**CHAPTER 2**

**EXPLORING THE LANDSCAPE OF OB**

Each generation takes a somewhat different path through the world of work and organizations, given different historical, scientific, and social conditions. These conditions make up the landscape of OB. In this chapter we explore four key characteristics that contribute to which theories of OB managers emphasize and which theories of OB they practice.

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| **Characteristics of the OB Landscape** | **Conventional OB** | **Sustainable OB** |
| Brief history of OB | Scientific management era (1910-30)Human relations era (1930-50)Systems era (1950-70)Beliefs era (1970-90)Sustainability era (1990-present) |
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***Opening Case:***

***Seeds of Community****[[1]](#endnote-1)*

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*Photo spec: A picture of First Fruits employees or the Broetjes in apple orchard*

*Since starting their First Fruits apple orchard in Washington state in 1980, Ralph and Cheryl Broetje have taken a different approach to managing the challenges and opportunities facing their organization. Today First Fruits is the largest privately owned contiguous apple orchard in the United States, covering more than 4300 acres in a virtually frost-free microclimate stretching for nearly 10 miles along the Snake River. Its mission is to be a “Quality fruit company committed to bearing fruit that will last,” and its values-based approach to running the business promotes “Quadruple Bottom-Line of Profits, Planet, People, and Purpose.”*

*The Broetjes believe the real key to building a successful organization is the people who work there. Rather than provide only seasonal apple-picking jobs for migrant workers, the Broetjes deliberately enlarged the firm to develop year-round jobs for employees. First Fruits now employs over 1,000 permanent workers who store, sort, and package apples and operates a day-care center to help meet the child-care needs of packing plant employees, 80 percent of whom are women. When the Broetjes became aware of the housing shortage and poor living conditions employees were experiencing, Ralph convinced the county planning committee to approve the construction of a $6 million community, at considerable financial risk for First Fruits. This town, which the residents named Vista Hermosa (“Beautiful View”), includes 121 single-family homes, 28 apartment units, a chapel, a gymnasium, and a convenience store. The rents are kept below the average in the area to ensure affordable housing for families.*

*First Fruits is committed to promoting a sense of purpose and ethics in all it does and in its relationships with its employees, its partners, and those in need around the world. The Broetjes were honored at the 2012 Annual Education Conference of the Latino/a Educational Achievement Project (LEAP). They provide scholarships for their employees and support LEAP’s educational initiatives to expand educational opportunities for Latinos. The Broetjes try to live out their ideal of “servant leadership” and consider the effect their business has “on the least privileged in society.” As Cheryl Broetje notes:*

 *“Sure, we have to make money or we’d have to shut the doors,” she explains. “But profit isn’t our main motive. It becomes the by-product of treating people with dignity, respect, and mutuality, and as equals in every sense of the word. We all have a role to play in creating a community of people who care for a business that then cares for them. We believe that if we ever stopped doing that, we would implode.”[[2]](#endnote-2)*

*Key to the profitability of the orchard was Ralph’s development of long-term working relationships with leading horticulturalists in the field, as well as the close attention he paid to consumer preferences and trends for apples, which was especially important because apple trees do not produce fruit until three years after being planted. So Ralph needed to plant varieties of apples that would be in demand in the future—not those that had been successful in the past. For example, he began to plant Granny Smith apples well before they had become common in the marketplace. His partnerships with his stakeholders and his foresight earned him the title, “Apple Grower of the Year.”*

*The Broetjes are also on the cutting edge when it comes to organic farming. Before leaving to start her own vineyard, their daughter Sara Broetje Dahle led the orchard’s organic program, utilizing natural and environmentally sensitive agricultural practices. The business is only one chemical away from being organic in its main orchard, thanks to its use of mating disruption and other tactics to reduce insect pests.*

*The reach of First Fruits extends beyond the borders of its local community. Each year the company donates over 50 percent of its profits to local, domestic, and international projects, an amount that ranges from $200,000 to almost $1 million per year. A council of 20 elected employees decides where these donations are sent, including Guadalupe Miramar, Mexico, a town where more than 67% live below the poverty line. First Fruits has helped with human, technical, and financial resources to equip and support people to start home-based chicken farms, vegetable gardens, tire repair, and coffee roasting businesses.*

*Cheryl Broetje summarizes the firm’s approach to producing “lasting fruit”:*

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*“When we finally became financially successful, it would have been easy to continue stockpiling money (as opposed to true wealth) around us. However, the spiritual values that we are also committed to would not let us. For us, it was impossible to separate business goals from spiritual values which promote the equality and connectedness of all people, using their unique gifts and skills to serve one another while together serving the common good.”[[3]](#endnote-3)*

As illustrated by the Broetjes, OB is influenced by an organizational landscape that developed over time through organizations and their members engaging in various OB practices and researchers testing ideas and relationships in organizations. Further, this context increasingly includes a variety of stakeholders and connects to a global society. Before we discuss these characteristics of the organizational landscape further, we will take a quick trip through OB history and the development of OB as a science to set the stage for understanding the current challenges and opportunities in OB.

As described in chapter 1, according to many OB scholars and practitioners, the time is ripe to consider enhancing our capability to think about OB by upgrading from what we might call “OB 1.0” to “OB 2.0.” An OB 2.0 may include placing greater emphasis on sustainability in the way we achieve profitability and affect people and our planet, while respecting and learning from the history and current practices of OB. To paraphrase a quote Isaac Newton made famous, we can see a possible new future only by standing on the shoulders of giants. The goal in this chapter is to review some of the key developments in OB that have brought us to the present, and to consider which aspects of OB should be perpetuated and which should be improved going forward.

After reading the chapter you will see that the meaning of OB has been constantly changing over time, that it will continue to do so in your lifetime, and that you have an opportunity to shape what it means.

**A BRIEF HISTORY OF OB**

We now take a brief tour through the development of OB over the past century, looking at five key “eras” in that time. Ideas and theory about management and OB may be plentiful today, but research on these topics started to flourish only about 100 years ago. One reason is that until the Industrial Revolution, there were very few large organizations of the type so common today. Workers and craftsmen had at times organized themselves into guilds,[[4]](#endnote-4) but until recently, most work took place in very small businesses, often called cottage industries because work was literally done in cottages. There were many family firms, whose owner was personally related to most of the workers. Because organizations were small, workers knew how their work fit into the whole, and there was a strong sense of community and interdependence in the workplace.[[5]](#endnote-5)

A few centuries ago these small-scale organizations started to change in response to social, technological, and legal changes. Adam Smith’s description of a pin factory, published in 1776, provides what is perhaps the best single example to help understand the shift toward working in factories instead of in households. Smith demonstrated the merits of specialization and a “division of labour” by describing how four workers, each performing a specialized task, could produce 48,000 pins per day, instead of the 12 pins per day that each could produce by working independently and doing all the tasks. Smith’s analysis was compelling and reflected how the Industrial Revolution was changing both where people worked and the type of work they did.

Modern management and OB would be very different today without changes in the social and legal meaning of an organization. Traditionally, most businesses were seen as an extension of a household, but eventually organizations were given a life of their own and allowed to act as legal citizens with limited liability.[[6]](#endnote-6) Citizenship status allowed organizations to enter into contracts and limited liability provided protection for shareholders against the risks associated with new ventures and expanded commercial dealings. These privileges were granted with the idea that organizations were supposed to enhance the common good, and that their charter could be taken away if they failed to do so. Initially, an organization’s responsibility was intended to extend beyond mere concern for the financial investments of owners and shareholders—it also included considering what is good for the community. It appears some organizations need a reminder of this past.

**The Scientific Management Era (1910 to 1930)**

From about 1910 to 1930, in the era of **scientific management**, management scholars focused on studying human behavior to maximize the efficiency and productivity of *individual jobs*, and on using bureaucracy to maximize productivity of the *overall organization*. Frederick W. Taylor (1856-1915), often called the father of scientific management, explained: “In the past man [sic] has been first. In the future, the system must be first.”[[7]](#endnote-7) Taylor’s most famous study helped increase the shoveling productivity at the Bethlehem Steel plant. Rather than have workers bring their own shovels, as had been the custom at that time, Taylor carried out studies to determine the best-designed tool for their task, which proved to be different shovels for different types and weights of materials. In one study, after management provided optimally designed shovels for workers, the average output per worker increased almost 350 percent, from 12.5 tons per day to 47.5 tons per day. At the same time, workers’ pay was increased about 50 percent from $1.15 per day to $1.85 per day. This was seen as a “win-win” situation, and Taylor’s ideas and methods quickly spread throughout industry.

Other important contributors to scientific management were Frank B. Gilbreth (1868-1924) and his wife Lillian who conducted studies identifying the most efficient way to organize work to reduce time and motion. [[8]](#endnote-8) The Gilbreths were known for their quest to find the “one best way” to do work. Frank may be best known for his work with bricklayers, where his analysis resulted in simplifying the bricklaying process from 18 different motions down to 5, which resulted in a productivity increase of more than 200 percent. The Gilbreth’s pioneering work in time and motion studies inspired such innovations as foot levers for garbage cans and contributed to the design of many ergonomic products and practices. They also applied his methods at home with their dozen children. For example, Frank would make movies of his children washing dishes so that he could analyze the work and subdivide it into its basic steps in order to allow his children to proceed through the task more efficiently. He also placed record players in the bathrooms to play foreign language lessons, so that his children could learn new languages as they went about their daily business.[[9]](#endnote-9)

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Max Weber (1864-1920) described how the scientific management approach contributed to the rise of the “bureaucratic organization,” where work was reorganized based on rules and procedures, and reporting relationships were designed to maximize efficiency. Henry Ford provides perhaps the most famous example. With his engineers, Ford pioneered the development of mass production manufacturing. By 1920, seven years after he opened the Model T producing Highland Park car manufacturing plant in Detroit, the cost of a car had been reduced by two-thirds. Efficiency was enhanced by things like conveyor belts to move the car to workers along a production line. Each worker did one job, like bolting the door to the frame or attaching the handle to the door. Each job was highly specialized and repetitive.[[10]](#endnote-10)

In addition to being well known for studying the most efficient ways to organize work, some of the researchers in this era, like Lillian Gilbreth, also foreshadowed the next era in concluding that Taylor’s approach to scientific management needs to be supplemented by research on psychology to account for the human element in all work.[[11]](#endnote-11)

**The Human Relations Era (1930 - 1950)**

If Frederick Taylor is the father of the scientific management era, Mary Parker Follett (1868-1933) may be the mother of the **human relations** era that focused on the social environment of work. Follett’s approach was in stark contrast to that of the scientific management school, as evident in her advice: “Don’t hug your blueprints.”[[12]](#endnote-12) Follett argued that authority should not always go to the person who formally holds the position of manager, but rather that power is fluid and should flow to the worker whose knowledge and experience makes him or her best able to serve the company at any given time. Follett viewed organizations as “communities” in which managers and workers work in harmony, neither dominates the other, and each has the freedom to discuss and resolve differences and conflicts.

Follett was far ahead of her time and drew from sociology and psychology to promote a human rather than a mechanistic approach to OB. Another important early proponent of the view that people were important in organizations was Chester Barnard (1886-1961), an executive with AT&T and President of New Jersey Bell Telephone. Barnard drew attention to the importance of leadership and the informal organization and pointed out that all organizations have social groups and cliques that form alongside their formal structures. In his view, organizations were not machines and could not be managed effectively in the impersonal way implied by scientific management theory.

A critical event in this era was the research done by Elton Mayo and Fritz Roethlisberger, on a project originally sponsored by General Electric.[[13]](#endnote-13) The company wanted to sell more light bulbs by demonstrating to potential business customers that factory workers’ productivity would increase with improved lighting. The research in one particular research location, the Hawthorne plant of the Western Electric Company, provided counter-intuitive results. Researchers walked around and monitored workers in varying lighting conditions. As expected, productivity increased when lighting was increased. However, productivity also increased when the lighting remained consistent and even when it was decreased. Only when lighting was dimmed to the level of moonlight did productivity decrease. Not surprisingly, General Electric soon after withdrew its sponsorship of the study.

 After further studies tried to account for these odd results, researchers concluded that *workers’ productivity will increase whenever managers give them special attention.* In the case of the Hawthorne factory, workers did not want to disappoint the scientists who were monitoring their performance, and so they worked extra hard in response to the special attention they received. The results—labeled the **Hawthorne Effect**—suggested that relationships are important in understanding behavior in organizations.[[14]](#endnote-14) To modern ears, these findings may sound pretty simple-minded, but at the time they served as the foundation for the human relations movement, which expanded our understanding of how the social environment of work influences attitudes and behavior. This movement stimulated much of the OB research and practices described throughout this text.

**The Systems Era (1950 to 1970)**

Industrial productivity had to improve during World War II to aid the war effort, and new management techniques were needed as well. The British, for example, assembled mathematicians and physicists into an operations research teams that analyzed the compositions, routes, probable location, and speed of Nazi submarines to help convoys of supply ships avoid being sunk by German subs. These teams developed an approach, later called *systems analysis*, to analyze complex problems that could not be solved by intuition, straightforward mathematics, or simple experience. Lessons learned from these military situations were afterwards adapted and applied to managing civilian organizations. For example, managers at General Electric used lessons about troop deployment to decide where to assign employees, where to build plants, and how to design warehouses. This contributed to the development of **systems theory** in OB, which highlights the interdependences between individuals, features of organizations, and the broader organizational context.

The systems theory approach draws attention to the complexity of managing organizations and, in particular, to the need to look beyond their organizational boundaries.[[15]](#endnote-15) In systems language terms, rather than look at an organization as a *closed system* and managing activities only within an organization’s boundaries, managers should adopt an *open-systems* perspective. For example, a closed system perspective on a pizza restaurant will focus attention on activities happening within the walls of the restaurant -- friendly customer service, cleanliness in the kitchen, adequate staff training, and so on. An open-systems perspective will be more aware of where to recruit staff, how to advertise to specific target markets, which suppliers to choose, and so on.

Perhaps the best example of this movement comes from Total Quality Management (TQM). TQM emphasizes how managers can continuously improve organizational work systems so products or services better meet the quality level customers desire. Indeed, W. Edwards Deming,[[16]](#endnote-16) a founder of the quality movement, considers it to be a “deadly disease” when individual workers are evaluated on their numerical output or quantified standards. For Deming, variability in quality of output is largely attributable to *organizational* systems and processes, not to the efforts of individual workers.

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An emphasis on systems helped to expand the understanding of OB beyond theories focusing primarily on the individual. During the systems era scholars moved toward a contingency view, arguing that the best decisions or behaviors depend on the situation. For example, leadership theories featuring a situational or contingency approach became the dominant way of thinking about leadership during this era.

**The Beliefs Era (1970 to 1990)**

The 1960s were a time of phenomenal technological and large-scale organizational accomplishment, exemplified by space travel and walking on the moon. The following years were a time of cultural upheaval and questioning the meaning of the status quo. A heightened interest in the role of beliefs within organizations emerged at the beginning of this era. Scholars emphasized how people are controlled by social or cultural “scripts” they have learned in the course of their lives, and these are difficult to change. The unwritten scripts or informal norms that guide behavior in organizations are referred to as organizational culture.[[17]](#endnote-17)

Philip Selznick described how scripts may become dysfunctional over time when he studied management practices at the Tennessee Valley Authority (TVA).[[18]](#endnote-18) He found that many standard operating procedures (organizational scripts) at the TVA had been rational when they were initially developed, but they were no longer rational when he studied the organization. Selznick called this change **institutionalization**, which means certain practices or rules have become valued in and of themselves, even though they may no longer be useful for the organization.[[19]](#endnote-19) Institutionalized social norms and expectations control people’s actions by setting up predefined patterns of behavior, and these patterns in turn channel behavior in one direction instead of the many different directions that are theoretically possible.[[20]](#endnote-20) Although research indicates that these routines and taken-for-granted norms often lie beneath the level of our consciousness, they can change when someone deliberately chooses to adopt a new script.[[21]](#endnote-21)

A key concept from this era is the **social construction of reality,** the idea that what we experience as real and the meanings we attach to ideas, objects, and events have been socially constructed.[[22]](#endnote-22) Consider the example of “money,” which seems very real and which is the focus of much human activity. And yet for most of the history of humankind, there was no such thing as “money” as we know it. Up until several thousand years ago goods and services were primarily exchanged via bartering. Indeed, although we place considerable value on a $100 bill, in reality it is a piece of paper with some colors and lettering. There is nothing inherent in a $100 bill that makes it particularly valuable; the value people ascribe to money is socially constructed. A less abstract example is the way we view and treat men and women in society. Not so long ago it was considered normal to deny women equal treatment and equal rights. Although we still have a way to go in making equal treatment a reality, perceptions have changed and continue to change.

The experiences members have in organizations are critical to their social construction of reality. For example, professors in our business schools introduce ways of thinking and concepts that shape the way students interpret behavior in organizations.[[23]](#endnote-23) Organizational leaders also have a powerful influence in constructing the meaning of reality for their members.[[24]](#endnote-24) In this era OB found a deeper understanding of human behavior by emphasizing the informal and unconscious beliefs influencing organizational life.

**The Sustainability Era (1990 to present)**

Questioning of the prevailing theories and practices of management and OB has been growing in the last generation. Sumantra Ghoshal pointed out that all management theory is value-laden, and that conventional management theory and practice has given too much emphasis to narrow self-regarding behavior. Ghoshal argued that organizational scholars should help students build “delightful organizations” that positively affect their members and society for generations to come.[[25]](#endnote-25) Other scholars have also called for more positive alternatives to prevailing theory and practice, which inform the sustainable approach described in this book.[[26]](#endnote-26)

New times call for new thinking, but the challenges are great. Here are some of the major issues:

* Ecological sustainability. Consensus is building that managers, consumers, and investors must take greater account of their impact on the natural environment. Understanding and adopting practices that contribute to ecological sustainability may be critical for organizations to remain competitive and viable. [[27]](#endnote-27) Further, more people are recognizing there is little satisfaction in achieving financial wealth if future generations will suffer clean-up costs.[[28]](#endnote-28)
* Societal well-being. The gap between rich and poor is growing, within organizations as well as within and across countries. Even people from relatively wealthy countries are challenging systems they see as unjust, regardless of whether those systems serve their financial interests. A growing body of scholarly research indicates that the conventional obsession with materialism—that is, with maximizing productivity and profitability—results in significant physical and emotional costs such as increased stress and decreased overall health and happiness.[[29]](#endnote-29)
* Holistic concerns. Beyond material success, people are increasingly acting with regard to less tangible concerns such as aesthetics and spirituality. For example, some communities are resisting spreading commercialism that they fear decreases the beauty of their surroundings.[[30]](#endnote-30) The past few decades have witnessed an increase in interest in spirituality and religion and its relationship to organizations.[[31]](#endnote-31) As an example, The Academy of Management, the world’s largest scholarly association of management, now has an active and growing “Management, Spirituality, and Religion” interest group.

Research suggests that people around the world are increasingly more interested in the quality of life and a sense of community and social equity than in material and economic rewards, prosperity, and control.[[32]](#endnote-32) For example, in a nationally representative poll of 1,269 adults, 93 percent of U.S. adults believe people are too focused on working and making money and not focused enough on family and community. Approximately half of the respondents have voluntarily opted not to maximize their material wealth in order to facilitate other forms of well-being.[[33]](#endnote-33)

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Each era in the history of OB has contributed unique insights and provided important components for the research that is the basis for the science of OB that guides current practices and stimulates further research. What we mean by the science of OB is discussed in the next section.

**OB AS A SCIENCE**

The modern academic study of organizations and OB, which has developed over time, involves some common concepts and processes that will be referred to throughout the book and are worth introducing here.

Overall, OB scholars examine factors that help to explain, predict and ultimately influence behavior. Researchers describe each factor as a *variable* because it varies across individuals (as do personality, self-confidence, skills) and context (whether organizations, industries, or countries). The variable a researcher wants to predict is called the *dependent variable* because it is proposed to “depend on” or be influenced by other variables which are *independent variables*. For example, consider the two variables “pay-level” and “job satisfaction.” A number of studies have investigated the relationship of pay (independent variable) with job satisfaction as the dependent variable. Your own experience may suggest these variables are closely related, but across a range of studies the findings indicate that these variables are only slightly related.[[34]](#endnote-34)

 After we identify the variables of interest, we must measure them by observation, assessment, interviews or surveying, or by compiling historical information. Then we analyze the *association* between the variables. A simple statistic that represents the association between two variables is a *correlation*. Two variables are perfectly associated if they correlated at 1.0. Most correlations are much lower. In fact, a correlation of .50 is considered to be quite strong. When two variables are *positively* correlated they related in the same direction - as one goes up or is higher, the other variable also goes up or is higher. If two variables are *negatively* correlated, when one goes up the other goes down. In the previous example investigating pay and job satisfaction, the association across a range of studies was .15, which is positive but considered to be a relatively small association.

Although OB research employs more complex and rigorous analyses than simple correlations to draw conclusions, when the textbook refers to two things being related or associated, such as personality and job performance, the statements are based on research that has demonstrated there is evidence of the relationship. An interesting example of how the variable of willpower has been measured and how it relates to other variables is described in the OB in Action feature: Hungry for Evidence.

**OB in Action:**

**Hungry for Evidence**



*Photo spec: a child with an uneaten marshmallow, preferably from related experiments*

An interesting research experiment by Walter Mischel and colleagues was conducted in which preschoolers were put in a room and given the option of (a) eating a marshmallow now or (b) waiting for a period of time (15-20 minutes) and receiving two marshmallows to eat. The researchers were interested in learning more about willpower or self-control. Search You Tube for “marshmallow test” and you’ll find several variations on this experiment.

If researchers are interested in what explains willpower, willpower is the dependent variable and its explanations are independent variables. If researchers are interested in what willpower predicts, willpower is the independent variable, and subsequent behavior or another variable is the dependent variable. Incidentally, having more willpower is associated with higher educational achievement, the ability to cope with stress, and less drug use. Further, in organizations, willpower is positively related to work performance.

**Questions for Discussion:** What else do you think willpower might predict? Do you have any theories about what contributes to willpower? Do you have any suggestions for testing for willpower among adults? Are you hungry?

Sources: de Ridder, D. D., Lensvelt-Mulders, G., Finkenauer, C., Stok, F., & Baumeister, R. F. (2012). Taking stock of self-control: A meta-analysis of how trait self-control relates to a wide range of behaviors. *Personality & Social Psychology Review (Sage Publications Inc.), 16*(1), 76-99. Mischel, W., Ayduk, O., Berman, M. G., Casey, B. J., Gotlib, I. H., Jonides, J., Kross, E., Teslovich, T., Wilson, N. L., Zayas, V. & Shoda, Y. (2011). ‘Willpower’ over the life span: decomposing self-regulation. *Social Cognitive Affective Neuroscience, 6*(2), 252-256. Lehrer, J. (2009, May 18). Don't: The secret of self-control. *The New Yorker*. Retrieved from http://www.newyorker.com/reporting/2009/05/18/090518fa\_fact\_lehrer.

OB research generally adheres to the following basic process. It starts with a question, expressed in terms of a theory (a collection of assertions explaining what is likely to cause behavior and why), and the development of hypotheses that are specific predictions about the relationships between the variables of interest. These hypotheses are then tested in the context of organizations or in behavioral laboratories, which yield information and data that are analyzed to draw conclusions. In turn, these conclusions are confirmed or disconfirmed by additional studies.

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As research studies accumulate around a specific question or set of associations, a *meta-analysis* can be conducted. A meta-analysis is a study that combines the evidence from numerous studies to draw general conclusions. This cumulative evidence can then be taught to leaders and organizational members to guide them in what practices or behaviors are most likely to result in the organizational variables that are important to organizations such as turnover, performance, creativity, commitment, and collaboration. For example, some of the results presented in the OB in Action box are based on a meta-analysis of studies on self-control.

Conventional and sustainable OB researchers follow similar norms of scientific methods and rigor, but there are some different tendencies within each stream. For example, because conventional OB research questions tend to focus on factors that are easily quantifiable (like performance measures based on productivity or profitability) and have a long history of study that has created reliable survey instruments (like measurement scales for job satisfaction, different personality types), many conventional OB research designs have a quantitative or positivistic orientation. A positivistic approach to research insists on research that is directly available by sensory perception and empirically verifiable.[[35]](#endnote-35) These studies have specific variables that we can measure and analyze quantitatively. Indeed, its perceived objectivity makes OB research very appealing and relatively easy to do.

In contrast, research in sustainable OB is more likely to engage in qualitative research designs. This is in part due to the kinds of questions sustainable OB research asks. Measuring the views of multiple stakeholders on multiple dimensions of well-being is very challenging using traditional quantitative research methods. For example, consider the difficulties facing sustainable OB researchers who wish to measure the amount of “virtue” evident in organizations, and its effects on members and other key stakeholders now and in the future. As a result of challenges, sustainable OB research is more likely to explore a variety of research designs, many of which are qualitative in nature. Of course, just as conventional OB research utilizes some qualitative research, sustainable OB also is concerned with quantitative research, and indeed we have already seen considerable improvement in empirical measurement of virtues and aspects of the Triple Bottom Line. [[36]](#endnote-36)

In sum, OB theories and research have proven to be beneficial, but there are always limitations. For example, sometimes interesting and potentially useful new theories can be difficult to get published because of their novelty.[[37]](#endnote-37) Many important individual and organizational variables are difficult to measure or assess and, thus, are ignored in research. Further, OB deals with people and complex organizational contexts that offer specific challenges that make it difficult for OB scholars to draw broadly applicable conclusions.[[38]](#endnote-38) Even so, OB has a growing body of evidence that serves as the foundation for the ideas discussed in this textbook. [[39]](#endnote-39) Going forward, OB research needs to develop and test new or integrated theories and practices that will not only create successful organizations today, but also will contribute to a better world for future generations. This will require that OB research and practice take into account the emergence of the importance of stakeholder and global influences on OB.

**Stakeholder Relationships**

Just as the field of OB exists in a historical context and is built on accumulated wisdom and science, so also no organization exists in a vacuum. Organizations have key stakeholders to whom they must pay attention. A **stakeholder** is any group within or outside the organization that is directly affected by the organization and has a stake in its performance. Stakeholders have many different expectations, but with a few exceptions, they all want the organization to remain viable. For example:

* Customers want products and services that meet their needs and wants.
* Members want rewarding and meaningful work and interactions on the job.
* Owners want to receive an appropriate reward for their investment.
* Other organizations such as suppliers want predictable orders with on-time payment, and competitors expect fair and legal actions.
* Community members want organizations to operate in ways that benefit or at least do no harm to the community and the environment.

Conventional OB is more consistent with the classical view that emphasizes the **organization-specific responsibility (OSR)** to focus on serving one particular stakeholder group and one particular form of well-being, namely the financial interests and goals of the organization’s owners. Sustainable OB is consistent with the growing interest in the **corporate social responsibility (CSR)** of organizations to act in ways that protect and improve the welfare of multiple stakeholders, and in particular of society *over and above* the owners’ financial self-interests.[[40]](#endnote-40) A sustainable approach recognizes OSR responsibilities but does not always act to *maximize* financial well-being. Rather, while recognizing that financial sustainability is clearly necessary, sustainable OB also actively seeks to consider the interests of other stakeholders, including the natural environment and future generations. Sustainable OB is based on the belief that with the considerable power organizations have to affect other stakeholders, there also is considerable responsibility to these stakeholders. A parallel sentiment about power and responsibility was expressed by French philosopher Voltaire, New Testament author Luke, and most recently the Amazing Spider-Man’s uncle Ben.

Conventional and sustainable OB must deal with the same key stakeholders, but their orientations toward the stakeholders differ. For example, both conventional and sustainable OB recognizes that the customer stakeholder group provides financial resources that organizations require to be financially viable. However, whereas conventional OB seeks to manage customers to serve the financial interests of the organization, sustainable OB is characterized by its service and relationship-building orientation with customers. Similarly, instead of trying to maximize control over a supplier, sustainable managers seek to benefit from inviting suppliers’ expertise. A sustainable approach is more likely to engage co-creation, a collaborative process of multiple organizations working with customers to provide solutions to customer’s needs,[[41]](#endnote-41) and in joint ventures, in which two organizations share the risk and gain for developing a new technology or delivering products or services.[[42]](#endnote-42)

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**OB in Action:**

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OB as a Science

**Communities of Stakeholders**



*Photo spec: people next to latex mattresses, preferably employees from Latex International*

Latex International, based in Connecticut, is the world largest producer of premium Talaly Latex cores for mattresses. Thanks to the work of its co-founders, Latex International has the reputation of treating stakeholders well. This helps to explain why, when its 10-acre factory burned down, many stakeholders were willing to help out. For example, news of the fire prompted the CEO of the Webster Bank to phone the president of Glenn Equities, who owned the building across the street from the burned factory and had been planning to move some of its organization into that building. However, upon hearing about the fire, Glenn Equities delayed the move “just as a neighborly favor” so that Latex International could open temporary offices there starting the next day.

Help also came from several overseas competitors, who agreed to supply Latex International with badly needed latex foam. As Stephen Russo, CEO of Latex International, explained when the fire occurred, “In the small community of companies, we all help each other out, even though we compete. Everybody was very understanding and sympathetic.” A year after the fire, a new state-of-the-art factory had been built and soon the company was thriving, thanks in part to a 25 percent growth rate in the industry. Its new CEO, Michael K. Lorelli, changed his title to Chief Passionate Officer and supported the firm’s sustainable ways: “We are having so much fun doing what we’re doing.” For example, members are paid to sleep on the job, so long as they fill out a form to evaluate the mattress after their hour-long snooze in the firm’s nap room.

Latex International has also had problems, such as when former CEO, Kevin Colemen was found guilty of embezzling company funds in 2012. However, the firm’s commitment to stakeholders seems firm, as evident in current CEO Dave Fisher’s comment that: “Latex International puts the power of transparent information in the hands of consumers so they can make informed purchasing decisions. Helping people understand the many differences within the latex world, from cost & quality to sleep benefits, will clarify the “muddy” waters of available latex information and allow consumers to make their best decisions for themselves.”

**Questions for Discussion:** Do you know of any stories where companies went out of their way to help out their competitors? Or where suppliers or customers or employees bend over backward to help out an organization? What do you think are key factors (independent variables) that help to explain such behavior? Do you think such companies are more, or less, vulnerable to being taken advantage of?

Sources: <http://www.ctpost.com/news/article/Ex-Latex-International-CEO-guilty-in-embezzlement-3365206.php> Accessed January 17, 2013; <http://www.latexfoam.com/about/> Accessed January 17, 2013; Kalra, R. (2005). Back from the ashes. *Hartford Courant*, pp. D1, D3.

Sustainable OB is more likely to emphasize that serving others provides a sense of purpose for members. For example, two or three times each year, the management team of Tomasso Corporation—a successful food processing plant in Montreal, Canada—serves food in a soup kitchen. After the meal, they sit with the people they have served and get to know them.[[43]](#endnote-43) Other workers from the plant may join the managers; they go during work hours and are paid for their time. Rather than see stakeholders as outsiders who must be managed to maximize the organization’s financial well-being, sustainable OB strives to enhance multiple forms of well-being for multiple stakeholders. In essence, they foster a sense of community among stakeholders, even competitors, as the OB in Action feature describes.

**Table 2.3 Assumptions about Responsibilities to Stakeholders**

|  |  |  |
| --- | --- | --- |
|  | Conventional OB (OSR) | Sustainable OB (CSR) |
| Management is ethically obligated to… | the organization’s owners. | *all* organizational stakeholders. |
| The general public wants organizations… | that maximize profits. | that take care of economic and social goals. |
| Managers who pursue CSR actions… | tend to weaken financial performance. | enhance financial viability in the long term. |
| The costs of CSR are… | too high and threaten viability.  | lower than long-run non-CSR costs. |
| Businesses… | know how to make money but lack CSR skills. | have resources that can uniquely benefit society.  |
| Caring for the natural environment… | dilutes the purpose of organizations | enhances organizations’ long-term sustainability |
| The power of organizations in society… | is too great already (and CSR would add to it). | obligates them to become more responsible. |

In addition to stakeholders with names and faces, organizations also have relationship with the natural environment. The **natural environment** is composed of all living and nonliving things that have not been created by human technology or human activity. Organizations depend on the natural environment for inputs like raw material, natural resources, minerals, water, and air, and to dispose of organizational outputs such as waste. Growing awareness of ecological problems like global warming and non-sustainable ecological footprints has prompted organizational members to become increasingly sensitive to the natural environment.

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 Many leading organizations have announced “green” initiatives, such as Walmart’s promise to be “packaging neutral” by 2025, GE’s “ecomagination” program that supports environmentally friendly products, and DuPont’s goal to derive $6 billion in new revenues from operations that reduce harmful emissions or create energy efficiency.[[44]](#endnote-44) As shown in Figure 2.1, the approach organizational members take to the natural environment varies along a continuum. Because their explicit emphasis on multiple forms of wellbeing is sensitive to the natural environment, sustainable organizations are farther to the right.

**Figure 2.1 Five options to manage the natural environment**

 *Lowest* **Sensitivity to Natural Environment** *Highest*

The *obstructionist stance* is the least sensitive to the natural environment. Organizational members taking this approach do as little as possible to address environmental problems. Instead, their focus is on narrowly defined economic priorities, and they resist any social demands lying outside the organization’s perceived financial self-interests. This may sometimes lead to illegal activity such as dumping toxic waste in low-income countries in an effort to avoid paying the high costs associated with proper cleanup.[[45]](#endnote-45)

 With a *defensive strategy* or *legal approach*, organizational members do only as much as is legally required and may even try to use the law to their own advantage. They will insist that their employees behave legally, but they will put the interests of shareholders above those of other stakeholders and the environment. For example, Willamette Industries of Portland, Oregon, agreed to install $7.4 million worth of pollution control equipment in its 13 factories to comply with Environmental Protection Agency requirements—but only after it was fined $11.2 million for violating emissions standards.[[46]](#endnote-46)

 With the *market approach,* organizational members show concern for environmental concerns in response to demands or opportunities in the marketplace. If customers are willing to pay for environmentally friendly products and services, then organizations will provide them. For example, Clorox introduced its *Green Works* environmentally- sensitive cleaning projects in 2008 and sold over $100 million of the products, but in the years following the recession sales dropped to $60 million, leading the organization to deemphasize the *Green Works* brand.[[47]](#endnote-47)

The *accommodation*or*stakeholder approach* goes beyond the market approach and responds to the environmental concerns of various stakeholder groups, including customers, the local community, business partners, and special-interest groups. Organizational members acknowledge the need to be socially responsible and desire to make ecological choices that are reasonable in the eyes of society. They may agree to participate in specific programs they believe are worthy of support. For example, in response to data detailing the air, water, and hazardous waste pollution in China complied by Ma Jun and other like-minded environmentalists, Walmart began to actively access this environmental data in evaluating factories in its supply chain and make changes that positively affected the environment.[[48]](#endnote-48)

Organizational members exhibit a *proactive approach* when they take the initiative and actively seek out opportunities to enhance the natural environment. They go out of their way to learn about the needs of different stakeholder groups, and they are willing to use organizational resources to promote the interests of the community and the environment. Terracycle was founded with the idea of eliminating waste by converting it into usable products.[[49]](#endnote-49) Beginning with using worms to transform garbage into organic fertilizer, founder Tom Szaky set a precedent for working with partners to better the environment. His company collects trash in more than 20 countries and transforms it into over 1,500 different products sold through major retailers such as Whole Foods Market. In another example, closer to the classroom, 284 university presidents from some of the most prestigious U.S. schools pledged to make their campuses “carbon neutral”: “We’re saying that sustainability is no longer an elective,” said Cornell President David Skorton.[[50]](#endnote-50)

Sustainable OB tends to focus on the proactive end of the continuum in Figure 2.1. Moreover, it is interested in **sustainable development**—that is, “development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”[[51]](#endnote-51)

National culture and laws also influence the orientation of organizational members to the natural environment. For example, leaders in national cultures that defer to those in authority face less pressure to attend to issues of environmental sustainability.[[52]](#endnote-52) Stakeholders of an organization may span the globe. In order to work in or partner with people and organizations in other countries, we need to recognize how OB is emphasized in different cultures, as the next section discusses.

**Global Environment**

 Globalization has and will increasingly be an important factor influencing OB. **Globalization** refers to the increased interdependence and integration among people and organizations around the world.[[53]](#endnote-53) According to a conventional approach, increasing global trade promises to improve economic conditions for everyone in the world, as captured in the motto: “A rising tide lifts all the boats.”[[54]](#endnote-54) The reason is relatively simple. Just as specialization helps to improve productivity *within* organizations, so also there are mutual advantages *among nations* when each develops and focuses on different strengths. For example, the weather in some countries is conducive to growing bananas; the weather in other countries is conducive to growing wheat or rice. Some countries have expertise in growing flowers; other countries are good at making watches or cameras or computer components. Instead of every country having its own car companies, it is more efficient for fewer car companies to manufacture cars for use around the world. This creates a web of interdependence and integration across nations.

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 Even though it wasn’t until the 1960s that multinational corporations became commonplace, they are now a dominant fixture on the organizational landscape. Although no official definition exists, a **multinational company (MNC)** is often defined as an organization that receives more than 25 percent of its total sales revenue from outside its home country. This description includes both large corporations such as General Electric and small businesses such as Botanical PaperWorks, a Canadian company that produces hand-made stationary sold online to markets outside Canada. According to the World Bank, MNCs hold about one-third of the world’s productive assets, and they conduct approximately 70 percent of world trade. There are about 50,000 MNCs worldwide, considerably more than the 7,000 that the United Nations counted in the mid-1970s.[[55]](#endnote-55) To some, the proliferation in number and power of multinationals is a concern, while others argue it is beneficial, but clearly one result is that more people will be exposed to other cultures in their work.

## Conventional OB typically follows two basic approaches to working in other cultures: polycentrism and ethnocentrism. Polycentrism assumes organizational members in a host country know the best way to manage an organization in their country. Organizational members with a polycentric orientation believe the best way to maximize their firms’ profits is to adapt to the practices found in foreign countries.[[56]](#endnote-56) For example, because of the emphasis in China on establishing interpersonal relationships among business partners, starting a new trade relationship there may require many more visits than in the United Kingdom.

## Ethnocentrism is the belief that your own country offers the best way to manage in a foreign country. An ethnocentric approach may be especially likely when organizational members believe that their home country is more developed or more advanced than the foreign country in which they are working. Ethnocentrism has potential dangers. For example, after it opened to poor sales, many of the initial assumptions made in operating the EuroDisney theme park in Paris (such as retaining the restriction on alcohol sales applied in U.S. parks) were changed in order to account for differences in cultures.

Rather than an ethnocentric or a polycentric approach, sustainable OB emphasizes an **egali-centric** approach, which recognizes that a key opportunity of cross-cultural relationships is the ability to learn from one another.[[57]](#endnote-57) Egali-centrism is characterized by two-way, give-and-take communication that fosters mutual understanding and community. Sustainable OB does not assume a one-size-fits-all approach in foreign countries (ethnocentrism), nor does it simply assume the locals know best (polycentrism). Rather, sustainable OB acknowledges that when people from different cultures interact with and learn from one another, the result is knowledge and practices that neither could imagine on their own. Egali-centrism is more a means of developing new practices than a process of picking and choosing the “best of” existing practices from around the world. Even so, a sustainable approach does not discount the impact of culture in shaping how people behave and respond to each another. The emphasis is not on arguing about which culture is best, but on understanding the differences among them and learning how to interact with each other to accomplish shared interests.

 Today’s international organizational members must be sensitive to social and cultural differences if they are to meet their organizational objectives. **National culture** includes the shared values, beliefs, knowledge, and general patterns of behavior that characterize a country’s citizens. People’s beliefs about what is good, right, desirable or beautiful are influenced by the national cultures where they grow up. A variety of research frameworks exist to measure culture, including the World Values Survey and the GLOBE project.[[58]](#endnote-58) Arguably the most influential research looking at cross-cultural differences and their implications for OB was done by Geert Hofstede, who gathered data between 1967 and 1973 from more than 100,000 IBM employees working in 64 different countries.[[59]](#endnote-59) Hofstede began with four dimensions of national culture but later added a fifth, time orientation, to account for cultural differences in Asia.[[60]](#endnote-60)

As shown in Figure 2.2, Hofstede’s five dimensions can be described as Individualism, Materialism, Short-term time orientation, Power distance, and Uncertainty avoidance. Low levels of each dimension can be described alternatively as Collectivism (low Individualism), Quality of Life (low Materialism), Long-term time orientation (low Short-term time orientation), Challenge to authority (low Power distance), and Comfort with uncertainty (low Uncertainty avoidance). Even though his research is still widely used,[[61]](#endnote-61) many cultural and economic changes have occurred since he first collected his data, such as in China and South Korea. Also, just as there tend to be differences *between* countries, so too is there variation *within* countries, so not everyone from the same country shares the same cultural values. We’ll look at each of the dimensions next.

**Figure 2.2 Overview of Hofstede’s Five Dimensions of National Culture**

|  |  |  |
| --- | --- | --- |
|  |  |  |
| Dimension |
| *Individualism* |  | ***Collectivism*** |
| Emphasis on individual self-interests |  | Emphasis on interests of group |
| *Materialism*  |  | ***Quality of life*** |
| Emphasis on possessions, achievements, and assertiveness |  | Emphasis on relationships, quality of life, and cooperation |
| *Short-term orientation* |  | ***Long-term orientation*** |
| Emphasis on the present and immediate gratification |  | Emphasis on the future and deferred gratification  |
| *Power distance*  |  | ***Challenge authority*** |
| Emphasis on inequality and respect for authority  |  | Emphasis on equality and challenging authority |
| *Uncertainty avoidance* |  | ***Comfortable with uncertainty*** |
| Emphasis on conformity and stability  |  | Emphasis on openness to change and adaptability |

*Individualism.* Some cultures place a strong emphasis on individualism, which makes individuality and individual rights paramount and encourages people to act in their own self-interest. Members of these cultures tend to be motivated by opportunities to achieve personal gain and to look out for themselves or immediate family. In countries with high levels of individualism, effective ways to increase workers’ productivity may include using piece-rate systems and basing promotions and salary on workers’ *individual* performance, rather than on the length of time they have worked in an organization. In contrast, other cultures emphasize collectivism, in which the interests of the group take precedence, people look out for one another, and loyalty to the group is higher. These societies emphasize extended families and groups in which everyone takes responsibility for the general well-being of all. For example, in Japan, everyone in an office might stay at work until a colleague who must work overtime is finished, and promotions may be based on seniority rather than on individual performance.

 *Materialism.* Cultures that emphasize materialism place high value on assertiveness and achievements such as better paying jobs, material possessions, and money.[[62]](#endnote-62) Members of high materialism cultures tend to be motivated by competition for extrinsic rewards—for example, higher salaries, bonuses, and opportunities to be number 1. By contrast, cultures that emphasize quality of life tend to place high value on cooperation, relationships, and overall well-being. People may be more interested in aesthetic and spiritual concerns, the intrinsic satisfaction of meaningful work, and be less motivated by financial rewards and status symbols.[[63]](#endnote-63) It follows that members of these cultures emphasize personal relationships, camaraderie in the workplace, and the welfare of others.

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*Time Orientation.* The concept of time orientation differentiates between cultures that have a short-term view and those that take a long-term perspective. Cultures with a short-term orientation (such as Pakistan, the Philippines, the United Kingdom, and the United States) emphasize living for the present. Members tend to prefer immediate rewards to delayed gratification and may cut corners now that won’t get noticed until much later. Such countries may provide greater opportunities for organizations that offer quick fixes such as “fast food” and “instant credit.” By comparison, cultures with a long-term orientation(such as China and Japan) have a greater concern for the future, are more likely to persevere patiently in the face of short-term setbacks, and are more likely to save for purchases than to buy on credit. Members tend to make decisions that consider and respect the future. For example, some Native American cultures try to keep in mind how their decisions will affect people living seven generations into the future.

 *Power distance.* The relative emphasis placed on power differences in a culture is called power distance (ordeference to authority). In cultures with high power distance, such as Mexico, the Philippines, and China, it is considered entirely appropriate that power is distributed unevenly throughout society. Managers are expected to make decisions, and lower-level employees will hesitate to voice disagreement. In addition, subordinates will react negatively when they are asked to do work that is traditionally part of managers’ jobs (e.g., participation in decision making). In some cases, high power distance is found in countries with totalitarian governments and distinct social class systems. In cultures characterized by low power distance, people are willing to challenge authority, and power differences across different positions are less readily evident. In these cultures, many people are involved in decision-making—not just the manager. Thus, in countries such as Israel (which had one of the lowest scores on this dimension), managers may have relatively little authority over other members, especially when others have greater knowledge and experience. In Israeli *kibbutzim*, for example, leadership is often rotated on a cyclical basis so that everyone gets a turn at various jobs in the organization.

*Uncertainty avoidance.* Cultures with high uncertainty avoidance scores prefer predictable rules and regulations to ambiguity and risk. When working in these countries, such as Greece and Japan, managers should expect members to respond well to stable and predictable structures and systems, to have a heightened appreciation for conformity, and to become anxious when routines are disrupted. People in these cultures prefer to make only small improvements to the “tried-and-true” traditions that have served society well in the past. By comparison, in cultures characterized by low uncertainty avoidance, such as Singapore and Denmark, members are more likely to value and to be comfortable with risk taking and innovativeness.[[64]](#endnote-64) Managers expect members to be relatively adaptable and willing to try new things. Organizations in countries with low uncertainty avoidance are likely to reinforce risk taking by recognizing and rewarding members who take reasonable chances that result in benefits for the organization. Furthermore, a culture with low uncertainty avoidance is likely to encourage investments in novel research and development.

Understanding cultural differences can be useful to all organizational members, regardless of where their perspective lies on the continuum between conventional and sustainable perspectives. It also is apparent that the national cultural descriptions of materialism and individualism are similar to values that characterize conventional versus sustainable thinking and action. As we might expect, countries that rate high in both materialism and individualism—such as the United States, the United Kingdom, Germany, Australia, and Ireland—are precisely the ones where conventional OB theory and practice have been most thoroughly developed. Conversely, we would expect to countries such as Costa Rica, Peru, and South Korea, which are low on individualism and materialism may have ideas to offer regarding developing sustainable OB. Figure 2.3 shows where select countries rank in terms of their relative emphases on materialism and individualism (low, medium, or high).[[65]](#endnote-65)

**Figure 2.3 Examples of Countries Scores on Hofstede’s Materialism/Individualism Dimensions**

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The differences between Costa Rica and the United States make for an interesting comparison. The United States is a prime example of a culture associated with conventional OB. Indeed, its emphasis on individualism is greater than that found for any other country in Hofstede’s study, and it is considered high in materialism, although it is not one of the highest in this group. By contrast, Costa Rica is a clear opposite. No other country in Hofstede’s study had a lower overall score in terms of Hofstede’s individualism and materialism data.[[66]](#endnote-66) Per-capita U.S. GDP is almost four times greater than in Costa Rica. Further, whereas it takes approximately 269 acres to support the consumption of the average U.S. adult, it takes only 35 acres to support the average Costa Rican.[[67]](#endnote-67) Perhaps the most striking finding is that the two countries’ scores for overall life satisfaction and life expectancy are virtually identical.[[68]](#endnote-68)

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***Closing Case:***

***The Bittersweet Story of Chocolate[[69]](#endnote-69)***



*Photo spec: someone eating chocolate, preferably a child*

*Chocolate may be our favorite flavor, but most people know little about how the chocolate industry has developed over time or how current chocolate companies are managed (it is one of the most secretive of industries). The first people to make use of cocoa were the Mayans, who lived in the Yucatan Peninsula as long ago as 600 a.d.. Chocolate became an item for the masses thanks to the efforts of businesspeople and inventors such as C. J. Van Houten, a Dutch chocolate master whose invention of the cocoa press helped to make the product more affordable. Many leaders in the chocolate industry were Quakers, whose motivation for getting into the business included a desire to persuade the poor to give up alcohol in favor of the healthier chocolate drink.*

*One such Quaker was John Cadbury, who started Cadbury Limited in 1831. An important turning point for the company occurred in 1866, when it introduced a process for pressing cocoa butter from the cocoa bean. By 1879 the firm had grown so successful that George Cadbury could build what became known as the “factory in a garden” on a park-like property in Bournville, England. Cadbury’s Bournville factory set a standard for other companies in sustainable industrial relations. For example, Cadbury was the first firm to introduce the Saturday half-day holiday, promote the idea of workers continuing their education while working, offer medical and dental departments, and provide workers with a kitchen where they could heat up their dinners (a forerunner of staff dining rooms).*

*Wanting to offer wage earners affordable housing in pleasant surroundings, in 1895 George Cadbury purchased another 120 acres near the Bournville plant and began to establish a community consistent with the then-popular Garden City movement. In 1903, the estate had grown to include 330 acres of land and 313 cottages, and George Cadbury decided to turn it into a charitable trust for future generations to enjoy. He handed over the land and houses to the Bournville Village Trust with the proviso that revenues should be devoted to the extension of the estate and the promotion of housing reform. Today, the Bournville Estate covers 1000 acres and has 8000 dwellings.*

*In addition to its employee-friendly policies, Cadbury also emphasized the value of diversity in attracting the best talent to the company and reflecting the diversity of the communities in which it operated and the customers it served. The company’s approach to diversity created a culture of inclusiveness in which diverse members trusted each other, were inspired to do their best, and took pride in their company. They described inclusiveness as “a workplace climate where all colleagues feel empowered to bring a rich variety of approaches to achieve business results.” Cadbury’s Equal Employment Opportunities & Diversity policy also encouraged implementing these values in a way that honors local laws and cultural norms.*

*As a mass-consumption item, chocolate is big business. In the United States, chocolate sales now exceed $15 billion per year. Globally, about 60 percent of all chocolate is consumed in the United States and European Union. As the industry has grown, it has become dominated by three very large firms: Cadbury, Mars, and Nestlé. Unfortunately, the farmers who grow the 3.5 million tons of cocoa beans produced every year experience the bitter taste of an industry structure where so much power is concentrated in the hands of a few major players. Over the past decades, the price of cocoa (corrected for inflation) has declined almost steadily; in the 2003–04 cocoa year, real prices were less than half what they were in 1970–71.*

*Recognizing some of the problems facing especially small producers in an economic system where large-scale companies are trying to maximize their profits, “fair trade” companies such as the Day Chocolate Company have started with the intention of mixing social and business goals. Fair Trade**is a system of international trade based on dialogue, transparency, and respect and that benefits producers in poorer countries, consumers in richer countries, and the earth. A key to Day’s success, for example, was the fact that cocoa farmers in Africa owned one-third of the shares in the company, had a direct say in how it is run, and received a share of its profits. Consider that there are approximately 2 million cocoa farmers in Ghana, each of whom earns about $350 per year. Fair Trade chocolate companies such as Day promise to pay them a fair price that ensures a living wage (say, a floor price of $1,600 per ton) and to give back to their communities (such as with an extra $150 per ton to spend on community projects chosen by the farmers, like new drinking wells and toilets). Unfortunately, Fair Trade chocolate represents only about 2 percent of the global market.*

*Since the 1990s, the chocolate industry has been working on expanding sustainable cocoa farming efforts. The World Cocoa Foundation, formed in 2000, has helped to increase farm incomes by teaching cocoa farmers how to reduce crop losses and costs and how to diversify the crops grown for family income. It also helps farmers organize themselves into cooperatives to sell their cocoa. Farm families participating in such programs have seen their income rise by as much as 24 percent (Ivory Coast) or even 55 percent (Cameroon). Initiatives like the Cadbury Cocoa Partnership—designed to address the wages and working conditions of its cocoa farmer stakeholders—helped to secure the economic, social, and environmental sustainability of around a million cocoa farmers. In addition to working with farmers to improve yields, the partnership directed funds toward community development such as educational and environmental projects that enhance biodiversity and ensure clean water for residents.*

*Through the initial efforts of Cadbury, now owned by Kraft Foods spinoff Mondelez International, and International Day Chocolate Company, now Divine Chocolate, the sweet taste of chocolate is increasingly extending to the stakeholders who produce it.*

***Questions for Discussion***

*1. What are key research questions and issues within the chocolate industry from a conventional OB perspective? How about from a sustainable OB perspective? What sorts of research methods would each use to examine those questions and issues?*

*2. Who are the key stakeholders in the chocolate industry? Why do you think companies like Cadbury’s are taking initiatives to enhance the welfare of cocoa growers? Why didn’t they do this sooner?*

*3. Do you think the ethical issues facing the chocolate industry have parallels in other global industries? Why are wages and living conditions so poor in many of the factories in low-income countries that produce goods consumed in high-income countries? What are some of the implications for OB?*

**SUMMARY**

Four hallmarks of conventional OB landscape:

1. History of OB: Builds on past conventional OB research by fine-tuning understanding of how to improve the productivity and profitability of organizational members

PERFORMANCE

COMMITMENT

SHORT-TERM

PROFITS

**Conventional**

PERSONAL

PREDICTABILITY

1. OB as Science: Focus on research questions that lend themselves to objective, quantifiable measures
2. Multiple Stakeholders: Manage stakeholders in interests of organization
3. Globalization: Approach cross-cultural differences from an ethnocentric or polycentric view

Four hallmarks of sustainable OB landscape:

1. History of OB: Build on and expand research to include multiple forms of well-being for multiple stakeholders

COMMUNITY

CREATIVITY

LONG-TERM

CONSEQUENCES

**Sustainable**

PERFORMANCE

COMMITMENT

1. OB as science: Open to important and relevant research questions that do not (yet) have objective, quantifiable measures, but where scientists recognize the social construction of reality and rely on qualitative research methods
2. Multiple Stakeholders: Collaborate with stakeholders for mutual benefit
3. Globalization: Approach differences from an egali-centric view

**Questions for Reflection and Discussion**

1. History can teach us lessons about how to act in the present. Is there a specific lesson or era OB history that seems particularly important to your current understanding of OB?
2. OB research is the basis of some OB practices in organizations, but many OB research findings are ignored. Why do you think this is the case? What can be to improve the use of OB research?
3. The Conventional and Sustainable approaches to stakeholders differ in a number of ways. Describe how the approaches are different.
4. Identify a set of stakeholders for a particular organization and discuss the relative importance of addressing the needs of each.
5. Hofstede found that there is a strong relationship (correlation = 0.67) between a country’s deference-to-authority score and its gross national product (GNP) per capita. In particular, he found that countries with the highest GNP per capita were more likely to challenge authority. What are some plausible explanations for this relationship?

**OB Activities**

***Application Journal:*** *This is a personal journal entry that can be used for class discussion or compiled as input into a self-reflection paper.*

Based on this discussion of the landscape of OB, what are some of the key inputs that have helped to “socially construct” the reality you live in? This will likely include family, friends, media and past jobs. Focus your journal reflections on how your current academic studies are influencing what you perceive to be “objective” facts. For example, you are likely learning about new concepts and theory and terms that you did not know previously. Is this influencing how you see other people, organizations, or yourself? Explain. In what ways might this be a good thing, and what ways might it be undesirable?

**Self-Assessment Exercise: What Are Your Views on the Natural Environment?**

The following five statements are taken from a “New Ecological Paradigm” scale that researchers have developed to measure people’s attitudes toward the natural environment, and in particular whether humans have a substantial adverse effects on the natural environment.[[70]](#endnote-70) Rate the following statements, and compare your views with those of your classmates.

|  |  |
| --- | --- |
|  | Strongly Disagree Neutral Agree Strongly Disagree Agree |
| 1. The “ecological crisis” facing humankind has been greatly exaggerated. 2. The Earth is like a spaceship with limited room and resources. 3. If things continue on their present course, we will soon experience a major ecological catastrophe. 4. The balance of nature is strong enough to cope with the impacts of modern industrial nations. 5. Humans are severely abusing the environment.  | 1 2 3 4 51 2 3 4 51 2 3 4 51 2 3 4 51 2 3 4 5 |

Key: To calculate your total score, add the following:

 \_\_\_\_ (response to statement 1, subtracted from 6 to reverse-code your response)

+ \_\_\_\_ (response to statement 2)

+ \_\_\_\_ (response to statement 3)

+ \_\_\_\_ (response to statement 4, subtracted from 6 to reverse-code your response)

+ \_\_\_\_ (response to statement 5)

-----------------

= \_\_\_\_\_ Total: New Environmental Paradigm score

**Ethics Scenario:**

A publicly held company decided to install new systems to voluntarily reduce water consumption in its facilities at considerable cost to the organization that will not likely be recouped.

*Why might this scenario occur in organizations?*

 **Use the following scale to indicate whether this behavior is ethically acceptable:**

 **NEVER SOMETIMES ALWAYS**

 **ACCEPTABLE ACCEPTABLE ACCEPTABLE**

 1 2 3 4 5 6 7

*Explain the ideas you considered in arriving at your answer.*

**Discussion Starter: Cultural Comparisons**

If you have visited another country, Geert Hofstede and his colleagues’ research on cultural values can help explain your experiences in that culture. Go to their website (<http://geert-hofstede.com>) and click on the countries link. Select the country you visited from the pull down list; then select your native country, the country in which you grew up. The website should show a comparison of the countries on the five dimensions of national culture.

*Questions for Discussion: How does this information explain your experience in the country you visited? How might these cultural values affect how you would do business in the country you visited?*

**Discussion Starter: A Case of Unusual Collaboration**

In Kalundborg, Denmark, a set of uncommon relationships exist among a diverse community of businesses in which one organization helps another and, in most cases, by doing so helps itself. In essence, these relationships take the “waste” produced by one organization and turn it into valuable inputs for another organization.

This synergetic cooperation started when the coal-fired Aesnes Power Plant stopped pouring its waste heat into a nearby fjord as condensed water. Instead, Aesnes began selling the heat directly to the Statoil refinery and the Novo Nordisk pharmaceutical firm. Shortly thereafter, the Statoil refinery installed a process to remove sulfur from its waste gas. It then sold the extracted sulfur to the Kemira chemical company and the cleaner-burning gas to both the Gyproc sheetrock factory and Aesnes (thereby saving 30,000 tons of coal). When Aesnes began to remove the sulfur from its smokestacks, it produced calcium sulfate, which it sold to Gyproc where it was used in place of mined gypsum. Waste fly ash from Aesnes coal generation was also used for road construction and concrete production. In time, Aesnes began to provide surplus heat to greenhouses, a fish farm, and residents of the town (who were then able to shut off 3,500 oil-burning heating systems). Soon waste heat from Statoil also went to the fish farm, which produces about 200 tons of turbot and trout sold in the French market. Sludge from the fish farm is used as fertilizer by farmers, who also receive sludge from the Novo Nordisk pharmaceutical firm.

**Figure 2.5: Transfer of former waste within a community of organizations**

Road construction and

concrete production

 Fly ash

Novo Nordisk

pharmaceutical firm

Aesnes Power Plant

(coal-powered)

 Heat

 Heat

 Heat

Greenhouses

Kalundborg residents

(shut 3500 oil-burning heating systems )

 Heat Gas Heat

Fish farm

Statoil

refinery

 Calcium sulfate heat Sludge

Farmers

 Gas

Gyproc

sheetrock factory

 Sulfur

Kemira

chemical company

 Sludge

All these relationships happened spontaneously, based on shared interests and without direct government regulation. Over time the cooperation among stakeholders has yielded both ecological and financial benefits.[[71]](#endnote-71)

*Questions for Discussion: What do you think is necessary to form and maintain these relationships? What problems might arise in these collaborative relationships? Do you know of any other organizations that might work together to reap mutual benefits?*

**GLOSSARY**

**Corporate social responsibility (CSR)** is the responsibility of organizations to act in ways that protect and improve the welfare of society *over and above* the owners’ financial self-interests.

**Egali-centrism** is the assumption that when people from different cultures work together in a manner characterized by two-way, give-and-take communication that fosters deeper mutual understanding, community, and new insights.

**Ethnocentrism** is the assumption that members of one’s own home country offers the best way to manage in a host country.

**Globalization** refers to the increased interdependence and integration among people and organizations around the world.

**Hawthorne Effect** is an improvement in work productivity resulting from people receiving attention from observers.

**Human relations** focuses on how the social environment of work influences attitudes and behavior.

**Institutionalization** has occurred when organizational practices or rules are accepted and perpetuated without regard to rationality.

**Multinational company** is an organization that receives more than 25 percent of its total sales revenue from outside its home country.

**National culture** includes the shared values, beliefs, knowledge, and general patterns of behavior that characterize a country’s citizens.

**Natural environment** is composed of all living and nonliving things that have not been created by human technology or human activity.

**Organization-specific responsibility (OSR)** is the responsibility of organizations to focus on serving the financial interests and goals of the organization’s owners.

**Polycentrism** is an assumption that members in a host country know the best way to manage an organization in their country.

**Scientific management** focuses on analyzing and improving the efficiency of work processes.

**Social Construction of Reality** isthe idea that what we perceive to be real is influenced by the social environment.

**Stakeholder** is any group within or outside the organization that is directly affected by the organization and has a stake in its performance.

**Sustainable development** is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

**Systems theory** highlights the complex interdependences between individuals, features of organizations, and the broader organizational context.

**ENDNOTES**

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2. . Roberge, E. (2003, Summer). First fruits—Broetje Orchards. *Washington Business Magazine.* Accessed June 2006 at <http://www.firstfruits.com/>; Information for this case also came from a personal visit to site and discussion with Roger Bairstow, Thursday, July 21, 2005. [↑](#endnote-ref-2)
3. . Broetje, C. (2003). Servant leadership blossoms at Broetje orchards. Greenleaf center for servant leadership. Accessed June 2006 at <http://www.greenleaf.org/leadership/read-about-it/articles/Servant-Leadership-Blossoms-at-Broetje-Orchard.htm>. [↑](#endnote-ref-3)
4. A guild is organization, typically of merchants or craftworkers, that influenced local markets by controlling the quality of goods or services and their price, production, and distribution. Guilds also sometimes provide welfare services for their members. See Van Leeuwen, M. (2012). Guilds and middle-class welfare, 1550-1800: provisions for burial, sickness, old age, and widowhood. *Economic History Review, 65*(1):61-90. [↑](#endnote-ref-4)
5. Community was also fostered by the fact that people often were more vulnerable to the whims of weather and disease, and so there was a greater dependence on other people. [↑](#endnote-ref-5)
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7. Cited on page 42 in Daft, R.L. (2003) *Management*. Mason, Ohio: Southwestern. Taylor’s concern for maximizing materialism is evident in Taylor, F.W. (1911) *Principles of Scientific Management.* New York: Harper, where Taylor states that: “The principal object of management should be to secure maximum prosperity for the employer, coupled with maximum prosperity for the employee” (cited on page 93 in Schermerhorn, J. R. (2002) *Management (7th edition).* New York: John Wiley & Sons). See also Taylor, F.W. (1903) *Shop management.* New York: Harper; Wrege, Charles & Stoka, A.M. (1978) Cooke creates a classic: The story behind F.W. Taylor’s Principles of Scientific Management. *Academy of Management Review.* October: 736-749; Kanigel, R. (1997) *The one best way: Frederick Winslow Taylor and the enigma of efficiency.* New York: Viking. [↑](#endnote-ref-7)
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10. Pages 39 and 40 in Jones, G. R., & George, J. M. (2003) *Contemporary management (3rd edition).* New York, NY: McGraw-Hill Irwin. See the interestingly titled: Ford, H. (1926) Sustainable manufacture. *Encyclopedia Britannica 13th Edition*. New York: Encyclopedia Co. [↑](#endnote-ref-10)
11. Gilbreth, F.B. (1911) *Motion study.* New York: Van Nostrand; Gilbreth, F.B. & Gilbreth, L. M. (1916) *Fatigue study*. New York: Sturgis & Walton; Graham, Laurel D. (1998). *Managing on her own: Dr. Lillian Gilbreth and women's work in the interwar era.* Norcross, GA, USA: Engineering & Management Press. [↑](#endnote-ref-11)
12. Cited on page 45 in Daft (2003). See also Follett, M.P. (1918) *The new state: Group organization: The solution of popular government*. London: Longmans, Green; Parker, L.D. (1984) Control in organizational life: The contribution of Mary Parker Follett. *Academy of Management Review,* 9: 736-745; Graham, P. (1995) *M. P. Follett-Prophet of management: A celebration of writings from the 1920s.* Boston: Harvard Business School Press; We also draw on descriptions of Follett’s contributions found in Jones and George (2003: 55) and Schermerhorn (2002: 95). [↑](#endnote-ref-12)
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Adair, J.G. (1984) The Hawthorne Effect: A reconsideration of a methodological artifact. *Journal of Applied Psychology* 69(2): 334-345; Diaper, G. (1990) The Hawthorne Effect: A fresh examination. *Education Studies,* 16(3): 261-268; Jones, S.R. (1992) Was there a Hawthorne Effect? *American Sociological Review* (November): 451-468; O’Connor, E.S. (1999) The politics of management thought: A case study of the Harvard Business School and the human relations school. *Academy of Management Review*, 24:117-131. [↑](#endnote-ref-13)
14. Actually, the term “Hawthorne effect” was not coined by the original researchers, but rather by French (French, J.R.P (1953) Experiments in field settings. In Festinger, L. & Katz, D. (Eds). *Research methods in the behavioral sciences* (pp 98-135). New York: Holt, Rinehart and Winston) who used it to describe “marked increases in production which were related only to the special position and social treatment they [workers] received” (cited on page 452 of Jones, S.R,G. (1992) Was there a Hawthorne effect? *American Journal of Sociology*, 98(3): 451-468). The idea that the Hawthorne effect shows that it is giving “attention to employees, not working conditions per se, that has the dominant impact on productivity” (Peters and Waterman, 1982: 5-6; cited on page 454 in Jones, 1992) has been perpetuated in the popular management literature. However, scholars today use the term to refer to “the problem in field experiments that subjects’ knowledge that they are in an experiment modifies their behavior” (Adair, J.G. (1984) The Hawthorne effect: A reconsideration of the methodological artifact. *Journal of Applied Psychology, 69*(2): 334-345) and, indeed, question whether the original data even demonstrate a Hawthorne effect (e.g., Adair, 1984; Jones, 1992). [↑](#endnote-ref-14)
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62. . Masculinity also is a term used to describe this dimension of a culture. Although we follow others in emphasizing materialism over masculinity [e.g., see Deresky, H. (1997). *International management: Managing across borders and cultures* (p. 75). Reading, MA: Addison Wesley Longman; Brice, W. (2012). The effects of ethnic culture on managerial attitudes and practices: A survey in Hong Kong, Taiwan and China. *International Journal of Management, 29*(1), 267-278.], Hofstede’s Values Survey continues to use the terms masculinity and femininity (available online at http://www.geert-hofstede.com/). [↑](#endnote-ref-62)
63. . Deresky (1997). [↑](#endnote-ref-63)
64. . This may be the most ambiguous of Hofstede’s five dimensions to interpret, because it equates avoiding uncertainty with resisting change. However, when managers present a very careful plan of the future that reduces the uncertainty of the status quo, then people who want to avoid uncertainty may, in fact, welcome change. [↑](#endnote-ref-64)
65. . For categorizing individualism scores, “low” means that Hofstede’s score was from 6 through 26 (number of countries, *N,* = 18); “medium” scores were from 27 through 60 (*N* = 18); and “high” scores were from 63 through 91 (*N* = 17). For categorizing materialism scores, “low” means that Hofstede’s score was from 5 through 43 (*N* = 17); “medium” scores were from 44 through 58 (*N* = 18); and “high” the scores were from 61 through 95 (*N* = 18). [↑](#endnote-ref-65)
66. . Costa Rica ranked low in both individualism (15) and materialism (21). Moreover, Costa Rica is an appropriate comparison country for the United States because, like the United States but unlike some other countries with low materialism and individualism scores, Costa Rica has enjoyed a relatively stable political situation, democratic institutions, and a free press. [↑](#endnote-ref-66)
67. . See Venetoulis, J., & Talberth, J. (2005). *Ecological footprint of nations*. Oakland, CA: Redefining Progress. www.RedefiningProgress.org. As readers familiar with this literature will recognize, these are Ecological Footprint 2.0 data, which try to address some of the concerns raised by others on the original ecological footprint research [Rees, W., & Wackernagel, M. (1996). *Our ecological footprint*. Gabriola Island, BC: New Society Publishers; van den Bergh, J. C. M., & Verbruggen, H. (1999). Spatial sustainability, trade and indicators: An evaluation of the ecological footprint. *Ecological Economics, 29*(1), 61–72]. For example, unlike the original index, Ecological Footprint 2.0 attempts to measure use of cropland, built space, and marine and inland fisheries. [↑](#endnote-ref-67)
68. See Marks, N., Abdallah, S., Simms, A., & Thompson, S. (2006). *The unhappy planet: An index of human well-being and environmental impact.* London, UK: New Economics Foundation (Economics as if People and the Planet Mattered). www.happyplanetindex.org. This publication draws on a variety of sources, but most heavily on Veenhoven, R. (2005). Average happiness in 91 nations 1995–2005. World Database of Happiness (see Veenhoven, R. States of Nations, World Database of Happiness, Erasmus University, Rotterdam, Netherlands. www.worlddatabaseofhappiness.eur.nl/statnat). [↑](#endnote-ref-68)
69. Content for this case was drawn from Cadbury’s corporate website (www.cadbury.com), which was taken offline after its acquisition by Kraft in 2010 and the split of Kraft’s confessionary business into Mondelez International (<http://www.mondelezinternational.com/SiteCollectionDocuments/pdf/about/corporate_timeline_Cadbury.pdf>). The word “chocolate” comes from the Mayan word *xocolatl,* which means “bitter water”; the Mexican Indian word for chocolate comes from the terms *choco* (foam) and *atl* (water). For most of its history, chocolate was consumed as a beverage. The bitter beverage was made from roasted cocoa beans, water, and spices. Joseph Fry, a Quaker, made the first chocolate bar in Great Britain in 1847. Quakers, also known as theSociety of Friends, are a nonconformist and pacifist group that emerged in the seventeenth century in protest against the formalism of the established Church of England. Their strong beliefs and ideals motivated Quakers to pursue projects that fostered justice, equality, and social reform and that alleviated poverty and deprivation. George, O., Owoyemi, O., & Onakala, U. (2012). Hofstede's 'software of the mind' revisited and rested: The case of Cadbury Worldwide and Cadbury (Nigeria) Plc - *A Qualitative Study. International Business Research, 5*(9), 148-157. The definition of Fair Trade used here is adapted from the TransFair USA and TransFair Canada websites, accessed February 8, 2013, at <http://www.transfairusa.org/content/about/overview.php> and http://www.transfair.ca/en/fairtrade/, respectively. <http://www.divinechocolate.com/about/story.aspx> Accessed February 8, 2013; <https://www.bvt.org.uk/> Accessed February 8, 2013. [↑](#endnote-ref-69)
70. . This short version of the NEP scale is taken from the following source: Stern, P. C., Dietz, T., Abel, T., Guagnano, A., & Kalof, L. (1999). A value–belief–norm theory of support for social movements: The case of environmentalism. *Research in Human Ecology,* 6(2), 81–97. (The additive scale has an alpha reliability = .073.)</NO-NL> [↑](#endnote-ref-70)
71. . This example is taken from Hawken, 1993; Hawken, Paul (1993), *The ecology of commerce: A declaration of sustainability*, New York: Harper Business see especially pages 62–63. [↑](#endnote-ref-71)