ORGANIZATIONAL BEHAVIOR

Second Edition

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1979 WEST PUBLISHING COMPANY

St. Paul ▲ New York ▲ Los Angeles ▲ San Francisco

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LEARNING OBJECTIVES

When you have finished reading and studying this chapter, you should be able to:

▲ Describe the nature and importance of values to management.

▲ Explain how values can influence the behavior of individuals and the actions of organizations.

▲ Identify three types of managerial value systems and how they are likely to lead to different ways for dealing with employees and other groups.

▲ Discuss the relationship between values and different criteria of organizational effectiveness.

▲ Describe different types of environments for organiaztions.

▲ Explain how and why organizational structures and management practices should be contingent upon the type of environment facing the organization.

THOUGHT STARTERS

▲ What type of environmental influences do you think affect organizational behavior?

▲ Are there differences between personal values and managerial values? Should there be?

OUTLINE

Several top executives of a large urban corporation are disturbed by a community activist organization that is protesting the treatment of minority groups. The executives feel that the activists are doing more harm than good to the schools, urban renewal programs, public transportation, and retail business. The chief executive himself has expressed his fears about the activists at local business meetings. However, Charles Hines, a young official in the marketing department, thinks that the activists are on the right track. He spends many evening and weekend hours volunteering his services to the activist organization. Occasionally he is quoted in the newspaper and identified with his company.

The marketing manager of the company has come under pressure from several senior executives. They urge her to warn Hines either to stop working for the activists or resign. How should she answer them. If you were the marketing manager, which of the following possible responses would come closest to the response you would make?

_____1. "This is a question for the chief executive to decide, not you or me."
_____2. "People in this company and especially this department should be free to express their opinions on public problems. I'll go to bat for Hines as a matter of principle."
_____3. "As long as he keeps doing a good job for the company, I'll not interfere."
_____4. "I agree it's bad business for the chief executive to be saying one thing and a lesser official to be saying just the opposite. I'll tell Hines he's got to stop."
_____5. "As long as he keeps doing a good job, and until there is some concrete factual evidence that the company's public image is being hurt by his association with the activists, I won't interfere."

Or, consider the case of James Dworkin, an electrical engineer, who has been employed by his company for more than a dozen years. Although known to be critical of many company policies, Dworkin is well liked by associates, his work has been good, and he has earned regular increases in salary. To everyone's surprise, he and his wife coauthored a novel published by a small publishing firm. While the story takes place in a fictional setting with fictional characters and events, the novel is clearly a lampoon of the company. It represents management as greedy, inflexible, and insensitive to scientific progress. Although the novel is not likely to sell many copies, the company managers are incensed.

If you were the department head to whom Dworkin reports, which of the following actions would you most likely take? (Assume no employment contract and no union.)

_____1. Do nothing, fend off people who want Dworkin disciplined.
_____2. Call Dworkin in, warn him that nothing will happen this time but he'd better give you a chance to say no in advance of any future publication that satirizes the company.

_____3. Fire Dworkin.
_____4. Keep Dworkin on the payroll but assign him to tasks he won't like, cut any future raises, and hope he will resign after finding a job elsewhere.[1]

Take a minute or so and, on a separate sheet of paper, record how *you think* a representative group of managers would respond to each of the above incidents. Do this by estimating the percent of managers you think would choose each of the responses. For example, if you feel that 20 percent of the managers would choose the first alternative response, record this number. The actual findings to these questions are presented in the summary at the end of this chapter.

These two incidents highlight the close relationships between values, the organization's external environment, and managerial decision making and styles. First, in both incidents, the choices available to management involve judgments—even the decision to do nothing involves a value judgment. Second, both incidents clearly demonstrate that many important decisions are partly influenced by the values held by managers and others. Third, both incidents show the close interface between events external to the organization and how this interface can create problems (or opportunities) *within* the organization.

Throughout the 1980s, organizations are likely to continue to experience turmoil in such wide-ranging environmental areas as employee relations and working conditions, marketing and financial power and practices, consumerism, the ecology, equality of opportunity, individualism, productivity, governance, community and government relations, international operations, inflation and controls, health and safety, and the role of organizations in society.

Jerome Jacobson, senior vice-president of Bendix Corporation, has observed "In a rapidly changing economic environment, some plans are out of date in three to six months." The importance of new expectations for organizations, especially large ones, is suggested by chief executives spending more of their time on environmental influences. For example, Alonzo McDonald, Jr., a managing partner of McKinsey & Co., notes, "Just a few years ago the CEO (Chief Executive Officer) of a big company spent 10% of his time on external matters. . . . Today the figure is generally 40%."[2] But even this may be just the tip of the iceberg. Managers at all levels of organizations must confront new issues, problems, and opportunities created by the changing environment.

Within this chapter, the discussion of environmental influences is highly selective. It is impossible to deal with all the concepts and issues relevant to a complete development of the interface between environments and organizations, particularly as they relate to individual and group behavior within organizations.

The first part of this chapter focuses on values and value systems because:

1. Values provide the foundation for the legal, financial, industrial, and political parts of our culture.
2. Values provide one source of explanation for some of the actions by individuals, groups, and organizations.
3. Values represent a major part of the meaning and significance we assign to our personal lives and to the organization within which we work.
4. Values influence how we perceive wants and the actions of others.
5. Values provide a background for maintaining perspective on many of the more specific concepts and issues discussed in later chapters.

The role of values and value systems will be illustrated and made more explicit as the chapter unfolds.

The second part of the chapter is a discussion of a model that indicates how managers can assess and understand their organizational environments. The model presents the key variables and the interrelationships among them that need to be understood by managers. It is important for managers to understand their external environment because:

1. The type of environment partly determines how the organizations should be structured (highly structured versus unstructured).
2. The type of environment influences the types of relationships that should be encouraged between individuals (formal versus informal).
3. The type of environment affects the decision-making practices that should be encouraged (authoritarian versus participative decision making).

The implications of these three types of environmental influences are developed throughout the book. What happens internal to the organization is strongly influenced by the external environment. Moreover, the external environment represents a major source of uncertainty for managers. Uncertainty is a key challenge to management and the key reason for the existence of management. Without uncertainty, fewer managers would be needed, since most of the operations of the organization could be programmed and standardized. The continuous flow of uncertainties inside and outside the organization creates significant challenges, opportunities, and problems for managers.

As emphasized in Chapter 1, the definition of environment is a relative matter.[3] It depends upon the unit of analysis that is of interest (an individual, a group, a division of an organization or an organization) as well as the issues and problems being considered. For example, if we are interested in understanding and predicting the productivity of an individual employee, it might be useful to know something about the internal and external environment of the organization. Relevant variables in the internal environment of the organization might include the expectations held by fellow workers, leadership practices, and the nature of reward systems. A relevant variable in the external environment would be the value system regarding the importance attached to hard work. A second variable would be the alternative employment opportunities provided by the economic system. Thus internal and external environmental variables may influence the employee's attitude toward management's desire for higher levels of productivity. Of course, the value of hard work will only assume importance if it has been personally accepted by the employee.

Individuals, groups, and organizations not only may be acted upon by their environments but also may actively influence their environments. For example, when General Motors found itself with too few economy cars during the energy crisis, it speeded up its timetable for the introduction of new compacts. At the same time, some of the divisions, particularly Oldsmobile and Cadillac, launched major advertising campaigns promoting the safety and comfort features of larger cars. This campaign was accomplished by the claim that the additional gasoline costs to operate the larger cars, compared with those for compacts, might be less than $200 a year for the average driver. The intent in this example is not to pass judgment as to whether these actions are good or bad. Rather, it is to illustrate the possibility of individuals', groups', and organizations' being reactive as well as proactive with respect to their environments.

A *reactive orientation* is the tendency to take action as a result of being influenced by some external event or force. A *proactive orientation* is the tendency to take action as a result of ideas, goals, or perceived opportunities that are created or formulated by the individual, group, or organization. Typically, proaction is intended to create greater self-control relative to the environment and/or to influence the actions of others in the environment. For an organization to survive and be successful, it is necessary for its management to be both proactive and reactive.

VALUES AND VALUE SYSTEMS

One of the major areas that management has to react to is values and value systems that exist in the culture within which the organization operates. Since all people do not share exactly the same values within a given society (such as the United States), these differences in values create many of the significant conflicts and problems with which management must deal. Obviously, these differences also show up in various employees' holding somewhat conflicting values as groups and/or as individuals. Managements have the multiple tasks of understanding their own values and the values of other groups and individuals that can influence the organization.

Nature of Values

The definitions of value and value system set forth by Milton Rokeach substantially represent the meanings that will be assigned to the concepts in this chapter. Rokeach states:

> A *value* is an enduring belief that a specific mode of conduct or end-state of existence is personally or socially preferable to an opposite or converse mode of conduct or end-state of existence. A *value system* is an enduring organization of beliefs concerning preferable modes of conduct or end-states of existence along a continuum of relative importance.[4]

This definition means that values and value systems cannot simply be labeled as "good" or "bad" or "true" or "false."[5] The reason for this should become clearer as the definitions are considered more closely.

Belief. A value is a belief that does not change from day to day. But the idea of continuity in a value does not mean it is completely stable or rigid. One of the characteristics and problems of present-day industrialized societies is the increased rate of change and instability in values. In industrialized countries, there is a great probability for subgroups within the societies to possess different values that may come into conflict. The belief element in the value definition is quite complex, consisting of three distinct, yet related, components: cognitive, affective, and behavioral.

1. The *cognitive component* means the individual has a conception or knowledge of what is desirable. To suggest that an individual accepts the value of working hard is to say that, cognitively, this person knows that the appropriate way to behave on the job is to work hard.
2. The *affective component* of a value means that the individual can experience emotions or feelings about the value, both negative and positive. Someone who believes in the value of hard work may feel good about working hard, as well as experiencing resentment and even hostility toward those who don't share this belief and are low performers.
3. The *behavioral component* of the value suggests that it influences the actions of individuals. Someone who believes in hard work is more likely to translate this value into action by actually working hard.

Modes of Conduct and End-states of Existence. Modes of conduct and end-states of existence as elements in the definition of a value are distinct, yet interrelated. *Modes of conduct* are the means for attainment of values. *End-states of existence* are the terminal or ultimate values attained. The value framework presented in this chapter is primarily concerned with modes-of-conduct values that are instruments for achieving end-states-of-existence values. Some examples of modes-of-conduct values are:

Individualist (self-reliant, self-sufficient)
Cooperative (working with and for the welfare of others)
Competitive (striving to win over others)
Loving (affectionate, tender)
Obedient (dutiful, respectful)
Responsible (dependable, reliable)

Ambitious (hard working, aspiring)
Honest (sincere, truthful)

By following certain modes-of-conduct values, people believe that they will achieve certain end-states of existence. For example, the Protestant ethic, which characterized a number of people in the United States at one time, holds that through hard work, frugality, and self-sacrifice here on earth (modes-of-conduct values), individuals earn their way into salvation and the kingdom of God (end-states-of-existence values).

In contemporary America, according to many scholars, the work ethic is rapidly eroding and being replaced by the rise of a consumer ethic. In the consumer ethic, earning money to consume is replacing earning money to save and invest as one of life's prime modes-of-conduct values. Organizations, especially through advertising, stimulate the value shift by reinforcing a philosophy that defines the individual's primary role in terms of consumption rather than work.[6] Such shifts in values have created new challenges for the management of employees at all levels in organizations. The specifics of many of these challenges will be addressed throughout the remainder of this book. According to Rokeach, end-states of existence might be illustrated by such values as:

Comfortable life (prosperous life)
Exciting life (stimulating, active life)
Sense of accomplishment (lasting contribution)
World of beauty (beauty of nature and the arts)
Freedom (independence, free choice)
Inner harmony (freedom from inner conflict)
Self-respect (self-esteem)[7]

Two people can share similar end-states-of-existence values but hold different and possibly conflicting modes-of-conduct values. They both may believe strongly in freedom but differ substantially over issues involving freedom, such as relative rights of workers and managers and the appropriateness of government controls over an organization's activity.

Personally or Socially Preferable. A value is a conception of something that is personally or socially preferable. One's values are not necessarily intended to apply equally to oneself and to others. A manager, with no thought of being inconsistent, might say: "I believe in competition in our economic system because it increases efficiency" and "There are too many firms in our industry engaged in cut-throat competition—what we need is more cooperation if we are going to survive." In the one instance, the manager is applauding the modes-of-conduct value of competition, in the other, the modes-of-conduct value of cooperation. In everyday life, values are often used flexibly; they may be viewed as applicable to ourselves and not to others, or vice versa; and they may be used as a single or double standard of behavior.

Importance of Values

From the standpoint of organizational behavior, an understanding of values is extremely important because they influence the decisions and behavior of employees and managers today as well as in the future.[8] Today's values and changes in them help shape our future. One author notes, "Values are concerned in the future of every size of entity, from the individual to the groups and organization, from the nation to all homo sapiens."[9] Individual value systems, particularly of managers, are of significance because they influence:

1. The way other individuals and groups are perceived, thereby influencing interpersonal relationships.
2. The decisions and problem solutions chosen by an individual.
3. The perceptions of situations and problems an individual faces.
4. The limits for determining what is and what is not ethical behavior.
5. The extent to which an individual will accept or resist organizational goals and pressures.
6. The perception of individual and organizational success and its achievement.
7. The choice of individual and organizational goals.
8. The means chosen for managing and controlling the human resources in the organization.[10]

Relation of Values to Defining Organizational Effectiveness

The criteria of organizational effectiveness, for the entire organization or one of its units, reflect value judgments. *Effectiveness* is the extent to which organizations choose the proper goals and achieve them efficiently within the constraints of limited resources. A strategic issued faced by management is the choice of goals that will result in goods or services that are desired or wanted by individuals. The goals chosen by managers must always be based upon an underlying understanding of the values held by individuals. Since people have a variety of values, which at times may conflict with each other, many organizations often use multiple criteria or factors for evaluating their relative effectiveness. Moreover, a variety of groups (customers, employees, stockholders, managers, and government) often have a stake or interest in an organization. These groups often place different priorities or emphasis on these criteria of effectiveness. For example, stockholders may emphasize profits and rate of return on investment as the most important criteria of effectiveness, whereas employees may place relatively high emphasis on their own satisfaction in terms of good pay, secure employment, and the like.

Table 3–1 summarizes the stated goals of General Electric. A number of goals, which may come into conflict with each other, need to be sat-

TABLE 3–1. Stated Goals of the General Electric Company

1. To carry on a diversified, growing, and profitable worldwide manufacturing business in electrical apparatus, appliances, and supplies, and in related materials, products, systems, and services for industry, commerce, agriculture, government, the community, and the home.
2. To lead in research in all fields of science and all areas of work relating to the business in order to assure a constant flow of new knowledge that will make real the Company theme, "Progress Is Our Most Important Product."
3. To operate each decentralized business venture to achieve its own customer acceptance and profitable results by taking the appropriate business risks.
4. To design, make, and market all Company products and services with good quality and with inherent customer value, at fair, competitive prices.
5. To build public confidence and friendly feeling for products and services bearing the Company's name and brands.
6. To provide good jobs, wages, working conditions, work satisfactions, stability of employment, and opportunities for advancement for employees, in return for their loyalty, initiative, skill, care, effort, attendance, and teamwork.
7. To manage the human and material resources of the enterprise for continuity and flow of progress, growth, profit, and public service in accordance with the principles of decentralization, sound organization structure, and professional management.
8. To attract and retain investor capital through attractive returns as a continuing incentive for wide investor participation and support.
9. To cooperate with suppliers, distributors, retailers, contractors, and others who facilitate the production, distribution, installation, and servicing of Company products and systems.
10. To meet the Company's social, civic, and economic responsibilities with imagination and with voluntary action which will merit the understanding and support of all concerned among the public.

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isfied for General Electric to consider itself as effective. The presence of these multiple goals is a direct reflection of the variety of values that may be held by any one individual and the differences in values that are likely to be held by powerful groups or individuals that have a stake in the organization.[11]

A challenge for the management at General Electric is to maintain some type of balance between stated goals so that the organization will survive and grow. Unfortunately, much uncertainty faces managers in attempting to choose the relative blend and balance in these goals. An important factor in determining the blend and relative emphasis on various organizational goals is likely to be the profile of values held by the managers of an organization. The next section illustrates how the mix of goals of an organization are in part contingent upon the types of managerial value systems that are present in the organization.

MODELS OF MANAGERIAL VALUES

I am concerned about a society that has demonstrably lost confidence in its institutions—in the government, in the press, in the church, in the military—as well as in business.[12]

Richard C. Gerstenberg
Past President, General Motors

We are witnessing the development of a responsive corporation which . . . should be increasingly capable of handling new issues whether they be "business" or "social." They will probably have different values, as has been rather widely suggested.[13]

Raymound A. Bauer
Professor, Harvard Business School

Whether you agree with the pessimism of Gerstenberg or the optimism of Bauer, both are claiming that people are expressing decreasing concern for the value framework that managers of our major institutions, particularly business, have operated in. Depending upon one's personal value system, this changing reality is a problem or an opportunity.

For managers in organizations, it is difficult enough to function in an environment in which traditional values are being rejected with increasing frequency. The current situation is made even more complex because new values are neither well defined nor easily implemented in organizations designed to reflect earlier value systems. Managers tend to respond to the diversity in new value systems with either uncertainty or fear.[14]

To illustrate these developments, three alternative managerial value systems—profit-maximizing management, trusteeship management, and quality-of-life management—are discussed. The discussion of these three types of managerial value systems is adapted from the analysis and synthesis of R. Hay and E. Gray.[15] The systems are presented as "pure" types to emphasize differences and their possible implications, but it should not be assumed that a particular manager or the managers of a single organization can be described as representing only one of the three types.[16]

Profit-maximizing Management

The profit-maximizing managerial value system is the oldest, simplest, and most limited of the three systems. The manager's value and the value of the organization are to maximize profits. All other managerial decisions and actions should be directed toward this sole end. While this value system promotes a selfish outlook, it was advanced as a desirable and appropriate form of behavior within a particular type of economic system. It was assumed that this selfish interest would be pursued in an economic system with the following characteristics:

1. Consumers would have complete knowledge about alternatives and the characteristics of the product and services.
2. There would be so many sellers and buyers that none of them could independently control the number of items produced.
3. The suppliers would have no control over price, i.e., they would have to sell at the price established by the impersonal interaction of market forces.
4. Government would not interfere with the economic system.

While there are a number of other assumptions underlying this type of economic system, the key point is that it was assumed that the exclusive pursuit of profits would ultimately result in the lowest prices for consumers. Profit-maximizing management was thus accompanied by values such as individualism (survival of the fittest), individual property and private ownership of the major means of production, competition, and less government control and intervention into the economic system.

Major changes in religious beliefs accompanied the development of profit-maximizing management. These changes started with the Protestant Reformation, which was led by Martin Luther in the early 1500s. The Protestant ethic emphasizes the importance and desirability of hard work, self-discipline, simplicity of life, sobriety, frugality, and individualism.[17] These religious values served to justify and reinforce the values in profit-maximizing management.

Effects on Managerial Behavior. Several personal modes-of-conduct values in profit-maximizing management are important for the understanding of managerial behavior. Decisions and actions in regard to customers are likely to reflect the value of caveat emptor ("let the buyer beware"). Within the organization, employees are considered to be just another resource needed to create the firm's goods and services. These human resources should be hired, fired, demoted, and promoted only on the basis of what is considered best by the managers for the owners of the organization. Employees are only means, not ends.

Because the top managers of the firm would also typically be the owners, there should be no conflict between the interests of the owners and those of key managers. The leadership style might be one of a rugged and authoritarian individualist, which is consistent with the underlying value of survival of the fittest. Thus, the welfare of employees should be considered only from the standpoint of helping the organization to maximize its profits. Ultimately, it is assumed that the employees' welfare and that of society in general would benefit from competition between firms.

Rationale. The rationale for the profit-maximizing manager might be somewhat as follows:

> *I have to survive in an impersonal and competitive marketplace. If my employees can do better in the labor market, it is their option to quit. If I were to start considering my employees' needs beyond what my competitors do, this would drive up my costs, eliminate all profits, and result in failure. I wouldn't survive and my employees would be out of work. So what did I accomplish? You should also remember that the plight of most of my employees is not my fault, but is a result of their own weaknesses and inability to compete. Look at me! I brought myself up by hard work and sticking to it. If they weren't so lazy, they could be much better off. Through hard work, they could have money and wealth, too. But I guess it's God's will that only some of us will make it. These radicals, who think they can change things, don't realize that the laws of nature and God control our destiny. If they would only listen . . .*

This description does not necessarily portray how all profit-maximizing managers did or do act and feel. Rather, it describes one of the three "pure" types of managerial value systems—the profit-maximizing value system—that was most often and vocally expressed in the United States in the 1800s and early 1900s. Parts or all of the profit-maximizing managerial value system are probably still accepted by various groups in the United States.

Trusteeship Management

The trusteeship management value system modified and added to profit-maximizing management beginning in the 1920s. It had become evident that the structure of the economic and social system no longer adequately mirrored the assumptions of profit-maximizing management. Instead, the economic system was increasingly characterized by large-scale, complex organizations that functioned as oligopolies, where a few suppliers provided 70 percent or more of the goods and services in a particular industry. The tire industry, which is dominated in the United States by Goodyear, Firestone, B. F. Goodrich, General Tire, Uniroyal, and Dunlop, is often considered to be an oligopolistic industry. Monopolies, such as telephone, electric, and natural gas companies were also increasing in relative size and importance.

There was a growing tendency for the ownership of these complex organizations to be distributed among thousands of stockholders and for the managerial group to control these firms, but to have little stock ownership in them. The concept of trusteeship management gained the greatest recognition among the managers of these large and complex organizations. The practical effect of this change for most stockholders was to weaken their influence. If they became dissatisfied with the management and the performance of the firm, there was little they could do but sell their shares.

Another change that accompanied the development of the trusteeship management value system was the conception of the United States as a pluralistic society. A pluralistic doctrine means "counterbalancing interests and institutions in society prevent one group or interest from achieving hegemony (dominance). Offsetting businesses are the regulatory organs of the government . . . organized labor, competing interests within business, and the legal system that affords means of redress for the average consumer or his representatives."[18] The extent to which society actually mirrors pluralism remains subject to debate and different interpretations. (A consideration of this debate is beyond the scope of this chapter.)

Pluralism implies that the power and the right to influence an organization is diffused among a number of groups with conflicting values and goals and does not reside solely in the owners. Accordingly, managers are supposed to be responsible to those groups with important stakes in the firm, particularly the workers, customers, stockholders, creditors, suppliers, and the community. With these diverse demands on the organization, management's role is to balance and reconcile the claims of the various groups. (The stated goals of General Electric in Figure 3–1 reflect a claim that they will try to satisfy the various demands on them.)

Effects on Managerial Behavior. The value system of trusteeship management is broader and more complex than that of profit-maximizing management, for no longer is there one clear, well-defined goal serving as a guideline in managerial decision making. Questions illustrating these uncertainties might include:

1. What are the tradeoffs, if any, between improved working conditions for employees and dividends for stockholders?
2. Should we impart information about our products to customers that enables them to make more informed choices but that also reveals that there are virtually no differences as compared with lower priced products of competitors?
3. Should we pay employees at the market rate even if it barely permits subsistence?
4. If we pay employees above the market rate, how much above should it be, and does this result in lowering the profits that rightfully belong to the stockholders?

Numerous questions such as these are left to be answered by the managers and possibly by the group(s) that have the greatest relative power to affect the survival and growth of the organization. You may want to stop a moment and see if you can identify other difficult questions that are likely to face the manager under trustee management.

While trustee management created ambiguities, it also led to critical modes-of-conduct values regarding the management of employees. Employee needs are recognized as going beyond simple economic ones, including needs such as security, belonging, and recognition. Individuals in the organization are viewed as much more complex in nature. While still adhering to the importance of individualism, the trustee management value system is less likely to be accompanied by the assumptions of the inevitability of intense competition and the doctrine of survival of the fittest. There is likely to be some recognition of the value of group and individual participation in decisions. Employees are viewed as both a means and an end, as more than a resource to be hired and discarded in the impersonal labor market. Employee rights must be recognized, for if they are not, the employees have the ability and the right to form employee groups, such as unions, to focus attention on their interests.

Role of Self-interest. Within the concept of trustee management, there is still a strong sense of self-interest and the need to earn certain targeted profit levels. Rather than profit maximization, earning a satisfactory profit level, such as 20 percent return on investment, becomes a major guide to decision making. While the necessity of government is recognized, it is one of those evils to be maintained at a minimum level of influence, particularly with regard to the economic system. There might be a strong feeling of "what's good for the company is good for the country."

The trustee management value system is probably the one most frequently expressed today by managers. Henry Ford II seems to articulate a version of the trustee management model in these words:

> There is no longer anything to reconcile—if there ever was—between the social conscience and the profit motive. The first duty of a company to society as well as to its owners is still to strive for profit . . . the difference between capital investment and social is much more a difference of degree than of kind.[19]

Quality-of-Life Management

The quality-of-life management value system represents an extension of the trustee managerial model. It is the newest of the models, having emerged in the 1960s. It probably has the fewest advocates in the management community.[20] The quality-of-life approach recognizes the need for profits, but prefers that they be rationalized in terms of social benefits, rather than just in terms of owner benefits. Profits are viewed more as a means than an end. The need for responsiveness to various groups with a stake in the organization is expanded to include the interests of society as a whole. As a corollary, there is a greater tendency to think "what is good for society is good for the company." Changes in people, both within and outside the organization, are viewed as more important than money, materialism, or technology.

Effects on Managerial Behavior. The humanistic bias of quality-of-life management means that the dignity and worth of each employee is recognized. Managers recognize that employees bring all of themselves to the work place. Jobs are designed so that they enable employees to utilize their skills and abilities. Group and individual participation in the organizing, planning, and controlling of work relevant to the job is viewed as necessary and desirable. Participation is considered necessary because it increases the probability of the organization's being successful and it is one of the primary avenues for recognizing the dignity and humanness of individuals and groups. Leadership practices are likely to be democratic, and there is likely to be much sharing of information and trust between managers and employees.

At the top executive level of the organization, managers are likely to feel that society's problems require cooperation between business and government. Business managers are likely to feel that government must and should play a leading and vigorous role in certain social areas. For the first time, the necessity of a vigorous government is seen in a favorable light.

The value system in quality-of-life management continues the shift from individualism, competition, and raw self-interest to sharing, cooperation, and enlightened self-interest. Life is seen less as "I win when you lose" and more as "I win when you win."

Whether the value system that makes up quality-of-life management will be widely accepted by managers and, more importantly, practiced by them remains an unanswered question. For example, a Japanese executive in commenting on working life in the United States versus Japan, had this to say:

> My most unpleasant experiences while I was in the U.S. were in connection with differences in thinking about the proper relationship of a person to the group. When something went wrong, where there was a fear of blame being assigned, American employees always, almost like a reflex reaction, turned to self-defense. This has to do with a different sense of responsibility. Americans tend to think of themselves as individuals, distinct from the group, and are quick to take the defensive in order to protect themselves. Japanese have a primary responsibility to their group or company, and are thinking of the best interest of the group or company rather than of themselves.[21]

When managers, given the present institutional system within the United States, should or even can adapt to quality-of-life management in all its forms also remains an unanswered question. For example, Xerox Corporation has been regarded as a "leader in providing job training to disadvantaged workers and financial and other aid to ghetto business [and] can be considered by some to be a prime example of a socially responsible

TABLE 3–2. Summary of Models of Managerial Values

Dimensions	*Profit-maximizing Management*	*Trusteeship Management*	*Quality-of-Life Management*
Overall Objective	Maximize profits	Reach satisfactory profit level plus satisfy other groups	Profits of secondary importance, only a means
Primary Modes-of-Conduct Values	Individualism, competition, ambitions	Mixture	Cooperative, loving, honest
Role of Government	The less the better	Necessary evil, sometimes needed	Partner with business
View of Employees	Means, with only economic needs	Both means and ends	Ends in themselves
Leadership Practices	Authoritarian	"Velvet glove," mixture	Democratic, high participation
Role of Stockholders	Primary importance	Important, but other groups recognized as having a stake	No more important than any other group

corporation," while others consider it to represent an "immoral investment."[22] Xerox Corporation was viewed by some as an immoral investment because it does business in South Africa and thus, it is claimed, indirectly support apartheid (strict segregation between whites and blacks) and racism.

Assessment of Models of Managerial Values

Table 3–2 summarizes the three models of managerial values. All three models operate to some extent among different managers and managerial groups. No one is found in its "pure" form, nor is any one system applied exactly the same in all similar circumstances.

Radical Criticism of Managerial Value Systems. Certain groups contend that the trusteeship and quality-of-life models are essentially propaganda and rhetoric designed to hide the true nature of the values actually being implemented by managers. These groups contend that organizational and managerial values are beyond change and must be eliminated entirely through various radical means. Their thoughts might be summarized as follows:

> *We should and could eliminate the nonsensical concern with profits by having the benefits of the organization shared with all the people. Private ownership should cease and these huge organizations, including big business, big unions, and big government, should be broken up to permit real decentralization to the people. The idea of pluralism is a big joke. The managers of the big institutions are cooperating and feeding off the efforts of the common working man. Only a revolution and tearing apart to start anew will bring about any meaningful changes in the values that influence the way organizations are run and the way people are treated within them.*

Such views disturb, and even frighten, leading managers of American industry. The quality-of-life management value system might have obtained some impetus from those within or associated with American management who see the necessity of responding to some of the problems pointed out by radical groups. However, these spokespersons are not likely to go so far as the radicals hope to, because they believe that a revolution in the institutional system would bring more problems than cures. Regardless of one's personal beliefs as to the "right" managerial values, there will probably continue to be major concern with this area in the business community and various segments of society over the coming years. The primary purpose of this section has been to consider the outlines of the major alternatives being considered—not to prescribe an answer.

Importance of Values to Organizational Behavior. Values are extremely important in organizational behavior because they influence people's actions and decisions. The tangible relationship between managerial values and behavior can be illustrated by suggesting what top management might do about water pollution from one of the company's plants, given each value system. With profit-maximizing management, there might be a tendency to do the minimum required and to use the courts in order to delay compliance with government orders to clean up the water they use before dumping it back into the river. With the trustee management value system, there is likely to be a tendency to react positively and to work with the government agency after they have been notified of being in noncompliance. With quality-of-life management, there might be a tendency to be proactive in recognizing the need to clean up their waste water, possibly even before governmental action is implemented.

Although suggestions for coping with value changes are developed later in the book, it is important to recognize two essential points here. First, the types of changes desired by various groups in the environment of organizations are often conflicting. Some employees may desire more meaningful jobs with greater responsibility while other employees may focus on job security and be fearful of changes in jobs. Second, the means for bringing about changes that are agreed upon are often complex and not well defined. For example, Chrysler Corporation has made some efforts to enrich jobs of production workers but has encountered numerous difficulties in keeping production costs from increasing, maintaining the concept of job security, making equitable adjustments in reward systems, and revising labor management agreements. While the general goal of making the workplace more meaningful and humane is widely applauded, the means for doing so without revising other desired goals is not so clear.

The first part of this chapter emphasized the importance of value changes in society as representing a major environmental influence on organizations. The second part of this chapter shifts focus somewhat by suggesting a "mental map," or model, for diagnosing and assessing the environment of an organization. This assessment approach can be used to diagnose many environmental forces in addition to values. This discussion will primarily emphasize the types of environments managers may confront and the types of problems they have to diagnose.

ASSESSING THE ENVIRONMENT

> Almost every aspect of our society appears to be in a state of crisis and to be undergoing revolutionary change. A National Conference on Public Administration identified five contemporary revolutions: the social, the technological, the political, the economic, and the administrative. One can add educational revolution, the urban revolution and many others.
>
> The revolutions through which our society is going are not independent of one another. They reflect some very basic cultural changes: Interrelated changes in man, his environment, and how and what he thinks about both.[23]

This quote implies three key concepts that need to be kept in mind when you think about the external environment of an organization. The first key concept in discussing environmental assessment is to recognize that an organization encounters and interacts with many external subenvironments, not simply with a single environment. In a practical sense, an organization breaks down its environment into subenvironments, each of which may be primarily dealt with by different individuals or groups in the organization. Relationships between one subenvironment and organizational group may have implications for relationships with another subenvironment and organizational group. For example, a major U.S. tire manufacturer threatened to cancel about a million dollars a year in shipping business with a trucking firm when it discovered that this firm was not purchasing any of its truck tires.

A second key concept is that there are differences in these subenvironments that require differences in the ways of organizing and managing to match up with the characteristics of the particular subenvironment. For example, a research and development unit has a different environment than an assembly plant. The specific management implications of this will be developed in Chapter 4 as well as in later chapters.

Third, an organization is typically faced with demands from its subenvironments that exceed its available resources. For example, consumers may want lower prices, suppliers desire higher prices, the states want more taxes, the federal government desires more pollution control.

The variety of subenvironments that can face a single organization or different organizations is presented next.

Change-Complexity Environmental Model

The change-complexity environmental model is adapted from the work of Duncan.[24] *Environment* is defined as "the totality of physical and social factors that are taken directly into consideration in the decision-making behavior of individuals in the organization."[25] The breadth of this definition permits recognition of an internal environment within the boundaries of the organization, and external environment outside the organizational boundaries. We will be primarily concerned with the external environment. It is critical for management to have a "mental map" for diagnosing and perceiving their external environment and differences within subenvironments. The accuracy of their diagnosis should help management understand the amount and types of uncertainty facing them in the decision-making process. Moreover, an accurate diagnosis is essential for avoiding the growing trend of failing because they solved the wrong problem rather than because they used the wrong solution to the right problem. For example, management might perceive the problem of declining sales of an item as a result of a price and thus cut it. But, the real problem could be a result of poor product design.

Specific external subenvironments are likely to vary among types of organizations. The subenvironments and the relative importance of each may well differ among industrial organizations, private service organizations, government organizations, hospitals, and universities. However, managerial and individual values represent one environmental component that acts on all organizations, although the impact of values on management is not likely to be the same among all organizations. Societal changes in instrumental values may not be as relevant, in the short run, to managers of a firm located in a stable rural community (in terms of religious, political, and economic values) as they would be to managers of a firm located in a major metropolitan area with a labor force that is diverse in terms of value orientations.

In addition to the values of the population and the work force, the following subenvironments may be particularly relevant to industrial organizations: customers, suppliers, competitors, government agencies, labor unions, consumer groups, and environmental groups. Subenvironments such as these can be assessed in terms of two key dimensions: (1) the degree of complexity and (2) the degree of change. (You may want to see

Starbuck for a more complex framework of organizational environments.[26])

Degree-of-Complexity Dimension. The degree-of-complexity dimension (variable) is the extent to which an individual or group in an organizational unit must deal with few or many factors that are similar or dissimilar to one another. People in an organizational planning unit are typically confronted with a complex environment, whereas the custodial staff faces a relatively simple environment. The degree of complexity might be determined by asking employees what factors they consider in making decisions and then determining how many of the factors are located in different subenvironments.

Degree of complexity depends upon both the number of factors and the number of subenvironments in which these factors are located. Five factors in one subenvironment, such as the customer subenvironment, would not be given as high a point rating on complexity as five factors located in three subenvironments, such as customers, suppliers, and competitors.

We need to add the qualifying statement that the degree of complexity is somewhat influenced by whether decision makers perceive their environments as complex or simple. The perception of an environment as simple or complex is likely to be influenced by both the nature of the environment *and* the characteristics of the individuals perceiving the environment.

Degree-of-Change Dimension. The degree-of-change dimension is the extent to which the environmental factors considered by an individual or group in a particular work unit of the organization are in a constant process of flux or remain basically the same over time. For example, values of organizational members, while they have always been complex, are changing rather than remaining static and stable. It is also becoming increasingly necessary to get individuals who have varying and oftentimes conflicting value systems to work together. Another example is the frequency with which customers change their requests for different levels of output or different characteristics in the output for a given product. The production of an automobile is much more complex today than it was thirty years ago because of the hundreds of options that are now available to consumers.

The degree-of-change dimension is assessed by asking the individuals in a work group *how often* the environmental factors (that they had already identified as being important in their decision making) change. A related aspect of the degree-of-change dimension is the frequency with which individuals in a work group have to consider new and different factors in their decision-making process. For example, a marketing group may have to consider many classes of customers, such as automobile dealers, car rental firms, and auto supply stores.

A more general aspect of the degree-of-change dimension is the number of major changes in goals or objectives during a given period. The greater the number of changes in goals or objectives over a given period, the higher the rate of change; the lower the number, the lower the rate of change.[27]

Perceived Environment

The overall perceived environment for a specific work group or organization is dependent upon both the degree-of-complexity and the degree-of-change dimensions, as shown in Figure 3–2. The vertical axis shows the degree of change as varying along a continuum from *static* to *dynamic*. The degree-of-complexity dimension is represented on the horizontal axis as varying along a continuum from *simple* to *complex*. Each of the cells in Figure 3–1 indicates the amount of uncertainty that is likely to be associated with each of the four extreme environments, such as a static/simple environment (cell 1) and a dynamic/complex environment (cell 4).

Without going into the mechanisms for measuring uncertainty, some of the questions that might be presented to determine the amount of uncertainty for various factors include:

1. How often do you believe that the information you have about each factor (such as customer preferences) is adequate for decision making in your work unit?
2. How often is it hard to tell how each factor (such as customer preferences) will react to, or be affected by, a decision of your work unit before it is actually implemented?
3. How often do you feel that the work unit can tell if the decisions made

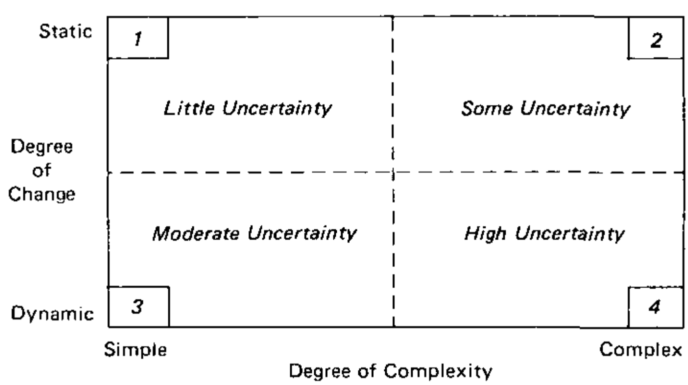

FIGURE 3–1. Change-Complexity Environmental Model

From Duncan, R., Characteristics of Organizational Environments and Perceived Environmental Uncertainty, *Administrative Science Quarterly*, 1972, 17, pp. 313–327.

will have a positive or negative effect on its and the organization's performance?

4. How sure are you about how each factor (such as customer preference) would affect the relative success of your work unit and the organization?

Implications for Organizational Effectiveness

Characteristics of the managers and the internal organization can play an important role in determining the type of external environment that the managers perceive for the organization. If the perceived external environment is not the same as the "true" external environment, managers will make mistakes in such things as the choice of goals, priorities put on problems, allocation of scarce resources, structuring of the organization, and formal reward and motivational systems. Managers of too many organizations tend to perceive the organization's external environments as relatively static and simple when they are actually complex and dynamic. One result of this is that managers spend too much of their time in a reactive rather than in a proactive position. This dominant reactive position results in too much "fighting fires" and crisis management.

Managers may come to perceive their environments as relatively simple and stable because habits and automatic responses are developed that create a form of tunnel vision on the part of the management group. These habits may well have been useful in one environment. But, over time, these habits may actually blind the managers to recognizing changes in the external environment. As a result, management may stagnate to the point that new problems are ignored or misinterpreted and new opportunities are missed. Ultimately, the mismatch between managerial perceptions and reality may become so great that the organization begins to stagnate and a managerial atmosphere of hopelessness and futility sets in. This is obviously a much worse approach than reactive management. Starbuck and Hedburg graphically describe the organization in a stagnating environment and their proposed solutions in these terms:

> Nearly all of the top management group deny the existence of hope: messages are not comprehended if they describe opportunities or if they contradict major tenets of the generally held world view; centralized controls and the lack of flexible resources drive away entrepreneurs; repeated failures discourage optimists; conflicts over what is to be done multiply until they block action and reinforce the conviction that all actions will fail. . . .
>
> If it is to succeed, a turn-around must begin by destroying this atmosphere of hopelessness and discarding the world view that led to it. Since both are embodied in the organization's people, especially in its top management, the top management as a group must be replaced. The new group can safely retain only the deviant executives who did not accept their colleagues' world view.[28]

While this is obviously an extreme situation, it does dramatize the potential role of behavioral factors in influencing organizational effectiveness and the importance of having a reasonably close match between the perceived external environment (or subenvironments) and the "true" external environment (or subenvironments).

Since Chapter 4 discusses how managers should structure the organization (or its component parts) to deal with different types of external environments, this next section only highlights and briefly illustrates the four "pure" types of environments.

Types of Environments

Figure 3–1 shows the four "pure" types of environments or subenvironments that can face an organization or its various parts: simple/static; complex/static; simple/dynamic; complex/dynamic. Of course, the actual environment of an organization or one of its parts could be located at any place on this grid.

Simple/Static. The simple/static environment (cell 1 in Figure 3–1) represents the easiest management situation. There are few surprises in this situation. The role of management focuses on making sure that well-established routines and procedures are consistently followed. The level of managerial skill needed in this situation is at a minimum. Little formal training is necessary; a moderate amount of on-the-job training is probably all that is needed.

The manager of a movie theater is faced with a relatively simple and static environment. The interaction of the movie theater personnel with customers is of limited scope, usually consisting of the exchange of money for admission and possibly the sale of simple and standardized snacks. The operation of a movie theater changes very little from one year to the next. The fact that some films draw more patrons than others has little effect on the local manager, with the possible exception of the hiring of a few more employees to work at the concession stand or to usher. Any major problems, such as a breakdown in the projector or air conditioning, are usually handled by calling in specialists. As long as the theater manager follows the rules and regulations set forth by top management, there will usually be few surprises or complex problems. Of course, the top management of a movie chain is faced with a much more dynamic and complex environment.

Complex/Static. The complex/static environment (cell 2 of Figure 3–1) is likely to result in some uncertainty for managers. Many of the decision problems in this environment are characterized more by risk than uncertainty. Under conditions of risk, managers usually have a fairly good understanding of the nature of their problems and the available alternatives. The future can't be predicted, but it is possible to assign probabilities to the effects of various alternatives. This environment is relatively stable, but it may take considerable training or on-the-job experience to develop an understanding of it.

An example of a complex/static environment is that of the manager/operator of a television repair shop. Customers who call on a television repair shop are usually of one type—those with broken television sets. Moreover, the usual types of problems with black and white or color televisions are fairly standardized. But the process of diagnosing the problems associated with a single television set is not a simple matter. Quite the contrary, the diagnosis of problems and the techniques for solution can be relatively complex. This example ignores the situation confronting the television repair shop when a new technology is introduced into television sets, such as occurred when television manufacturers introduced transistor components. The initial experiences with this new technology probably resulted in the manager/operator perceiving a complex/dynamic environment and experiencing a considerable amount of uncertainty in knowing how to repair these transistor television sets.

Simple/Dynamic. The simple/dynamic environment (cell 3 of Figure 3–1) requires managers to be highly adaptable. However, there is little need for sophisticated training in conceptual and technical skills. A number of changes are taking place, but they can be managed with a reasonable level of intelligence and motivation. Management is often aided in keeping track of these changes through the use of computer-based information systems.

The manager of the grocery section of a supermarket is a good example of someone who faces a simple/dynamic environment. The types and relative amounts of goods to be stacked in the grocery section are constantly changing, as are the prices that are to be marked on these goods. In this sense, the grocery manager faces a dynamic environment. However, the techniques and decisions associated with keeping the shelves stocked and orderly are quite simple. The grocery manager usually plays a minor role in determining the more complex issues associated with the grocery section, such as prices to be charged for the goods, relative space allocated to the goods, location of the goods, and use of special displays within the grocery area.

Complex/Dynamic. The complex/dynamic environment (cell 4 of Figure 3–1) represents the most difficult management situation. It is filled with numerous uncertainties in decision making. The need for professional managers and sophisticated insight and intuition is the greatest here. While decision-making techniques can aid managers in this situation, they cannot substitute for human judgment. The problems and issues confronting managers cannot be solved through the use of standardized rules and procedures.

One of the more dramatic examples of a management team that faced a complex/dynamic environment occurred when Standard Oil of

Ohio (SOHIO) literally bet its very existence on the development of the Alaskan pipeline and the North Slope. Sohio owns a third of the Alaskan pipeline and a little more than half of the North Shore reserves. Over the past decade, it has moved from a relatively small regional refiner and marketer to the third biggest producer of crude oil in the United States and the largest owner of domestic oil reserves.

The path to achieving these ends was incredibly complex and dynamic. Starting in 1970, the company management was faced with one complex and unanticipated problem after another. There were numerous delays in the construction of the pipeline, including unforeseen technical problems, tremendous pressures from various environmental groups, and endless hassles with state and federal regulatory bodies. Costs seemed to shoot up exponentially. For the pipeline alone (which opened five years behind schedule), the costs rose tenfold over the initial estimates to $9.3 billion. Sohio wound up borrowing $4.6 billion, which is six times its assets (as of 1978) and nearly 50 times the debt it had in the late 1960s. On several occasions, the ability to borrow money nearly ran out. But Charles Spahr (the chief executive officer of Sohio) and the entire management team kept forging ahead. Spahr explains: "We, and particularly I, *wanted* to be remembered as men of courage and judgment, as risk takers on a grand scale—not as damn fools. There could be no in-between."[29]

As mentioned earlier, the problems and opportunities confronting most complex organizations have become more numerous and diverse, the scope of the relevant environment (subenvironments) has expanded, and the rate of change has accelerated. As one management scholar noted: "From the simple task of giving it to them in any color as long as it is (cheap and) black, defined by Henry Ford, management tasks have expanded to include global diversification, mastering the R&D monster, coping with external sociopolitical pressures, and responding to growing demands for redesign of the working environment within the firm."[30]

Some Further Implications of Types of Environments

Several implications of different levels of perceived uncertainty, which will be developed more fully in later chapters, can be briefly mentioned here. As implied in the earlier discussion of values, some individuals may experience anxieties and tensions if their work group faces a complex/dynamic environment versus a simple/static environment. Because of personality differences, other individuals may perceive the same environment more favorably. At a group level, there is often a greater need for job-related interaction and communications among peers and with their manager in a complex/dynamic environment than in a simple/static environment.

The level of skills and knowledge needed by individuals in work groups is also likely to depend somewhat on the degree of change and complexity in the external environment. Finally, the ease or difficulty in managing work groups varies somewhat, according to their external environment. Many issues, problems, and recommendations in the field of organizational behavior are partially dependent upon the character of the external environment confronting a work group or individual.

SUMMARY

At the beginning of this chapter, two incidents were presented along with lists of alternative responses that might be made by a manager. Based on usable responses from about 2,000 individuals (93 percent of whom were managers), the following distribution of responses was obtained for the first incident: 1, 5 percent; 2, 19 percent; 3, 6 percent; 4, 8 percent; 5, 62 percent. For the second incident, individuals responded as follows: 1, 41 percent; 2, 39 percent; 3, 12 percent; 4, 7 percent.

These two incidents might also be considered in terms of how individuals holding each of three managerial value systems would respond. In the first incident, profit-maximizing management would likely choose 1 or 4; trusteeship management, 3 or 5; and quality-of-life management, 2. In the second incident, responses for profit-maximizing management would likely be 3 or 4; trusteeship management, 2; and quality-of-life management, 1.

This chapter has explored some trends, issues, and approaches for assessing the environment of organizations. Although the major intent was not to be prescriptive or to make simplistic judgments about "what is right," some of this probably occurred. One bias was to consider only pressures from the environment and possible reactions by organizations. Considerable data suggest that organizations influence and are very proactive with their environment as well. A second obvious bias is simply the choice of concepts, trends, and issues presented. These choices were made to present materials that might have the greatest relevance to an understanding of individual and group behavior within organizations and that could be built upon and extended in later chapters.

DISCUSSION QUESTIONS

1. What *similarities* are there between the three managerial value systems?

2. What *differences* are there between the three managerial value systems?

3. What difficulties do you think a manager might have if he or she possessed the quality-of-life managerial value system?

4. Are there any significant relationships between values and organizational effectiveness? Explain.

5. Can an organization be faced with both a simple/static environment and a complex/dynamic subenvironment? Explain.

6. How would you describe the environment or subenvironment of an organization you have worked for?

MANAGERIAL PROBLEMS

GENERAL ELECTRIC'S ENVIRONMENTAL ASSESSMENT

For several years, the management of General Electric has been systematically studying their external environment. One concern has been to evaluate and rank the relative importance of different charges, complaints, threats, and demands from the external environment. The top management of General Electric contends that the company is faced with the traditional demands of economics—the need for the firm to be concerned with efficiency, productivity, and profits—and with the new and emerging expectations and pressures from various segments of society. Since G.E. assumes that these expectations and pressures exceed its resources and capabilities (at least in the short run), its managers are faced with several fundamental questions. What demands should they respond to? What constituencies and pressure groups should they listen to? Implicit in their approach is the desire to devote scarce resources to those issues that will yield the greatest benefit to the firm. Resources expended on an issue that is a passing fad, even if there is strong current pressure behind it, might be viewed as resources that should have been used for some other issue or some other purpose (higher salaries, bigger profits, more comfortable offices).

G.E. came up with two groupings of factors that are related to the management of human resources. One grouping of factors was concerned with the charges or complaints being levied against large business firms. The other grouping of factors identified the various demands and threats that have accompanied these charges and complaints. The specific factors in these two groupings are shown in Table 3–2.

QUESTIONS

1. Assuming you were a member of top management at General Electric, how do you think you would rank the *relative importance* of the factors presented as pressures (charges and complaints)? You should also rank the relative importance of the factors presented as demands (threats). There are 15 factors presented in each of these categories. Rank each set of factors by assigning "1" to the factor that you feel is most important and "15" to the factor you consider least important.
2. Why did you choose the three highest factors in each grouping?
3. Why did you chose the three lowest factors in each grouping?
4. What actions, if any, do you feel the management of General Electric can take in dealing with the three highest ranked factors in each grouping?

TABLE 3–2. Presures and Demands in Employee Relations

Pressures (Charges and Complaints)	*Demands (Threats)*
___ 1. Authoritarian, hierarchical systems suppress individual initiative and participation in decisions affecting employees' interests.	___ 1. Deterioration in productivity of employees at all levels.
___ 2. Profit, not employee welfare, determines decisions such as layoffs.	___ 2. Alienation of blue-collar workers and, to a lesser extent, middle management and professional personnel.
___ 3. Work, whether in the plant or in the office, is monotonous, deadening, dehumanizing.	___ 3. More participatory management, employee involvement in decisions affecting their interests.
___ 4. Profit emphasis corrupts individual value systems (of managers and others) and distorts decision making.	___ 4. Job enlargement/enrichment (team and individual work in plants and offices).
___ 5. "The system" retaliates against "whistle blowers": it demands unconditional loyalty ("organization men").	___ 5. More flexible scheduling of work.
___ 6. Working conditions, especially in plants, show minimal regard for occupational health and safety.	___ 6. Greater employment security (guarantees of income or work; government as "employer of last resort"); massive.
___ 7. Management thinks only of an "adversary role" vis à vis unions' legitimate demands for better wages, benefits, and conditions.	___ 7. More attention to career development, retraining, growing obsolescence of skills at all levels.
___ 8. Business is racist, denying equal opportunity (in hiring, training, promotion) to minorities.	___ 8. More leisure time; longer vacations; earlier retirement; sabbaticals.
___ 9. Business is sexist, denying equal opportunity to women.	___ 9. Affirmative action on hiring, training, promotion of minorities and women (compliance reviews, termination of government contracts).
___10. Business is elitist, favoring "crown princes," and concentrating power in the hands of a few:	___10. Tighter enforcement of occupational health and safety standards.
___11. Business has a "brick curtain" preventing movement from shop to office.	___11. More "whistle blowing" by employees, with protection for their rights.
___12. Employees are cheated out of their pension rights through un-	___12. Strikes, sit-ins, class-action suits to enforce demands.
	___13. White-collar unionization including middle management, professionals.

reasonable vesting provisions or none at all.

__13. Business is no longer capable of creating and maintaining a sufficient number of jobs at all levels (blue-collar, professional, management).

__14. Corporations pay too little attention to the needs of middle management—both with respect to compensation benefits and job security and with respect to more subtle aspects of corporate life.

__15. Top management people vote themselves excessive salaries for work that has little to do with the useful, productive enterprise of producing and delivering goods and services.

__14. Restrictions on "management rights" (to limit exercise of arbitrary authority).

__15. Escalation of labor's bargaining power.

From Estes, R. M., The business-society relationship: Emerging major issues, in Steiner, G. A., *Selected Major Issues in Business Role in Modern Society* (Los Angeles: Graduate School of Management, UCLA, 1973), pp. 36–38. Used with permission.

WHAT'S REALLY WRONG AT CHRYSLER?

An article in *Fortune* entitled "What's Really Wrong at Chrysler" suggests that Chrysler is having difficulties because its management has never clearly answered three fundamental questions that confront all organizations: "What is our purpose? What are we trying to do? Whom are we trying to serve?" In the case of Chrysler, it is claimed that top management has never been able to decide the types of cars it wants to build or the types of customers it wants to serve. As a result, Chrysler is said to shift gears continuously—thereby missing out on its strengths and reinforcing its weaknesses. The author goes on to assert:

> Any successful business is founded on a concept of a product it can make or a market it can serve. This idea becomes the company's central heritage. Over time it comes to dominate both the strategy and the spirit of the company, so that problems and opportunities are seen in relation to the fundamental principle. Organizations can often move beyond their original concept, but they can seldom *abandon it*.

QUESTIONS

1. Discuss the implications of the chapter materials in substantiating, or being at odds with, the above conclusions.
2. In what ways do you agree and/or disagree with the conclusions reached?

KEY WORDS

Reactive orientation
Proactive orientation
Value
Value system
Modes of conduct
End-states of existence
Effectiveness
Profit-maximizing management
Trusteeship management
Quality-of-life management
Pluralism
Environment
Degree of complexity
Degree of change
Perceived environment
Simple/static environment
Complex/static environment
Simple/dynamic environment
Complex/dynamic environment

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