

R270: Organizational Behavior

Graduate School of Business

Stanford University

Fall 1999

Professor Roberto Fernandez
Professor Michael Morris

<u>Section</u>	<u>Day</u>	<u>Time</u>	<u>Instructor</u>
1	Tuesday / Friday	3:30 P.M. – 5:05 P.M.	Morris
2	Tuesday / Friday	10:00 A.M. – 11:45 A.M.	Fernandez
3	Tuesday / Friday	8:00 A.M. – 9:45 A.M.	Fernandez
4	Tuesday / Friday	1:20 P.M. – 3:05 P.M.	Morris
5	Tuesday / Friday	1:20 P.M. – 3:05 P.M.	Fernandez
6	Tuesday / Friday	10:00 A.M. – 11:45 A.M.	Morris

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Course Overview

- This course is designed to increase your effectiveness and skill in analyzing, managing, and understanding organizations and organizational processes. It is a course in applied behavioral science. By this we mean that the course will cover some basic behavioral science concepts and theories and illustrate how they can be used to help diagnose situations and decide what to do in them. The course emphasizes the implications and applications of some selected portions of organization theory for managerial practice.
- It is important to recognize that this course is only seven weeks long. The potential scope of concepts, theories, and applications is immense. Consequently, we are necessarily going to be selective and also intense in moving through this material. We will spend only a session or two on topics that could easily take an entire quarter. The objective is to expose you to the basic ideas and some applications of those ideas, and to give you a framework for organizing your own past experience as well as guiding additional learning and reading you will be doing after you leave the course. It is important to recognize that our objective is not to teach you how to follow a specific recipe for doing something, but instead to teach you to cook for yourself, by developing conceptual skills and knowledge so that you can solve novel problems independently.
- The course is divided into four sections plus an introductory and concluding class. The first section of the course focuses on individual decision-making and learning, emphasizing some common biases and fallacies that are relevant in the organizational setting. The second section of the course focuses on informal organization; while informal organization is often the most difficult feature of an organization to ‘control,’ a careful understanding of informal organization is critical to understanding what does (and does not) get done in organizations. The third section treats topics in incentives, job design, and formal structure; often incentives, job design, and formal structure are regarded as the most tangible tools at a manager’s disposal for attaining goals within the organizations. In the last few weeks, we shall treat two important selected topics —managing change and cross-national differences in management. While these last two topics will undoubtedly receive some attention in earlier classes, each is of sufficient importance that they need to be touched upon directly. Moreover, each topic will provide an opportunity to integrate the lessons of the previous three units.

Grading

- Your grade for the course will be based on three elements: 1) the grade on the mid-term project (30% of the final grade); 2) the grade on the final examination (45% of the final grade); and 3) your participation in class discussions of the case and course material (25% of the final grade).

Because class participation is such a high proportion of the grade, we would like to lay out in a little detail what we believe are important dimensions of class participation:

1. Whether the participant is a good listener
 2. Whether comments are relevant to the discussion
 3. Whether comments add to the level of knowledge in the class
 4. The willingness to take risks
 5. The degree to which the participant is willing to interact with other class members
 6. The extent to which the participant is judicious in the frequency of comments (i.e., not too many or too few)
- The final examination must be taken at the time scheduled by the Registrar's office.
 - One of our objectives is to have you develop familiarity and skill with the concepts of the course. To accomplish this, the course involves not only reading conceptual material but also applying that material to case situations. To benefit as much as possible from the course, it is important that you read the material and prepare the cases — in other words, be actively involved in the learning process. You will be able to try out your ideas and insights in class discussions and exercises. Your grade on class participation will be based not only on the frequency of participation (not too much or too little) but also the quality of your contributions to the discussion and your success in leading the discussion in productive, analytical directions. It will be difficult to earn a passing grade if you do not take part in class discussions, particularly of the cases.

Text Materials

- There is no required text book for the course. All required readings and cases are in the course reader that you will purchase.

Preparing for Class

- You should complete the reading and cases for each session in advance. You won't profit as much from the class session unless you come prepared, nor will you be able to contribute to the class discussion of the case. It is important that you read the articles as well as the case. Not surprisingly, the two are related. One way to proceed is to read the case quickly first, to get some idea of what the major issues are. Then, do the reading thoroughly to understand the concepts being developed. Evaluate the readings critically, thinking about the logic of the argument, assumptions, and evidence. This is an important exercise. In the future, you will read about new management ideas in the popular or business press and will have to decide whether or not they seem valid enough to try. Finally, go back to the case with the underlying ideas in mind, and work through the case in some detail, attempting to apply the concepts for

the session (and ones from previous sessions — learning is cumulative) to the situation presented.

- Many of the principles and issues involved in managing people and organizations are timeless. Consequently, you should not rely on the copyright dates of either the readings or the cases in evaluating their usefulness. The more “seasoned” readings and cases are there because they speak to important issues in a useful and interesting fashion.
- Class discussion is an important part of the learning process. To attain a rich and flexible understanding of the concepts, you need to become actively engaged with the material. Class discussion is sometimes difficult for people whose native language is not English. Students in the past have consistently noted that input from colleagues from different countries and cultures is one of the greatest learning opportunities. We want to encourage as much participation as possible by all class members, and certainly from those who have a different set of experiences and insights to enrich the discussion.

Course Outline and Schedule of Sessions

Introduction

September 24: Session 1: The Problem of Management

Readings:

- Peter M. Senge, “The Leader’s New Work: Building Learning Organizations.” In *Sloan Management Review*, pp. 7-23. Fall 1990.

Video Case: Random Cuts

The video treats the development of knowledge, and the discrediting of that knowledge, about the treatment of heart disease. As we watch the video, try to think of parallels in the world of management and organizations. We will use the class discussion to focus on biases that affect our judgments and actions, and some possible ways of overcoming these biases.

I: Individual Cognition

September 28: Session 2: Judgment and Decision Making

Reading:

- Max H. Bazerman (1990), Chapter 2: “Biases” and Chapter 3: “Judgment under Uncertainty.” In *Judgment in Managerial Decision Making*, pp. 11-69. John Wiley & Sons.
- Chip Heath, Richard P Larrick, & Joshua Klayman (1998). Cognitive Repairs: How Organizational Practices Can Compensate for Individual Shortcomings. In Barry M. Staw & L. L. Cummings, et al (Eds.), *Research in Organizational Behavior*, Vol. 20. Greenwich, CT: JAI Press.

Questions to think about:

Have biases in individual decision making been a problem in settings where you’ve worked? Were there organizational practices that prevented or repaired these problems?

October 1: Session 3: Diagnosis and Learning

Readings:

- Robyn Dawes (1988), “The Problem of ‘Learning from Experience’”. In *Rational Choice in an Uncertain World*, pp. 100-120. San Diego/New York: Harcourt Brace Jovanovich.

Case: Carter Racing (A). Stanford University S-OB-24.

Exercise: Questionnaire (Handout from day 1)

Questions to think about:

Have you observed managers learning too little or too much from experience? What were the obstacles to adaptive learning?

II. Informal Organization

October 5: Session 4: Escalation of Commitment

Readings:

- Robert B. Cialdini (1985), “Commitment and Consistency: Hobgoblins of the Mind.” In *Influence, Science and Practice*, pp. 50-93. Scott, Foreman, and Co.

Case: Kermit Vandivier (1979), “Why Should My Conscience Bother Me?” *Life in Organizations: Workplaces as People Experience Them*, pp. 160-175. New York: Basic Books, Inc.

Case: Pages 183-196 from Steven Bach (1985), *Final Cut*, New York: William Morrow; about the making of the movie, *Heaven’s Gate*.

Questions about Bach case:

1. How did United Artists wind up casting a comparatively unknown French actress to play the part of an American frontierswoman?
2. Do you think Cimino planned the commitment strategy that unfolded?
3. What factors made falling into the commitment trap particularly likely?

Questions about Vandivier case:

1. What factors fostered the company’s commitment to the production of a flawed brake design?
3. What should Lawson have done differently to effect change in the organization?
4. Was Goodrich a “learning organization?” Why or why not? What would you do if you were hired just following this incident to help improve the organization?

October 8: Session 5: Roles and Compliance

Readings:

- Jeffrey Pfeffer (1982), “Role Theory.” In *Organizations and Organization Theory*, pp. 98-102.

- Turner, Ralph T. (1968). "Role: Sociological Aspects." In David L. Sills (Ed.), *International Encyclopedia of the social sciences*, Vol. 13, pp. 552-557. The Macmillan Company & Free Press.

Vide Case: Obedience to Authority

In this class, we will watch a film of the Milgram experiments on obedience and authority. As you watch the video, think about the factors that lead the subjects to follow the instructions of the experimenter.

October 12: Session 6: Organizational Culture and Socialization

Readings:

- Charles O'Reilly, "Corporations, Culture and Commitment: Motivation and Social Control in Organizations," *California Management Review*, pp. 9-25. Summer 1989.
- Joanne Martin and Caren Siehl, "Organizational Culture and Counterculture: An Uneasy Symbiosis." In *Organizational Dynamics*, pp. 52-64. Autumn 1983.
- Tom Stein, "Portals Climb the Corporate Ladder." *San Francisco Chronicle*, August 16, 1999.

Case: John Van Maanen (1991), Chapter 4: "The Smile Factory: Work at Disneyland." In *Reframing Organizational Culture*, pp. 58-75. New York: Sage.

Video Case: Disney segment of the "In Search of Excellence" television program.

Questions to think about:

1. If organizational culture is company-wide consensus about shared core values, what are the core values at Disney?
2. What are the major subcultures at Disney described by Van Maanen?
3. Are there subcultures at Disney? How do you think these subcultures would feel about the core values you have described?
4. In what ways can "intranets" function in socializing new employees? In creating shared values and mental models? In fostering learning?

October, 15: Session 7: Innovation and Network Structure

Reading:

- Ronald Burt. "The Social Capital of Entrepreneurial Managers." *Financial Times*, May 10, 1996.

- Andrew B. Hargadon (Spring 1998). Firms as Knowledge Brokers: Lessons in Pursuing Continuous Innovation. *California Management Review*, Vol. 40, pp 209-227.

Video Case: Product design at IDEO.

Questions to think about:

1. How does the structure of interpersonal communication relations that Burt advocates facilitate innovation or entrepreneurship?
2. Is this network structure always optimal? Can you think of types of relationships or of organizational contexts where James's network structure would be preferable to that of Robert's?
3. Why do firms such as IDEO find it useful to work in diverse, disconnected industries?
4. What aspects of informal organization (i.e., roles, culture, relationship structures) enable firms such as IDEO to learn from diversity and conflict?

October 19: Session 8: Analyzing Power in Organizations

Readings:

- Jeffrey Pfeffer (1992), Chapter 4: "Where Does Power Come From?" In *Managing with Power*, pp. 71-81. Boston: Harvard Business School Press.
- Jeffrey Pfeffer (1992), Chapter 6: "Location in the Communication Network." In *Managing with Power*, pp. 111-125. Boston: Harvard Business School Press.

Case: British Steel: The Korf Contract (HBS# 481110).

Video: "British Steel"

In this session, we will watch the British Steel Corporation make an actual capital investment decision. Read the case material to provide general background on the company and the situation it was facing at the time of the video.

October 22: Session 9 Roles and Conflict Management

Readings:

- Lewicki, R.J., David, M. S., & Minton, J.W. (1997), Chapter 10: "Third-Party Interventions." In *Essentials of Negotiations*, pp.199-213, Irwin.
- Tjosvold, D. (1992), Chapter 6: "Negotiating and Mediating." In *The Conflict-Positive Organization*, pp.108-114.

In this class we use a simulation exercise to explore the consequences of different roles that a supervisor can take in a conflict between subordinates. Exercise materials will be distributed in class.

III. Formal Organization

October 26: Session 10: Job Design

Readings:

- J. Richard Hackman, Greg Oldham, Robert Janson, and Kenneth Purdy, “A New Strategy for Job Enrichment.” *California Management*, 1975, Vol. XVII, No. 4, 57-71.

Case: Sedalia Engine Plant (A) (HBS-#481148).

Questions to think about:

1. What benefits and costs of job enrichment were experienced at Sedalia?
2. What factors at Sedalia posed challenges to the continuing success of a high commitment, participative system?
3. How should Golbe handle the decision about compensation for 1979 and beyond? What are the crucial issues?

October 29: Session 11: Rewards

Readings:

- Steven Kerr, “Risky Business: The New Pay Game.” *Fortune*, July 22, 1996.
- David A. Nadler & Edward E. Lawler III. (1983). “Motivation: A Diagnostic Approach.” In J. Richard Hackman, Edward E. Lawler III, & Lyman W. Porter (Eds.), *Perspectives on Behavior in Organizations*, 2nd Ed. New York: McGraw-Hill Book Company.
- Thomas Melohn, “How We Do Things at NATD.” In *Management Review*, August 1987, 60-61.

Video Case: Tom Melohn at NATD; Clip from *Glengarry Glenross*.

Questions to think about:

1. What are the rewards given for superior quality production at NATD? Should bonuses be larger?
2. According to Nadler & Lawler, what does it take from a manager to motivate employees beyond establishing a system of contingent rewards?

November 2: Session 12: Formal Structure

Reading:

Case: Rhône-Poulenc (A) and (B) (HBS #395-042) Rev. January 20, 1995.

- Mintzberg, Henry, Chapter 3, “Designing the Superstructure” and Chapter 4 “Fleshing Out the Superstructure”. *Structure in Fives: Designing Effective Organizations*, pp. 45-93. Englewood Cliffs, NJ: Prentice Hall.

Questions to think about:

1. What are the problems confronting the company currently?
2. How and why have these problems developed?
- 3.. What should the firm do? Why?

IV. Selected Topics

November 5: Session 13: Organizational Change

Readings:

- Michael L. Tushman, William H. Newman, and Elaine Romanelli, “Convergence and Upheaval: Managing the Unsteady Pace of Organizational Evolution.” In *California Management Review*, pp. 29-44. Fall 1986.
- Michael Beer, Russell A. Eisenstat, and Bert Spector, “Why Change Programs Don’t Produce Change.” In *Harvard Business Review*, pp. 158-166. November-December 1990.
- W. Chan Kim and Renee Mauborgne, “Fair Process: Managing in the Knowledge Economy.” *Harvard Business Review*, pp. 65-75, July-August 1997.

Case: Cleveland Twist Drill (A) (HBS# 9-384-083) Rev. 12/88.

Video Case: Jim Bartlett at Harvard (HBS#885513)

Questions to think about:

1. What were the problems facing the company?
2. What was its history, culture, and structure?
3. What do you like, and what don’t you like, about Bartlett’s approach to the situation?
4. What do you think the reaction of others in the organization was to his actions?

November 9: Session 14: U. S. Management Practices, Unique or Universal?

Readings:

- Geert Hofstede, “Motivation, Leadership, and Organization: Do American Theories Apply Abroad?” In *Organizational Dynamics*, pp. 347-368. Summer 1980.
- Frank L. Acuff, “What Makes Global Negotiations Different?” In *How to Negotiate Anything with Anyone Anywhere Around the World*, AMACOM, 1993.
- John Van Maanen, (1992). “Displacing Disney: Some Notes on the Flow of Culture.” *Qualitative Sociology*, Vol. 15, pp. 47-72.

Questions to think about:

1. Do the abstract cultural dimensions, such as individualism – collectivism, described by Hofstede allow us to understand similarities among cultures that are not geographically proximal?
2. Do these dimensions enable us to predict Disney’s differential ease of exporting the theme park product to Japan and France?
3. If cultures differ in negotiating styles as a function of cultural dimensions, should you adjust your style when abroad? Which adjustments make sense?

Panel Discussion: During class, we will have a panel discussion of cross-national differences in management practices.

Conclusion

November 12: Session 15: Summing Up

- Michael L. Tushman & Charles A. O’Reilly, “Managerial Problem Solving”: A Congruence Approach. *Winning Through Innovation: A Practical Guide to Leading Organizational Change and Renewal*, pp. 57-77. Boston, MA: Harvard Business School Press.

Case: SMA: Micro-Electronic Products Division.