with each other (across vertical and horizontal boundaries) without fear of criticism or punishment.
5. People sublimate their personal self-interest and fragmented departmental interests to work together to achieve the organization’s shared vision.

EXHIBIT 17-5

Characteristics of a Learning Organization

Source: Based on P. M. Senge, *The Fifth Discipline: The Art and Practice of the Learning Organization* (New York: Doubleday, 2006).

MANAGING LEARNING What can managers do to make their firms learning organizations? Here are some suggestions:

- **Establish a strategy.** Management needs to make explicit its commitment to change, innovation, and continuous improvement.
- **Redesign the organization's structure.** The formal structure can be a serious impediment to learning. Flattening the structure, eliminating or combining departments, and increasing the use of cross-functional teams reinforces interdependence and reduces boundaries.
- **Reshape the organization's culture.** To become a learning organization, managers must demonstrate by their actions that taking risks and admitting failures are desirable. This means rewarding people who take chances and make mistakes. Management needs to encourage functional conflict.

Organizational Change and Stress

Think about the times you have felt stressed during your work life. Look past the everyday stress factors that can spill over to the workplace, like a traffic jam that makes you late for work. What have been your more memorable and lasting stressful times at work? For many people, they were those caused by organizational change.

Not surprisingly, we also find the role of leadership is critical. One study indicates that transformational leaders can help shape employee affect so employees stay committed to the change and do not perceive it as stressful.⁴⁷ Other research indicates that a positive orientation toward change *before* new initiatives are planned will decrease employees' stress when they go through organizational changes and increase their positive attitudes. Managers can continually strive to increase employees' self-efficacy, change-related attitudes, and perceived control over the situation to create this positive change orientation. For instance, they can use role clarification and continual rewards to increase self-efficacy, and they can enhance employees' perceived control and positive attitudes toward change by including them throughout the planning stages to the application of new processes.⁴⁸ Another study adds the need for increasing the amount of communication to employees during change, assessing and enhancing employees' psychological resilience through offering social support, and training employees in emotional self-regulation techniques.⁴⁹ Through these methods, managers can help employees keep their stress levels low and their commitment high.

★ WATCH IT

If your professor has chosen to assign this, go to the Assignments section of **mymanagementlab.com** to complete the video exercise titled **East Haven Fire Department: Managing Stress**.

STRESS AT WORK

Friends say they're stressed from greater workloads and longer hours than ever before. Parents worry about the lack of job stability and reminisce about a time when a job with a large corporation implied lifetime security. Employees complain about the stress of trying to balance work and family responsibilities. Harris, Rothenberg International, a leading provider of employee assistance programs (EAPs), finds that employees are having mental

What area of your life causes you the most stress?

Area	Causes Most Stress
Financial worries	64%
Work	60%
Family responsibilities	47%
Health concerns	46%

EXHIBIT 17-6

Work Is a Top Source of Stress

Source: “Stress in America: Paying with Our Health,” American Psychological Association, February 4, 2015, <http://www.apa.org/news/press/releases/stress/2014/stress-report.pdf>.

breakdowns and needing professional help at higher rates than ever.⁵⁰ Indeed, as Exhibit 17-6 shows, work is a major source of stress in most people’s lives. What are the causes and consequences of stress, and what can individuals and organizations do to reduce it?

What Is Stress?

Stress is a dynamic condition in which an individual is confronted with an opportunity, demand, or resource related to what the individual desires and for which the outcome is perceived to be both uncertain and important.⁵¹ Although stress is typically discussed in a negative context, it also has a positive purpose. Many professionals see the pressures of heavy workloads and deadlines as positive challenges that enhance the quality of their work and the satisfaction they get from their job. However, when the situation is negative, stress is harmful and may hinder your progress by elevating your blood pressure uncomfortably and creating an erratic heart rhythm as you struggle to speak and think logically.⁵²

STRESSORS Researchers have argued that **challenge stressors**—or stressors associated with workload, pressure to complete tasks, and time urgency—operate quite differently from **hindrance stressors**—or stressors that keep you from reaching your goals (for example, red tape, office politics, confusion over job responsibilities). Although research is just starting to accumulate, early evidence suggests challenge stressors produce less strain than hindrance stressors.⁵³

Researchers have sought to differentiate the effects of challenge and hindrance stressors. When challenge stress increases, those with high levels of organizational support realize higher role-based performance, but those with low levels of organizational support do not.⁵⁴ There is also evidence that challenge stress improves job performance in a supportive work environment, whereas hindrance stress reduces job performance in all work environments.⁵⁵

DEMANDS AND RESOURCES Typically, stress is associated with **demands** and **resources**. Demands are responsibilities, pressures, obligations, and uncertainties individuals face in the workplace. Resources are things within an individual’s control that he or she can use to resolve the demands. Let’s discuss what this demands–resources model means.⁵⁶

When you take a test at school or undergo your annual performance review at work, you feel stress because you confront opportunities and performance pressures. A good performance review may lead to a promotion, greater responsibilities, and a higher salary. A poor review may prevent you from getting a promotion. An extremely poor review might even result in your being fired. To the extent you can apply resources to the demands

Stress

An unpleasant psychological process that occurs in response to environmental pressures.

Challenge stressors

Stressors associated with workload, pressure to complete tasks, and time urgency.

Hindrance stressors

Stressors that keep you from reaching your goals (for example, red tape, office politics, confusion over job responsibilities).

Demands

Responsibilities, pressures, obligations, and even uncertainties that individuals face in the workplace.

Resources

Things within an individual’s control that can be used to resolve demands.

on you—such as preparing for the review, putting the review in perspective (it's not the end of the world), or obtaining social support—you will feel less stress. In fact, this last resource—social support—may be more important on an ongoing basis than anything else. According to recent research, people with emotional support may experience lower stress levels, feel less depressed from stress, and be more likely to make lifestyle changes that may reduce stress.⁵⁷ Overall, under the demands–resources perspective, having resources to cope with stress is just as important in offsetting stress as demands are in increasing it.⁵⁸

ALLOSTASIS So far, what was discussed may give you the impression that individuals are seeking a steady state in which demands perfectly match resources. While early research tended to emphasize such a *homeostatic*, or balanced equilibrium, perspective; it has now become clear that no single ideal state exists. Instead, it's more accurate to talk about *allostatic* models, in which demands shift, resources shift, and systems of addressing imbalances shift.⁵⁹ Through **allostasis**, we work to find stability by changing our behaviors and attitudes. It all depends on the allostatic load, or the cumulative effect of stressors on us given the resources we draw upon.⁶⁰ For example, if you're feeling especially confident in your abilities and have lots of support from others, you may increase your willingness to experience strain and be better able to mobilize coping resources. This would be a situation where the allostatic load was not too great; in other cases where the allostatic load is too great and too prolonged, we may experience psychological or physiological stress symptoms.

Allostasis

Working to change behavior and attitudes to find stability.

Potential Sources of Stress at Work

What causes stress? A meta-analysis of responses from more than 35,000 individuals showed role ambiguity, role conflict, role overload, job insecurity, environmental uncertainty, and situational constraints were all consistently negatively related to job performance.⁶¹ To break it down, let's examine the model in Exhibit 17-7.

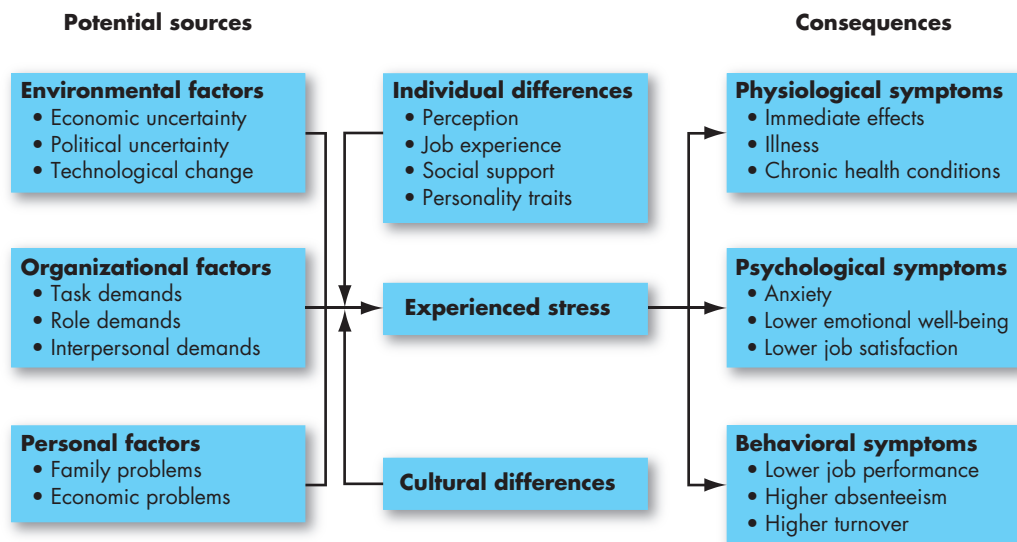


EXHIBIT 17-7

A Model of Stress

ENVIRONMENTAL FACTORS Environmental uncertainty not only influences the design of an organization's structure, it also influences stress levels among employees in that organization. Indeed, uncertainty is the biggest reason people have trouble coping with organizational changes.⁶² There are three main types of environmental uncertainty: economic, political, and technological.

Changes in the business cycle create *economic uncertainties*. When the economy is contracting, for example, people become increasingly anxious about their job security. *Political uncertainties* don't tend to create stress among North Americans as much as they do for employees in countries such as Haiti or Venezuela. The obvious reason is that the United States and Canada have more stable political systems, in which change is typically implemented in an orderly manner. Yet political threats and changes in all countries can induce stress. Because innovations can make an employee's skills and experience obsolete in a very short time, keeping up with new computer programs, robotics, automation, and similar forms of *technological change* are a further challenge to many people at work that cause them stress.



ORGANIZATIONAL FACTORS There is no shortage of factors within an organization that can cause stress. Pressures to avoid errors or complete tasks in a limited time, work overload, a demanding and insensitive boss, and unpleasant coworkers are a few examples. We've categorized these factors around task, role, and interpersonal demands.

1. *Task demands* relate to a person's job. They include the design of the job (including its degree of autonomy, task variety, and automation), working conditions, and the physical work layout. The single factor most consistently related to stress in the workplace is the amount of work that needs to be done, followed closely by the presence of looming deadlines.⁶³ Working in an overcrowded room or visible location where noise and interruptions are constant can also increase anxiety and stress.⁶⁴
2. *Role demands* relate to pressures placed on a person as a function of the particular role he or she plays in the organization. Role conflicts create expectations that may be hard to reconcile or satisfy. Role overload occurs when the employee is expected to take on too much. Role ambiguity means role expectations are not clearly understood and the employee is not sure what to do. Unfortunately, individuals who face high situational constraints by their roles (such as fixed work hours or demanding job responsibilities) are less able to engage in proactive coping behaviors, like taking a break, which can reduce stress levels.⁶⁵
3. *Interpersonal demands* are pressures created by other employees. Some pressures are expected, but a rapidly growing body of research has shown that negative coworker and supervisor behaviors, including fights, bullying, incivility, racial harassment, and sexual harassment, are especially and strongly related to stress at work.⁶⁶ Interpersonal mistreatment can have effects at a physiological level, with one study finding that unfair treatment in a controlled setting triggered the release of cortisol, a hormone involved in the stress-reaction process.⁶⁷ Furthermore, individuals who believe they are experiencing a social climate of discrimination from multiple sources over time have higher levels of psychological strain, even after accounting for differing baseline levels of well-being.⁶⁸

PERSONAL FACTORS The typical individual may work between 40 and 50 hours a week. But the experiences and problems people encounter in the other 120-plus hours in

the week can spill over to the job. The final category of sources of stress at work includes factors of an employee's personal life: family issues and personal economic problems.

National surveys consistently show people hold their families dear. *Family issues*, even good ones, can cause stress that significantly impacts individuals. Family issues are often closely related to work–life conflict.

The *personal economic problems* of overextended financial resources create stress and siphon attention away from work. Regardless of income level, some people are poor money managers or have wants and needs that exceed their earning capacity. People who make \$100,000 per year seem to have as much trouble handling their finances as those who earn \$20,000, although recent research indicates that those who make under \$50,000 per year do experience more stress.⁶⁹

STRESSORS ARE ADDITIVE When we review stressors individually, it's easy to overlook that stress is an additive phenomenon—it builds up.⁷⁰ Each new and persistent stressor adds to an individual's stress level. A single stressor may be relatively unimportant in and of itself, but if added to an already high level of stress, it can be too much. To appraise the total amount of stress an individual is under, we have to sum up all of the sources and severity levels of that person's stress. Since this cannot be easily quantified or observed, managers should remain aware of the potential stress loads from organizational factors in particular. Many employees are willing to express their perceived stress load at work to a caring manager.

Individual Differences in Stress

Some people thrive on stressful situations, while others are overwhelmed by them. What differentiates people in terms of their ability to handle stress? What individual variables moderate the relationship between *potential* stressors and *experienced* stress? At least four are relevant—perception, job experience, social support, and personality traits.

PERCEPTION In Chapter 5, we demonstrated that employees react in response to their perception of reality, rather than to reality itself. *Perception*, therefore, will moderate the relationship between a potential stress condition and an employee's reaction to it. Layoffs may cause one person to fear losing a job, while another sees it as an opportunity to get a large severance allowance and start a new business. So stress potential doesn't lie in objective conditions; rather, it lies in an employee's interpretation of those conditions.

JOB EXPERIENCE *Experience* on the job tends to be negatively related to work stress. Why? Two explanations have been offered.⁷¹ First is selective withdrawal. Voluntary turnover is more probable among people who experience more stress. Therefore, people who remain with an organization longer are those with more stress-resistant traits or those more resistant to the stress characteristics of the organization. Second, people eventually develop coping mechanisms to deal with stress. Because this takes time, senior members of the organization are more likely to be fully adapted and should experience less stress.

SOCIAL SUPPORT *Social support*—collegial relationships with coworkers or supervisors—can buffer the impact of stress.⁷² This is one of the best-documented relationships in the stress literature. Social support acts as a palliative, mitigating the negative effects of even high-strain jobs.

PERSONALITY TRAITS Stress symptoms expressed on the job may originate from the person's personality.⁷³ Perhaps the most widely studied *personality trait* in research on stress is neuroticism, which we discussed in Chapter 4. As you might expect, neurotic individuals are more prone to experience psychological strain.⁷⁴ Evidence suggests that neurotic individuals are more likely to find stressors in their work environments, so they believe their environments are more threatening. They also tend to select less adaptive coping mechanisms, relying on avoidance as a way of dealing with problems rather than attempting to resolve them.⁷⁵

Cultural Differences

Research suggests that the job conditions that cause stress show some differences across cultures. One study revealed that whereas U.S. employees were stressed by a lack of control, Chinese employees were stressed by job evaluations and lack of training. It doesn't appear that personality effects on stress are different across cultures, however. One study of employees in Hungary, Italy, the United Kingdom, Israel, and the United States found Type A personality traits (see Chapter 4) predicted stress equally well across countries.⁷⁶ A study of 5,270 managers from 20 countries found individuals from individualistic countries such as the United States, Canada, and the United Kingdom experienced higher levels of stress due to work interfering with family than did individuals from collectivist countries in Asia and Latin America.⁷⁷ The authors proposed that this may occur because, in collectivist cultures, working extra hours is seen as a sacrifice to help the family, whereas in individualistic cultures, work is seen as a means to personal achievement that takes away from the family.

Evidence suggests that stressors are associated with perceived stress and strains among employees in different countries. In other words, stress is equally bad for employees of all cultures.⁷⁸



CONSEQUENCES OF STRESS AT WORK

Stress shows itself in a number of ways, such as high blood pressure, ulcers, irritability, difficulty making routine decisions, changes in appetite, accident proneness, and the like. Refer back to Exhibit 17-7. These symptoms can be fit under three general categories: physiological, psychological, and behavioral symptoms.

PHYSIOLOGICAL SYMPTOMS Most early concerns with stress were directed at physiological symptoms because most researchers were specialists in the health and medical sciences. Their work led to the conclusion that stress could create changes in metabolism, increase heart and breathing rates and blood pressure, bring on headaches, and induce heart attacks.

Evidence now clearly suggests stress may have other harmful physiological effects. A long-term study conducted in the United Kingdom found that job strain was associated with higher levels of coronary heart disease.⁷⁹ Still another study conducted with Danish human services workers found that higher levels of psychological burnout at the work-unit level were related to significantly higher levels of sickness absence.⁸⁰ Many other studies have shown similar results linking work stress to a variety of indicators of poor health.



PSYCHOLOGICAL SYMPTOMS Job dissatisfaction is an obvious cause of stress. But stress shows itself in other psychological states—for instance, tension, anxiety, irritability, boredom, and procrastination. One study that tracked physiological responses of employees over time found that stress due to high workloads was related to lower emotional well-being.⁸¹

Jobs that make multiple and conflicting demands or that lack clarity about the incumbent's duties, authority, and responsibilities increase both stress and dissatisfaction.⁸² Similarly, the less control people have over the pace of their work, the greater their stress and dissatisfaction. Jobs that provide a low level of variety, significance, autonomy, feedback, and identity appear to create stress and reduce satisfaction and involvement in the job.⁸³ Not everyone reacts to autonomy in the same way, however. For those with an external locus of control, increased job control increases the tendency to experience stress and exhaustion.⁸⁴

BEHAVIORAL SYMPTOMS Research on behavior and stress has been conducted across several countries and over time, and the relationships appear relatively consistent. Behavior-related stress symptoms include reductions in productivity; increases in absences and turnover; and personal changes in eating habits, increased smoking or consumption of alcohol, rapid speech, fidgeting, and sleep disorders.⁸⁵

A significant amount of research has investigated the stress–performance relationship. One study indicated that individuals with high emotional intelligence (EI, discussed in Chapter 3) may be able to mitigate the effects of job stress on performance.⁸⁶ Therefore, this model may be a good, neutral starting point from which to study differences.

MANAGING STRESS

It's not unlikely for employees and management to have different notions of what constitutes an acceptable level of stress on the job. What management may consider to be “a positive stimulus that keeps the adrenaline running” is very likely to be seen as “excessive pressure” by the employee. Keep this in mind as we discuss individual and organizational approaches toward managing stress.⁸⁷

Individual Approaches

An employee can and should take personal responsibility for reducing stress levels. Individual strategies that have proven effective include time-management techniques, physical exercise, relaxation techniques, and social support networks.

TIME-MANAGEMENT TECHNIQUES Many people manage their time poorly. The well-organized employee, like the well-organized student, can often accomplish twice as much as the person who is poorly organized. Time-management skills can help minimize procrastination by focusing efforts on immediate goals and boosting motivation even in the face of tasks that are less enjoyable.⁸⁸

PHYSICAL EXERCISE Physicians have recommended noncompetitive *physical exercise*, such as aerobics, walking, jogging, swimming, and riding a bicycle, as a way to deal with excessive stress levels. These activities decrease the detrimental physiological responses to stress and allow us to recover from stress more quickly.⁸⁹

RELAXATION TECHNIQUES Individuals can teach themselves to reduce tension through *relaxation techniques* such as meditation, hypnosis, and deep breathing. The objective is to reach a state of deep physical relaxation, in which you focus all your energy on the release of muscle tension.⁹⁰ Deep relaxation for 15 or 20 minutes a day releases strain and provides a pronounced sense of peacefulness, as well as significant changes in heart rate, blood pressure, and other physiological factors. A growing body of research shows that simply taking breaks from work at routine intervals can facilitate psychological recovery and reduce stress significantly and may improve job performance, and these effects are even greater if relaxation techniques are employed.⁹¹

SOCIAL SUPPORT NETWORKS As we have noted, friends, family, or work colleagues can provide an outlet when stress levels become excessive. Expanding your *social support network* provides someone to hear your problems and offer a more objective perspective on a stressful situation than your own.

Organizational Approaches

Several organizational factors that cause stress—particularly task and role demands—are controlled by management and thus can be modified or changed. Strategies to consider include improving employee selection and job placement, goal-setting, redesign of jobs, increasing employee involvement, organizational communication, employee sabbaticals, and corporate wellness programs.

SELECTION AND PLACEMENT Certain jobs are more stressful than others, but as we've seen, individuals differ in their response to stressful situations. We know individuals with little experience or an external locus of control tend to be more prone to stress. Obviously, management shouldn't hire only experienced individuals with an internal locus, but such individuals may adapt better to high-stress jobs and perform those jobs more effectively. Similarly, *training* can increase an individual's self-efficacy and thus lessen job strain.

GOAL-SETTING As discussed in Chapter 7, individuals perform better when they have specific and challenging goals and receive feedback on their progress toward these goals. Goals can reduce stress as well as provide motivation.⁹² Employees who are highly committed to their goals and see purpose in their jobs experience less stress because they are more likely to perceive stressors as challenges rather than hindrances. Specific goals perceived as attainable clarify performance expectations. In addition, goal feedback reduces uncertainties about actual job performance. The result is less employee frustration, role ambiguity, and stress.

REDESIGNING JOBS *Redesigning jobs* to give employees more responsibility, more meaningful work, more autonomy, and increased feedback can reduce stress because these factors give employees greater control over work activities and lessen dependence on others. But not all employees want enriched jobs. The right redesign for employees with a low need for growth might include less responsibility and increased specialization. If individuals prefer structure and routine, reducing skill variety should reduce uncertainties and stress levels.

EMPLOYEE INVOLVEMENT Role stress is detrimental to a large extent because employees feel uncertain about goals, expectations, how they'll be evaluated, and the like. By giving these employees a voice in the decisions that directly affect their job performance, management can increase employee control and reduce role stress. Thus, managers should consider increasing *employee involvement* in decision making because evidence clearly shows that increases in employee empowerment reduce psychological strain.⁹³

ORGANIZATIONAL COMMUNICATION Increasing formal *organizational communication* with employees reduces uncertainty by lessening role ambiguity and role conflict. Given the importance that perceptions play in moderating the stress–response relationship, management can also use effective communication as a means to shape employee perceptions. Remember that what employees categorize as demands, threats, or opportunities at work is an interpretation; that interpretation can be affected by the symbols and actions communicated by management.

EMPLOYEE SABBATICALS Some employees need an occasional escape from the frenetic pace of their work. Companies including Genentech, American Express, Intel, General Mills, Microsoft, Morningstar, DreamWorks Animation, and Adobe Systems have begun to provide extended voluntary leaves.⁹⁴ These *sabbaticals*—ranging in length from a few weeks to several months—can revive and rejuvenate workers who might otherwise be headed for burnout.

WELLNESS PROGRAMS Our final suggestion is to create organizationally supported **wellness programs**. These typically provide workshops to help people quit smoking, control alcohol use, lose weight, eat better, and develop a regular exercise program; they focus on the employee's total physical and mental condition.⁹⁵ Some programs help employees improve their psychological health as well. A meta-analysis of 36 programs designed to reduce stress (including wellness programs) showed that interventions that helped employees reframe stressful situations and use active coping strategies appreciably reduced stress levels.⁹⁶ Most wellness programs assume employees need to take personal responsibility for their physical and mental health and that the organization is merely a means to that end.

Most firms that have introduced wellness programs have observed significant benefits. Johnson & Johnson reported that their wellness program has saved the organization \$250 million in health care costs in 10 years, and research has indicated that effective wellness programs significantly decreased turnover rates for most organizations.⁹⁷ Other research sponsored by the U.S. Department of Labor and Department of Health and Human Services indicates that organizational wellness programs create healthier employees with fewer health risk factors.⁹⁸

SUMMARY

The need for change has been implied throughout this text. For instance, think about attitudes, motivation, work teams, communication, leadership, organizational structures, HR practices, and organizational cultures. Change was an integral part in our discussion of

Wellness programs
Organizationally supported programs that focus on the employee's total physical and mental condition.

each. If environments were perfectly static, if employees' skills and abilities were always up to date and incapable of deteriorating, and if tomorrow were always exactly the same as today, organizational change would have little or no relevance to managers. But the real world is turbulent, requiring organizations and their members to undergo dynamic change if they are to perform at competitive levels. Coping with all of these changes can be a source of stress, but with effective management, challenge can enhance engagement and fulfillment, leading to high performance which, as you've discovered in this text, is one major goal of the study of OB.

IMPLICATIONS FOR MANAGERS

- Consider that, as a manager, you are a change agent in your organization. The decisions you make and your role-modeling behaviors will help shape the organization's change culture.
- Your management policies and practices will determine the degree to which the organization learns and adapts to changing environmental factors.
- Some stress is good. Increasing challenges brought by autonomy and responsibility at work will lead to some stress but also increase feelings of accomplishment and fulfillment. Hindrance stressors like bureaucracy and interpersonal conflicts, on the other hand, are entirely negative and should be eliminated.
- You can help alleviate harmful workplace stress for your employees by accurately matching workloads to employees, providing employees with stress-coping resources, and responding to their concerns.
- You can identify extreme stress in your employees when performance declines, turnover increases, health-related absenteeism increases, and engagement declines. However, by the time these symptoms are visible, it may be too late to be helpful, so stay alert for early indicators and be proactive.

★ TRY IT!

If your professor has chosen to assign this, go to the Assignments section of **mymanagementlab.com** to complete the **Simulation: Change**.

★ PERSONAL INVENTORY ASSESSMENTS

Tolerance of Ambiguity Scale

How well can you tolerate the ambiguity that change brings? Take this PIA to learn more about your tolerance level for this challenge.

Go to **mymanagementlab.com** for the following Assisted-graded writing questions:

- 17-1.** What do you think are the best ways to prepare employees for organizational change? Support your answers.
- 17-2. Pearson MyLab Management Only**—comprehensive writing assignment for this chapter.



PERSONAL INVENTORY ASSESSMENTS

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EPILOGUE

The end of a book typically has the same meaning to an author that it has to the reader: it generates feelings of both accomplishment and relief. As both of us rejoice at having completed our tour of the essential concepts in organizational behavior, this is a good time to examine where we've been and what it all means.

The underlying theme of this book has been that the behavior of people at work is not a random phenomenon. Employees are complex entities, but their attitudes and behavior can nevertheless be explained and predicted with a reasonable degree of accuracy. Our approach has been to look at organizational behavior at three levels: the individual, the group, and the organization system.

We started with the individual and reviewed the major psychological contributions to understanding why individuals act as they do. We found that many of the individual differences among employees can be systematically labeled and categorized, and therefore generalizations can be made. For example, we know that individuals with a conventional type of personality are better matched to certain jobs in corporate management than are people with investigative personalities. So placing people into jobs that are compatible with their personality types should result in higher-performing and more satisfied employees.

Next, our analysis moved to the group level. We argued that the understanding of group behavior is more complex than merely multiplying what we know about individuals by the number of members in the group, because people act differently in a group than when they are alone. We demonstrated how roles, norms, leadership styles, power relationships, and other similar group factors affect the behavior of employees.

Finally, we overlaid system-wide variables on our knowledge of individual and group behavior to further improve our understanding of organizational behavior. Major emphasis was given to showing how an organization's structure, design, and culture affect both the attitudes and the behavior of employees.

It may be tempting to criticize the stress this book placed on theoretical concepts, but as noted psychologist Kurt Lewin is purported to have said, "There is nothing so practical as a good theory." Of course, it's also true that there is nothing so impractical as a good theory that leads nowhere. To avoid presenting theories that lead nowhere, this book included a wealth of examples and illustrations and we regularly stopped to inquire about the implications of theory for the practice of management. The result has been the presentation of numerous concepts that, individually, offer some insights into behavior; but when taken together, provide a complex system to help you explain, predict, and control organizational behavior.