ORGB 6th edition Nelson Solutions Manual

SKU: 9781337407816-SOLUTIONS

Chapter 1
Organizational Behavior and Opportunity

In This Chapter, You'll Find:

Chapter Overview
Learning Outcomes
Key Terms
Review Questions and Answers
Discussion Questions and Assignments and Suggested Answers
Ethical Dilemma
Self-Assessments—What about You?
Issues in Diversity
Experiential Exercises
Additional Examples
Case Study and Suggested Responses: Facebook: Opportunities, Problems, and Ambitions
On the Job Videos
Student Handouts:
- Ethical Dilemma
- What about You? Analyze Your Perceptions of Change
- Issues in Diversity: Women Triumph in Times of Recession—Really?
- Experiential Exercise: What's Changing at Work?
- Experiential Exercise: My Absolute Worst Job
- Case Study: Facebook: Opportunities, Problems, and Ambitions

Chapter Overview

Chapter 1 introduces the subject of organizational behavior. First, it provides a brief overview of human behavior in organizations and the various disciplines that influence it. Second, it describes typical behavior in the face of environmental change and suggests ways for individuals to view changes, even failures, as opportunities for learning. Third, it discusses the organizational context in which behavior occurs and describes in detail the open systems view of organizations. Fourth, it discusses of the formal and informal elements present in organizations and their various effects on behavior. Fifth, it describes opportunities that arise through corporate competition, especially the increased focus on product or service quality. Finally, the chapter closes by discussing the various activities required to learn about organizational behavior.

© 2020 Cengage Learning. All Rights Reserved. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

ORGB 6th edition Nelson Solutions Manual

Learning Outcomes

After reading this chapter, students should be able to do the following:

1 Define organizational behavior.

Organizational behavior is the study of individual behavior and group dynamics in organizations. The majority of theories of human behavior fall into two categories: that of an internal perspective, which assumes that one's internal processes of thinking, feeling, judging, and perceiving affect one's actions; and that of an external perspective, which asserts that one's actions are affected by external events, consequences, and environmental factors. Organizational behavior is a blended discipline that has grown out of contributions from numerous earlier fields of study. The sciences of psychology, sociology, engineering, anthropology, management, and medicine have all contributed to our understanding of human behavior in organizations.

2 Identify four action steps for responding positively in times of change.

Early research of individuals and organizations in the midst of environmental change found that people often are threatened by change and respond by becoming rigid and reactive, rather than open and responsive. While this behavior works well in the face of gradual, incremental change, it may be a counterproductive response to significant change, such as outsourcing. Eric Brown, CEO of PlusFactor, recommends looking for positive opportunities in change and viewing challenge as a good rather than bad experience. His four action steps for adapting to change are to (1) have a positive attitude, (2) ask questions, (3) listen to the answers, and (4) be committed to success.

3 Identify the important system components of an organization.

Organizations are open systems of interacting components. The four major internal components are tasks, people, structure, and technology. The task of an organization is its mission, purpose, or goal for existing. The people are the human resources of the organization. The structure involves the system of communication, authority and roles, and workflow. The technology includes the tools, knowledge, and techniques used to transform inputs into throughputs to deliver outputs. Additionally, the external task environment is composed of different constituents, such as competitors, unions, regulatory agencies, and clients.

4 Describe the formal and informal elements of an organization.

© 2020 Cengage Learning. All Rights Reserved. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

ORGB 6th edition Nelson Solutions Manual

The formal organization is the official, legitimate, and most visible part of the organization. It includes goals and objectives, policies and procedures, job descriptions, financial resources, authority structure, communication channels, and products and services. The information organization is the unofficial and less visible part of the system. It includes beliefs and assumptions, perception and attitudes, values, feelings, group norms, and informal leaders. Though the formal and informal elements of an organization may conflict, both must be understood and well managed because they are interdependent.

5 Identify factors that contribute to the diversity of organizations in the economy.

Most attempts to explain or predict organizational behavior rely heavily on factors within the organization and give less weight to external environmental considerations. Yet organizational behavior always occurs in the context of a specific organizational setting, so students can benefit from being sensitive to that industrial context and from developing an appreciation for the diversity of various organizations. Whether large or small, each organization operates in a different sector of the economy. The *private sector* has a great variety of organizations. The *manufacturing sector* includes the production of basic materials and the production of finished products. The *service sector* includes intangible goods, such as transportation, and retail sales. The *government* and *nonprofit sectors* meet needs that other sectors do not address.

6 Describe the opportunities that change creates for organizational behavior.

Global competition, which is a leading force driving change at work, has increased significantly during the past few decades, especially in industries such as banking, finance, and air transportation. Corporate competition creates performance and cost pressures: changes that have a ripple effect on people and their behavior at work. Furthermore, although competition may lead to downsizing and restructuring, it also provides the opportunity for revitalization. Too much change, however, leads to chaos, and too little change leads to stagnation.

Global competition has challenged organizations to become more customer focused, meet changing product and service demands, and exceed customers' expectations of high quality. Quality has the potential to give organizations in viable industries a competitive edge against international competition. It has become a rubric for products and services of high status.

Quality improvement enhances the probability of organizational success in increasingly competitive industries. Organizations that do not respond to customer needs find their customers choosing alternative product and service suppliers who are willing to exceed customer expectations.

© 2020 Cengage Learning. All Rights Reserved. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

ORGB 6th edition Nelson Solutions Manual

Over and above the challenge of quality improvement to meet international competition, managing organizational behavior during changing times is challenging for at least three other reasons: (1) the increasing globalization of organizations' operating territory, (2) the increasing diversity of organizational workforces, and (3) the continuing demand for higher levels of moral and ethical behavior at work.

7 Demonstrate the value of objective knowledge and skill development in the study of organizational behavior.

Learning about organizational behavior requires doing as well as knowing and includes at least three activities. First, it requires the mastery of a certain body of objective knowledge, which results from research, experimentation, and scientific observation. Second, it requires skill development based on knowledge and an understanding of oneself in order to master the abilities essential to success. Third, both objective knowledge and skill development must be applied in real-world settings. Although organizational behavior is an applied discipline, students are not "trained" in it. Rather, they are "educated" in organizational behavior and are coproducers in learning.

Key Terms

Opportunities (p. 4)
Change (p. 4)
Challenge (p. 4)
Organizational behavior (p. 4)
Psychology (p. 4)
Sociology (p. 4)
Engineering (p. 5)
Anthropology (p. 5)
Management (p. 5)
Medicine (p. 5)
Task (p. 6)
People (p. 6)
Technology (p. 7)
Structure (p. 7)
Formal organization (p. 7)
Informal organization (p. 8)
Hawthorne studies (p. 8)
Objective knowledge (p. 13)
Skill development (p. 13)

© 2020 Cengage Learning. All Rights Reserved. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

ORGB 6th edition Nelson Solutions Manual

Review Questions and Answers

1. Define organizational behavior. What is its focus?

   Organizational behavior is the study of individual behavior and group dynamics in organizations. It primarily concerns organizational psychosocial, interpersonal, and behavioral dynamics; however, variables that affect human behavior at work also are relevant. These organizational variables include jobs, the design of work, communication, performance appraisal, organizational design, and organizational structure.

2. Identify the four action steps for responding positively to change.

   The four action steps for responding positively to change are to (1) have a positive attitude, (2) ask questions, (3) listen to the answers, and be committed to success.

3. What is an organization? What are its four internal system components? Give an example of each.

   An organization is an open system of interacting components. The four components that make up the systems framework are people (e.g., employees), tasks (e.g., mission, purpose, and goals), technology (e.g., tools, knowledge, and techniques for transforming inputs into outputs), and structure (e.g., systems of communication, authority and roles, and workflow).

4. Briefly describe the elements of the formal and informal organization. Give examples of each.

   The formal organization is the official, legitimate, and most visible part of the organization. It enables people to think of organizations in logical and rational ways. Elements of the formal organization include goals and objectives, policies and procedures, job descriptions, financial resources, authority structures, communication channels, and products and services.

   The informal organization is the unofficial and less visible part of the system. Informal elements include beliefs and assumptions, perceptions and attitudes, values, feelings, group norms, and informal leaders.

5. Describe how competition and total quality are affecting organizational behavior. Why is managing organizational behavior in changing times challenging?

© 2020 Cengage Learning. All Rights Reserved. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

ORGB 6th edition Nelson Solutions Manual

Global competition, which is a leading force driving change at work, has increased significantly during the past few decades, especially in banking, finance, and air transportation. Corporate competition creates performance and cost pressures: changes that have a ripple effect on people and their behavior at work. Furthermore, although competition may lead to downsizing and restructuring, it also provides the opportunity for revitalization. Product and service quality are the major ways that companies can win in a competitive environment. Too much change, however, leads to chaos, and too little change leads to stagnation.

Global competition has challenged organizations to become more customer focused, meet changing product and service demands, and exceed customers' expectations of high quality. Quality has the potential to give organizations in viable industries a competitive edge against international competition. It has become a rubric for products and services of high status. Quality improvement enhances the probability of organizational success in increasingly competitive industries.

Managing organizational behavior during changing times is challenging for at least three other reasons: (1) the increasing globalization of organizations' operating territory, (2) the increasing diversity of organizational workforces, and (3) the continuing demand for higher levels of moral and ethical behavior at work.

Discussion Questions and Assignments and Suggested Answers

1. How do the formal aspects of your work environment affect you? What informal aspects of your work environment are important?

   Students' answers will vary. Students without work experience may prefer to examine their university's formal and informal environmental factors. The formal aspects of the university's environment could include the university bulletin, specific requirements for graduation, and enrollment procedures. Informal aspects of the university's environment could include the power that the student association has on campus, dress norms, and the relationship between students and faculty.

2. What is the biggest competitive challenge or change facing the businesses in your industry today? Will that be different in the next five years?

   Students' answers will vary. Students without work experience may wish to consider the university setting to contemplate competitive challenges. This list may have items such as tuition, work versus advanced education, job opportunities, or the status of similar universities.

© 2020 Cengage Learning. All Rights Reserved. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

ORGB 6th edition Nelson Solutions Manual

Students with work experience may cite the need to change careers as a reason for returning to complete their undergraduate degrees. This exemplifies the competitiveness of all environments and shows how rapidly individuals must change to remain competitive. Many students returning to school may have considerable experience in "downsizing."

All businesses face issues regarding the economy and increased competition, locally, nationally, and internationally. Most organizations are dealing with potential ramifications of North American Free Trade Agreements as well as changes in the concepts of loyalty and long-term commitments.

In the next five years, as the change from a manufacturing society to an information society continues to solidify, the workforce will see an even greater variety in jobs and careers than has any prior generation.

3. Describe the next chief executive of your company and what he or she must do to succeed.

   Students' answers may vary. Students may prefer to discuss the university president or dean of the college if they do not have work experience.

   One of the discussions that could follow might correlate with current terminologies that have become popular, such as visionary leaders, empowered workforces, and teamwork. Successful leaders will also need to recognize and understand the impacts of global competition and economic changes, the need to focus on quality, the importance of a diverse workforce, and the challenge of managing change.

4. Have students prepare a memo about an organizational change occurring where they work or in the college or university, using Figure 1.1 to identify how the change is affecting the people, structure, task, and/or technology of the organization.

   Students' answers will vary. This is a good opportunity for students to practice writing in a concise, to-the-point style. Be sure that students consider different aspects of change, such as structure, task, and technology as they develop the memo.

5. Have students research a service or manufacturing company, entrepreneurial venture, or nonprofit organization of their choice and then prepare a brief description of it.

   Students' answers may vary. Students may discuss in class the similarities and differences they found between different service, manufacturing, entrepreneurial, or nonprofit

© 2020 Cengage Learning. All Rights Reserved. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

ORGB 6th edition Nelson Solutions Manual

organizations.

Ethical Dilemma

The purpose of the ethical dilemmas is to encourage students to develop their awareness of ethical issues in the workplace and the managerial challenges they present. The dilemmas are set up to present situations in which there is no clear ethical choice. Instructors are tasked with guiding their students through the process of analyzing the situation and examining possible alternative solutions. There are no "right" answers to the questions at the end of each scenario but only opportunities to explore alternatives, and these answers can generate discussions among students and instructors on the appropriateness of each alternative. The student portion of the activity is provided at the end of this chapter guide.

In order to address the ethical dilemmas in this chapter, a brief discussion of the referenced ethical theories is necessary. (These theories will be discussed in detail in Chapter 2.)

Consequential Theories of Ethics

Consequential theories of ethics emphasize the consequences or results of behavior. John Stuart Mill's *utilitarianism*, a well-known consequential theory, suggests that the consequences of an action determine whether it is right or wrong. Mills claims that good is the ultimate moral value, and good effects should be maximized for the greatest number of people.

Two dilemmas are raised by utilitarianism. Right actions do not always produce good consequences, and good consequences do not always follow right actions. And, using the greatest-number criterion may mean that minorities (groups representing less than 50 percent of the relevant population) are excluded when evaluating the morality of actions. An issue that matters to a minority but not to the majority might be ignored.

Consequentialists look beyond self-interest to consider impartially the interests of all persons affected by an action. Consequentialists recognize that trade-offs exist in decision making. Consequential theory concerns making decisions that maximize net benefits and minimize overall harms for all stakeholders.

Rule-Based Theories of Ethics

Rule-based theories of ethics emphasize the character of the act itself, not its effects, in arriving at universal moral rights and wrongs. Moral rights, the basis for legal rights, are associated with such theories. Immanuel Kant worked toward the ultimate moral principle in formulating his *categorical imperative*, a universal standard of behavior. Kant argued that individuals should be

© 2020 Cengage Learning. All Rights Reserved. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

ORGB 6th edition Nelson Solutions Manual

treated with respect and dignity and that they should not be used as a means to an end. He argued that one should put himself or herself in the other person's position and ask whether he or she would make the same decision if he or she were in that person's situation.

An example of a moral rule might be the widely known admonishment to "Do unto others as you would have them do unto you." Rules bind one to duty and observing the rule is paramount even if it leads to negative consequences for those affected by the decision.

Character Theories of Ethics

Virtue ethics, of which character theories of ethics are a type, offer an alternative to understanding behavior in terms of self-interest or rules. Character theories of ethics emphasize the character of the individual and the intent of the actor instead of the character of the act itself or its consequences. These virtue-ethics theories are based on Aristotle's view of ethics, which focused on an individual's inner character and virtuousness rather than on outward behavior. Thus, the good person who acted out of virtuous and right intentions was one with integrity and ultimately good ethical standards. Robert Solomon is the best known advocate of this Aristotelian approach to business ethics. He advocates a business ethics theory centered on the individual within the corporation, emphasizing personal virtues as well as corporate roles.

Judgment is exercised not through a set of rules, but as a result of possessing the character traits, or virtues that enable choices to be made about what is good and holding in check desires for something other than what will help to achieve this goal. The focus is on acting due to right intentions; that is, because one is deeply and thoroughly disposed to act from a desirable character trait rather than on the acts themselves (rules-based) or the outcomes of the actions (consequential theory).

1. Using consequential, rule-based, and character theories, evaluate Melissa and Brian's options.

   Consequential Theory

   Going ahead with their strategic plan will allow Melissa and Brian to establish a presence in the Chinese market and make their online and technology services available to the Chinese public as well, thus providing a good outcome to a very large constituency. Withholding their services would deprive that constituency of an important good. The idea that "if they don't offer the services, someone else will" is irrelevant to the extent that the ethical decision to be made involves the outcomes of their actions, not the actions of someone else. In other words, if they fail to provide the services, thus depriving the Chinese people of an important benefit, they will have acted unethically

© 2020 Cengage Learning. All Rights Reserved. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

ORGB 6th edition Nelson Solutions Manual

regardless of whether someone else offers the services at a later time.

Rule-Based Theory

Rule-based ethics focuses on the rightness of the act itself rather than its consequences or the intentions of the actor. In this case, the decision may differ depending on the rule Melissa and Brian choose to observe. If the rule is to advance the welfare of society, going ahead with their strategic plan would help the Chinese people achieve greater technological parity with other advanced nations. If the rule is to protect the people from government censorship, staying true to their stated values would prevent their technology from being used to filter the people's access to the Internet.

Character Theory

According to the character theory, Melissa and Brian should remain true to their stated values by focusing on the intentions of the actors. These values are deeply held, as they envisioned professional values of corporate social responsibility when the company was first conceived. The possibility of contributing to government censorship of the Internet would not be viewed as socially responsible and would preclude them from going ahead with their strategic plan.

2. What should Melissa and Brian do? Why?

The answer to this question depends on the ethical theory to which one subscribes. One point of view is that if Melissa and Brian do not remain true to their stated values, in particular, their mission statement concerning the freedom to obtain knowledge, they will have violated the essence of their company as being socially responsible. Given what they have learned from Henry about Internet regulation in China, they should forego the Chinese market and focus on expanding in less heavily regulated markets.

Self-Assessments—What about You?

1.1 Analyze Your Perceptions of Change

People perceive change differently. Students should think of change situations they are currently experiencing. These changes can be any business, school-related, or personal experiences that require a significant change in attitude or behavior. Students should then rate their feelings about the changes using the scale provided in the exercise. Once the ratings are completed, students can be put in small groups to discuss the differences and similarities in their experiences. Small group discussions can be followed by a class discussion about how students' perceptions of

© 2020 Cengage Learning. All Rights Reserved. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

ORGB 6th edition Nelson Solutions Manual

change will affect them, given the rapidly changing nature of the business environment they will enter after graduation. The student portion of the activity is provided on a handout at the end of this chapter guide.

1.2 Learning Style Inventory

This exercise is designed to help students understand their individual learning styles better by identifying the extent to which they prefer visual, auditory, and tactile learning activities. There are two immediate and practical benefits of this exercise. First, students can identify the ways in which they prefer to learn, giving them greater insight into which learning activities will require greater focus and which ones will be more inherently enjoyable for them. Second, the information provided by this exercise can be of great help to instructors in structuring course activities so that they better match students' learning preferences and so that all students' preferences can be addressed using a variety of teaching methods. A general discussion of how the variety of methods used to stimulate learning of course material (e.g., lectures, video presentations, case analyses, role-plays, and other experiential exercises) may facilitate learning for individuals with different learning styles might be a useful introduction to this exercise. The student portion of the activity is on the review card in the student edition of *ORGB*.

Issues in Diversity

Women Triumph in Times of Recession—Really?

American women are finally in a position to surpass men in the workforce, but it took an economic recession for them to do it. The layoffs and plant closures experienced in the manufacturing and construction industries have hit working men terribly hard. Some estimate that 82 percent of the job losses during the recession have occurred for men. Why the difference? Women tend to hold jobs in "safer" recession-proof industries such as healthcare and education. Women's increased representation in the workforce should be a cause for celebration. However, several issues loom beneath the surface that stand to dampen the festivities. And while the proportion of women in the workforce may have surpassed that of men, their salaries have not.

1. Do you believe an extended recession could completely change gender roles in the United States? Explain.

   While an extended recession would likely increase the proportion of women in the workforce to a greater extent, at least temporarily, a large percentage of the men who have been affected by the recession will begin to find their way back into the workforce over time. Moreover, though social mores were somewhat less tolerant at the time of the Great Depression and World Wars I and II, the fact that a large number of men were

© 2020 Cengage Learning. All Rights Reserved. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

ORGB 6th edition Nelson Solutions Manual

absent from the workforce did not permanently change gender roles in any significant way. The changes taking place during the current recession may be more a result of social changes over the past 40 or so years than a direct outcome of the current recession. While it may be true that men have disproportionately lost jobs because of the recession, women have been steadily moving into jobs traditionally held by men as well as moving into higher-level management positions for several decades. Additionally, there is no indication that the number of men who are taking on the role of primary caregiver for children and primary homemaker has significantly increased in conjunction with the present recession.

2. Do companies have a responsibility to raise women's salaries to accommodate their roles as primary breadwinners? Why or why not?

   Companies have no responsibility to raise women's salaries to accommodate any change in role that may have occurred. However, companies do have a legal requirement to pay women salaries that are equal to men's salaries in similar positions. The Equal Pay Act of 1963 initially established this legal requirement, and the Lilly Ledbetter Fair Pay Restoration Act of 2009 strengthened the requirement by removing the requirement for women to file a pay discrimination claim within 180 days of their first unfair paycheck.

Experiential Exercises

1.1 What's Changing at Work?

This exercise enlightens students about the changes occurring in organizations. Instructors should encourage teams to question each other about the legitimacy of the changes identified. A debate could be set up to generate discussion about whether specific changes are good or bad. Students should consider both the good and the bad impacts of a particular change. The student portion of the activity is provided on the prep card in the student edition of *ORGB* and on a handout at the end of this chapter guide.

1.2 My Absolute Worst Job

Purpose: To become acquainted with fellow classmates.

Group size: Any number of groups of two. The student portion of the activity is provided on a handout at the end of this chapter guide.

Occasionally, a student will reveal proprietary information about a company. It might be wise to preface the discussion by suggesting that students describe the type of job rather than mentioning

© 2020 Cengage Learning. All Rights Reserved. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

ORGB 6th edition Nelson Solutions Manual

the name of the company.

There are many humorous and bonding examples that have come from this exercise. Instructors might want to tell their students that there have been a variety of answers. Two of the more extreme were as follows:

1. Digging cemetery plots in August in St. Louis. (No explanation was needed why this was not a "good" job.)
2. On the committee for a state's inaugural ball, where the governor did not show up until 2:00 a.m.

These are good examples to illustrate that stress is related to behavior and organizational factors, not just the type of job that an individual fulfills.

Students may also benefit from a discussion of elitism during the debriefing of this exercise.

Students need to be reminded that although they personally may not want to work at McDonald's as a career, there are people who plan on making that organization their career. We need to understand why one person's "worst job" is another person's ideal job.

Students may see some positions as "inherently worst jobs." Instructors should be sure to clarify that some individuals may take positions to fulfill financial obligations and find their personal fulfillment through other means. The fact that they do not wish to "self-actualize" at work does not necessarily mean that they are not productive, valuable organizational members.

Not all students will have work experience. A large number of international students may have little work experience because they go directly from secondary schools to college. Some allowances may need to be made for these students so they do not feel like they are "in the wrong class because they are inexperienced." They could contribute by mentioning a job they would least likely do and why they would not want to have this position.

1.3 Creating a Quality Learning Environment

This exercise will give students the opportunity to discuss the elements of a quality learning environment. The basic question their group will need to answer first is whether good education provides a service or produces a product. Once they have made that decision, they will be able to address the questions in Step 2 of the exercise.

Step 1. Instructors should divide students into groups of approximately six members each. Each group should elect a spokesperson and answer the following question: Does education provide a service or produce a product? The spokesperson should be prepared to explain the group's

© 2020 Cengage Learning. All Rights Reserved. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

ORGB 6th edition Nelson Solutions Manual

answer to this basic question during the cross-team exchange.

Step 2. Each group should generate answers to the following questions. A group should spend approximately five minutes on each question and make sure that each person makes a contribution to the group's response. The spokesperson for each group should be ready to share the group's collective responses to the following three questions.

a. What are the important characteristics of a high-quality learning environment?

Members should focus on the physical, social, and psychological characteristics of the environment as well as on behaviors of the students and instructor.

b. What format results in the best learning?

Members should decide whether lectures, debates, discussion, role-playing, and group activities need to be included and in what proportions.

c. What problems or obstacles have you encountered previously in a high-quality learning environment?

These may be related to the subject matter, evaluation processes, workload expectations, or other aspects of the classroom environment.

Step 3. Each group should share the results of its answers to the questions in Steps 1 and 2. This will be followed by cross-team questions and discussion.

Step 4. The instructor may answer questions for a few minutes at the end of the class about his or her thoughts about the course, professional background, and experience.

Additional Examples

A Strong, Positive Attitude toward Change

A recent study focused on the dynamic and changing nature of organizations. There are a number of variables found to be associated with organizational changes that serve as mediators of outcomes of the change process. Not all changes result in good outcomes and not all change results in bad outcomes. What makes the difference? This study examined three variables that might affect the attitudes of 258 police officers toward a change aimed at restructuring the organizational design. The three variables were locus of control, growth need strength, and internal work motivation. Locus of control concerns one's personal beliefs about how much self-

© 2020 Cengage Learning. All Rights Reserved. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

ORGB 6th edition Nelson Solutions Manual

control one has versus how much control is due to chance or events in the environment. Growth need strength assesses how much a person needs to experience work as stimulating and challenging. Internal work motivation assesses one's self-initiative and personal drive. These three variables influence one's attitude toward change, which may be positive, as in looking forward to change, or weak, as in not looking forward to change. All these influence organizational commitment following the change. The results found that strong, positive attitudes toward change led to higher levels of organizational commitment as well as more successful implementation of change initiatives. The practical implications of this study suggest that employees with strong, positive attitude toward change work to ensure that a change initiative is successful. On the other hand, employees with weak attitudes toward change are likely to resist and potentially sabotage a change initiative.

SOURCE: S. M. Elias, "Employee Commitment in Times of Change: Assessing the Importance of Attitudes Toward Organizational Change," *Journal of Management* 35 (2009): 37–55.

McDonald's Learns from Different Countries

American corporations typically do things the American way as they globalize and extend their reach into all parts of the world. The process of standardization is a uniquely American way of business since the advent of the Model T by Henry Ford. McDonald's has shown that it does not have to be that way. Instead of the Big Mac, the really successful Big Tasty was invented in Germany and launched in Sweden. France has the Croque McDo, which is ham and Swiss cheese on toast. The Netherlands has the McKroket—a deep-fried beef patty, and other countries have their own unique McDonald's specialties. McDonald's current global success is being achieved through accommodation, not through domination.

An Ethics Czar for President Obama—Would You Haven Taken the Job?

Early in his administration, President Obama appointed an impressive array of policy leaders to tackle the county's ever-mounting social and economic problems. Tough times call for creative solutions and so the president looked to the best and the brightest to help lead the nation. Rather than federalizing, the government could have outsourced the job and made every American personally responsible for ethics and integrity. The code of conduct for those who accepted the responsibility would have included the following items:

- Lead by example
- Praise generously
- Criticize to build up, not tear down
- Be kind, unwind
- Punish fairly
- If it is to be, it is up to thee

© 2020 Cengage Learning. All Rights Reserved. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

ORGB 6th edition Nelson Solutions Manual

Case Study and Suggested Responses

Facebook: Opportunities, Problems, and Ambitions

Linkage of Case to Chapter Material

Facebook, led by Mark Zuckerberg, has been at the center of transforming how the world communicates, and it has experienced phenomenal growth since its founding in 2004. According to one observer, "2010 was the year that Facebook firmly established itself as a major force not only in social network advertising but all of online advertising. In 2011, its global presence is something multinational advertisers can't ignore." Facebook has enjoyed an explosion of opportunities but not without encountering some thorny problems.

This case focuses on Facebook's use of members' personal information to generate advertising revenue and fostering business opportunities. Use of members' information brings up concerns about the privacy of personal information and the policy that Facebook has in place to protect members' privacy. Although Facebook has made some progress in ensuring information privacy, critics maintain that much more progress is needed. In light of these critics' ongoing concerns, Mark Zuckerberg's ambition to connect the entire world on Facebook can be very disturbing.

A key element of Chapter 1 is the notion that change creates opportunities. Change occurs in many ways—within the organization itself and within the organization's environment, in small ways and large ways, in incremental ways and in transformational ways, and so forth. All of these changes can create opportunities, some of which could lead to completely new businesses. It is within the context of the changes that have been fostered by the growth of social networking websites that this case is related to the content of Chapter 1.

Suggested Answers to Discussion Questions

1. How does Facebook's privacy management of users' personal information affect the behavior of Facebook patrons?

   According to the case, "Facebook generates most of its revenue from targeted advertisements based on users' demography and interests, so the more data users share publicly the more money it can mint from ads." Facebook has built its vast reservoir of user data on the back of a privacy policy that is none too friendly to the social network's users. Indeed, some privacy critics suggest that Facebook's privacy policy is little more than a sham—something designed to obscure the social networking site's real motivation regarding the protection of users' personal data. Facebook "assumes you want to share as much data as

© 2020 Cengage Learning. All Rights Reserved. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

ORGB 6th edition Nelson Solutions Manual

possible; if not, you have to change the settings, which can be a fiddly business. The presumption should be exactly the opposite—the default should be tight privacy controls, which users may then loosen if they choose." As a partial response to this privacy criticism, Facebook instituted a Groups feature and a Places feature. Yet, these features still have privacy loopholes in them. The Groups feature allows friends to add users to groups on their behalf. The Places feature gives online friends the ability to check someone into a place without that person's permission.

Even with Facebook's revision of its privacy management policy and privacy control mechanisms, users are still open to having their personal information accessed and used without their express permission. Consequently, Facebook users need to protect themselves against being exploited in any way. Facebook users need to be aware of the potential negative consequences to their personal lives and present or future employment by unauthorized parties having access to their posted information.

2. Being a college student, you are quite likely a Facebook user. What is your opinion regarding how Facebook deals with privacy issues? What have you done (or decided not to do) with regard to protecting your privacy on Facebook (or other social networking sites)?

   It is extremely difficult to find a college student who does not use Facebook, at least to some extent. Some of the students are light users, but most of them are rather heavy users of Facebook—at least judging from the anecdotal information they share with professors. Therefore, students have a wealth of experience to draw upon in discussing this question. Interestingly, however, far too many students are somewhat naïve about how the information they post on Facebook can open them up to exploitation and come back to haunt them in their future job searches. Students should be encouraged to look into what privacy experts have to say about the potential negative effects of social networking media.

3. How can the availability of Facebook users' personal data create business opportunities for Facebook and for other businesses?

   In just a few years, social networking websites have exploded in popularity. Facebook (and to a lesser extent, its competitors) has transformed how people—particularly younger people—connect with one another. As the membership of social networking websites have grown, so have the demand for new and different ways of using these websites. Hence, many new applications that appeal to and capitalize on social networking websites have been developed. Given the rapidly growing popularity of these websites, it is only a matter of time before enterprising individuals would devise ways of monetizing the opportunities that abound when there is a source of extensive information about large numbers of people who are active consumers.

© 2020 Cengage Learning. All Rights Reserved. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

ORGB 6th edition Nelson Solutions Manual

As indicated in the case, Facebook seeks to capitalize on the wealth of user data to become a dominant and pervasive business presence on the Internet. Specifically, Facebook is becoming "a potential rival in electronic payments to eBay Inc.'s PayPal, while partnerships Facebook is cementing with smartphone makers set the stage for competition with Apple Inc. and Google in mobile services." Moreover, every industry—news, health, finance, shopping, and commerce—will be rebuilt around social engagement, and Facebook will be at the center of this rebuilding frenzy. "[M]any Silicon Valley companies increasingly have to decide whether to treat Facebook like a friend whose reach and user data can help propel their own growth or a foe that can become a destructive force."

4. Refer to Mark Zuckerberg's future ambitions for Facebook, as articulated in the next to the last paragraph of the case. From your perspective, what benefits might result if Zuckerberg's aims are realized? What concerns do you have about Zuckerberg's goals?

   The next to the last paragraph reads as follows:

   Facebook founder and CEO Mark Zuckerberg's ultimate goal is "to turn Facebook into the planet's standardized communication (and marketing) platform, as ubiquitous and intuitive as the telephone but far more interactive, multidimensional, and indispensable. Your Facebook ID quite simply will be your gateway to the digital world, Zuckerberg predicts." "Zuckerberg makes it clear . . . that he's still intensely focused on connecting the entire world on Facebook—only now his vision goes well beyond the site as a digital phone book. It becomes the equivalent of the phone itself: It is the main tool people use to communicate for work and pleasure. It also becomes the central place where members organize parties, store pictures, find jobs, watch videos, and play games. Eventually they'll use their Facebook ID as an online passkey to gain access to websites and online forums that require personal identification. In other words, Facebook will be where people live their digital lives, without the creepy avatars."

   There is considerable appeal to the notion of organizing one's entire digital life through a central portal. Certainly, life would be simplified and time would be saved. However, having a single portal for all digital access is also frightening in that it places an extraordinary amount of power in Facebook's hands. If Facebook were to have such power, it must be accompanied by corresponding expectations and requirements regarding Facebook's responsibility and accountability for protecting members' privacy. However, Facebook's critics likely would vehemently question the company's willingness to make such commitments.

SOURCE: This case solution was written by Michael K. McCuddy, The Louis S. and Mary L. Morgal Chair of

© 2020 Cengage Learning. All Rights Reserved. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

ORGB 6th edition Nelson Solutions Manual

Christian Business Ethics and Professor of Management, College of Business Administration, Valparaiso University.

On the Job Video

Bissell Brothers Brewing Company: Managing Start-Ups

Discussion Questions and Solutions

1. Using the open systems view of organizations, describe the internal and external environment of Bissell Brothers Brewing Company.

   According to the open systems view of organizations, Holden Outerwear is a company with an internal environment that interacts with forces in the external environment to transform inputs into outputs.

   Based on information shown in the video, Bissell Brothers' internal environment may be described as follows:
   - Task: provide high-quality craft beers for bar patrons near Portland, Maine
   - People: Peter Bissell, Business Director; Noah Bissell, Brewer; Seth, General Manager; Josh, Cellarman
   - Technology: flavor creation, brewing, packaging, distribution
   - Structure: organization design dimensions, differentiation, and integration; reporting relationships as mapped out by the organization chart

   Bissell Brothers' external environment consists of the following:
   - Inputs: malt, hops, and other raw materials used in beer brewing; human and financial capital
   - Outputs: craft beer
   - Task environment: brewery, bars near Portland, Maine, bar patrons, competing craft and large-batch brewers

2. Organizational behavioralists can benefit from being sensitive to the industrial context in which an organization operates. Describe the diverse organizations with which Bissell Brothers Brewing Company competes.

   Bissell Brothers Brewing is a very small, craft brewery operating and selling in the Portland, Maine, area. The company must contend with a great deal of local, national, and global competition, which includes craft and large-batch beers sold at stores, bars, eateries, and other entertainment venues.

© 2020 Cengage Learning. All Rights Reserved. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

ORGB 6th edition Nelson Solutions Manual

3. How does Bissell Brothers Brewing Company seek to handle changes brought about by global and corporate competition ?

   Global and corporate competition in the beer industry are forces for change at work. As such, each brings both opportunities and risks. Peter and Noah Bissell seek to overcome these competitive risks with high-quality products and superior customer service. The brothers have embedded quality improvement into their organizational culture, along with the spirit of innovation and flexibility to meet consumers' changing wants and needs.

On the Job Video

How Toyota Changed The Way We Make Things

1. The four major internal components of an open system view of an organization are task, people, technology, and structure. Give examples of how Toyota utilized each of these four components in transforming their company to an auto manufacturing leader.

   During the hard economic times following WWII, Toyota used any means of cost-saving – even outfitting their trucks with one headlight. The task was they had to find a way to compete while keeping costs at a minimum. The human resources of Toyota pinnacled when the lead machinist recognized the advantage of having just enough inventory for current use, such as in the American supermarkets. The resulting just-in-time inventory system and the lean manufacturing process where two techniques used to both cut costs and improve production. These two systems and the use of robots on the manufacturing line comprise the technology component of the open system view of Toyota. The final component, structure, is modeled in the Kanban scheduling system showing goods in, goods in production, and goods out – seen as a precursor to barcodes. The kaizen process is also part of the structure, meetings held to facilitate continuous improvement of the product.
2. In the case of Toyota, several forces of change ultimately created opportunities for the company. What global competitive forces created opportunities for Toyota? Was Toyota suited to take advantage of these opportunities?
   World War II and the resulting lack of resources was one force of change at Toyota. The company had to find a way to compete while keeping costs and resources at a minimum. Global corporate competition creates performance and cost pressures and while American auto manufacturers had money tied up in extensive inventories, Toyota was running a lean manufacturing process with their just-in-time inventory. When the cost of gasoline soared, Americans began looking for cars with better gas mileage. Toyota was well-suited to take advantage of such an opportunity. They had the high-quality product and the sleek process to supply that product at the most opportune time. Toyota could produce a car at less cost than American manufacturers, and quicker. American auto manufacturers, with their ensconced workforce and large inventories, faced downsizing and restructuring in order to

© 2020 Cengage Learning. All Rights Reserved. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

ORGB 6th edition Nelson Solutions Manual

stay competitive with Toyota.

3. How does Toyota embrace the total quality management concept? Give examples of systems or processes at Toyota that define their commitment to TQM.
   Total quality management (TQM) is the total dedication to continuous improvement and to customers so that customers' needs are met and their expectations exceeded. Quality cannot be optimized because customer needs and expectations are always changing, but it is embedded at Toyota through the kaizen process. These meetings continuously search for ways to improve the product or the process. Toyota's lean manufacturing system and just-in-time inventory kept their costs at a minimum, American auto manufacturers could not compete. Through the kaizen process and continuous improvement, Toyota was able to make a car in less time, and at less cost, than American companies. Toyota had a competitive advantage through customer responsiveness (high gas mileage, low cost), accelerated results (global production leader), and resource effectiveness (sleek inventories).

© 2020 Cengage Learning. All Rights Reserved. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

ORGB 6th edition Nelson Solutions Manual

STUDENT HANDOUTS

Please note that unless indicated these handouts are additional to what is provided in the Instructor Prep Cards and Student Review Cards.

Ethical Dilemma

Disco Global is an online and technology systems firm based out of Atlanta, Georgia; the company has been steadily acquiring a significant market share for the past five years. Founded by Melissa Young and Brian Whitman, Disco Global's current strategic goal is to penetrate international markets within the next three years. When Melissa and Brian first conceived of Disco Global, they envisioned growing a small niche company into one that served the widest market available, while they stay true to their professional values of corporate social responsibility.

Given Disco Global's positioning, the company has been advised to make inroads into the coveted Asian market at this time. Both co-CEOs Melissa and Brian agree with this strategy and have secured a local marketing team in Hong Kong to help facilitate their entrance into China's marketplace. Henry Chee Wan, their liaison in Hong Kong, has developed a very tight plan that everyone agrees will promote Disco Global in a positive and efficient manner.

During the course of their work with Henry, Melissa and Brian learn some facts about working within the Chinese governmental structure that have given them pause. In the company's vision statement, Melissa and Brian specifically included a mention of freedom to obtain knowledge. As they learn more about China's Internet censorship practices, they grow more concerned that in acquiescing to the government's conditions, they are straying too far from their company's original goals and ethical compass. Henry explains to Melissa and Brian that the Internet is heavily regulated in China and that if their software or hardware was used with criminal, seditious intent, they would be liable for helping to reveal the user and culprit. Having their technology being used as filters for what Chinese people can read and hear seems contrary to the conception of Disco Global.

However, Melissa and Brian want to capitalize on the Asian market, and they agree that if Disco Global doesn't bring Internet and technology services to China, someone else will. Melissa and Brian now have to decide the best decision for Disco Global: stay true to their stated values or continue with their strategic plan?

© 2020 Cengage Learning. All Rights Reserved. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

ORGB 6th edition Nelson Solutions Manual

Questions

1. Using consequential, rule-based, and character theories, evaluate Melissa and Brian's options.
2. What should Melissa and Brian do? Why?

© 2020 Cengage Learning. All Rights Reserved. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

ORGB 6th edition Nelson Solutions Manual

What about You?

Analyze Your Perceptions of Change
[found in Student Review Card]

Everyone perceives change differently. Think of a change situation you are currently experiencing. It can be any business, school-related, or personal experience that requires a significant change in your attitude or behavior. Rate your feelings about this change using the following scales. For instance, if you feel the change is more of a threat than an opportunity, you would circle 0, 2, or 4 on the first scale.

1. Threat	0	2	4	6	8	10	Opportunity
2. Holding on to the past	0	2	4	6	8	10	Reaching for the future
3. Immobilized	0	2	4	6	8	10	Activated
4. Rigid	0	2	4	6	8	10	Versatile
5. A loss	0	2	4	6	8	10	A gain
6. Victim of change	0	2	4	6	8	10	Agent of change
7. Reactive	0	2	4	6	8	10	Proactive
8. Focused on the past	0	2	4	6	8	10	Focused on the future
9. Separate from change	0	2	4	6	8	10	Involved with change
10. Confused	0	2	4	6	8	10	Clear

How positive are your perceptions of this change?

SOURCE: H. Woodward and S. Buchholz, *Aftershock: Helping People Through Corporate Change*, p. 15. Copyright © 1987 John Wiley & Sons, Inc. Reprinted by permission of John Wiley & Sons, Inc.

© 2020 Cengage Learning. All Rights Reserved. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

ORGB 6th edition Nelson Solutions Manual

Issues in Diversity

Women Triumph in Times of Recession—Really?

American women are finally in a position to surpass men in the workforce, but it took an economic recession for them to do it. The layoffs and plant closures experienced in the manufacturing and construction industries have hit working men terribly hard. Some estimate that 82 percent of the job losses during the recession have occurred for men. Why the difference? Women tend to hold jobs in "safer" recession-proof industries such as healthcare and education.

Take Nasreen Mohammed for example. Mohammed runs a small day care out of her home in Milpitas, California. Her business brings in $30,000 a year—"peanuts" compared with the $150,000 her husband used to contribute before he was laid off from his marketing and sales job in 2008. Just like that, Nasreen went from being a full-time homemaker to full-time business women, working five days a week, fifty-one weeks a year. Not surprisingly, she spends less time with her husband and three children, and even less time with domestic responsibilities. Mohammed loves her work, but her family can't help but worry about her health. Her business is demanding and doesn't include sick days or health benefits.

Women's increased representation in the workforce should be a cause for celebration. However, several issues loom beneath the surface that stands to dampen the festivities. First, good benefits came with those good jobs in manufacturing and construction. This allowed men to support their families at much higher levels than women are able to do with their "safe" jobs. Women tend to work in part-time jobs with little or no health or unemployment insurance. And while the proportion of women in the workforce may have surpassed that of men, their salaries have not. The average salary of full-time women remains a fraction (80 percent) of men. Finally, economists have found that even when both spouses work, working women devote much more time to childcare and housework than men. Many agree that the job for laid-off spouses—husbands especially—is not to settle into a new support role in which they help with cooking, cleaning, and running errands. His primary job is to find another job.

Questions

1. Do you believe an extended recession could completely change gender roles in the United States? Explain.
2. Do companies have a responsibility to raise women's salaries to accommodate their roles as primary breadwinners? Why or why not?

© 2020 Cengage Learning. All Rights Reserved. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

ORGB 6th edition Nelson Solutions Manual

Experiential Exercise

What's Changing at Work?
[found in Instructor Prep Card]

This exercise provides an opportunity to discuss changes occurring in your workplace and university. These changes may be for the better or the worse. However, rather than evaluating whether they are good or bad changes, begin by simply identifying the changes that are occurring. Later, you can evaluate whether they are good or bad.

Step 1. The class forms into groups of approximately six members each. Each group elects a spokesperson and answers the following questions. The group should spend at least five minutes on each question. Make sure that each member of the group makes a contribution to each question. The spokesperson for each group should be ready to share the group's collective responses.

What are the changes occurring in your workplace or university? Members should focus both on internal changes, such as reorganizations, and on external changes, such as new customers or competitors. Develop a list of the changes discussed in your group.

What are the forces that are driving the changes? To answer this question, look for the causes of the changes members of the group are observing. For example, a reorganization may be caused by new business opportunities, new technologies, or a combination of factors.

What signs of resistance to change do you see occurring? Change is not always easy for people or organizations. Do you see signs of resistance, such as frustration, anger, increased absences, or other forms of discomfort with the changes you observe?

Step 2. Once you have answered the three questions in Step 1, your group needs to spend some time evaluating whether these changes are good or bad. Decide whether each change on the list developed in Step 1a is good or bad. In addition, answer the question, "Why?" That is, why is this change good? Why is that change bad?

Step 3. Each group shares the results of its answers to the questions in Step 1 and its evaluation of the changes completed in Step 2. Cross-team questions and discussion follow.

Step 4. Your instructor may allow a few minutes at the end of the class period to comment on his or her perceptions of changes occurring within the university, or businesses with which he or she is familiar.

© 2020 Cengage Learning. All Rights Reserved. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

ORGB 6th edition Nelson Solutions Manual

Experiential Exercise

My Absolute Worst Job

Purpose: To become acquainted with fellow classmates.

Group size: Any number of groups of two.

Exercise schedule:

1. Write answers to the following questions:
   a. What was the worst job you ever had? Describe the following:
      - The type of work you did
      - Your boss
      - Your coworkers
      - The organization and its policies
      - What made the job so bad?
   b. What is your dream job?

2. Find someone that you do not know and share your responses with him or her.

3. Get together with another dyad, preferably new people. Partner "a" of one dyad introduces partner "b" to the other dyad, then "b" introduces "a." The same process is followed by the other dyad. The introduction should follow this format: "This is Mary Cullen. Her very worst job was putting appliqués on bibs at a clothing factory, and she disliked it for the following reason. What she would rather do is be a financial analyst for a big corporation."

4. Each group of four meets with another quartet and is introduced, as before.

5. Your instructor should ask for a show of hands on the number of people whose worst jobs fit into the following categories:
   a. Factory
   b. Restaurant
   c. Manual labor
   d. Driving or delivery
   e. Professional
   f. Healthcare
   g. Phone sales or communication
   h. Other

© 2020 Cengage Learning. All Rights Reserved. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

ORGB 6th edition Nelson Solutions Manual

6. Your instructor should gather data on worst jobs from each group and ask the groups to answer these questions:
   a. What are the common characteristics of the worst jobs in your group?
   b. How did your coworkers feel about their jobs?
   c. What happens to morale and productivity when a worker hates the job?
   d. What was the difference between your own morale and productivity in your worst job and in a job you really enjoyed?
   e. Why do organizations continue to allow unpleasant working conditions to exist?

7. Your instructor leads a group discussion on Parts (a) through (e) of Question 6.

SOURCE: D. Marcic, "My Absolute Worst Job: An Icebreaker," *Organizational Behavior: Experiences and Cases* (St. Paul, Minn.: West, 1989), 5–6. Copyright 1988 Dorothy Marcic. All rights reserved. Reprinted by permission.

© 2020 Cengage Learning. All Rights Reserved. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

ORGB 6th edition Nelson Solutions Manual

Case Study

Facebook: Opportunities, Problems, and Ambitions

Not only has Facebook, the social network that was founded in 2004 by Mark Zuckerberg, experienced phenomenal growth, it has enjoyed an explosion of opportunities but not without encountering some thorny problems. In February 2011, Facebook had more than 600 million users, was valued at $50 billion, and was in the midst of taking substantial online advertising away from competitors.[i] However, issues regarding the privacy of users' personal data loomed like ugly storm clouds.

A report issued by eMarketer estimates that marketers will spend $4.05 billion globally on Facebook advertising in 2011, with $2.19 billion of that total being in the United States. According to Debra Aho Williamson, eMarketer's principal analyst, "2010 was the year that Facebook firmly established itself as a major force not only in social network advertising but all of online advertising. . . . In 2011, its global presence is something multinational advertisers can't ignore."[ii]

The explosive growth in ad revenue, however, is intertwined with growing concerns about how Facebook deals with the privacy of users' information. Facebook "has a powerful incentive to push people into revealing more information. Facebook generates most of its revenue from targeted advertisements based on users' demography and interests, so the more data users share publicly the more money it can mint from ads."[iii] However, the data collection practices of Facebook and other social networking sites "have provoked calls for tougher action by regulators and governments to prevent web firms from abusing the mountains of personal data they now hold. Danah Boyd, a social-networking expert, has even argued that Facebook, with its hordes of members around the world, is now so embedded in people's lives that it should be regulated as a utility."[iv]

Some privacy critics suggest that Facebook's privacy policy is little more than a sham—something designed to obscure the social networking site's real motivation regarding the protection of users' personal data. As written in the well-respected publication *The Economist*, "[t]he worst thing is Facebook's underlying prejudice against privacy. Sign up and it assumes you want to share as much data as possible; if not, you have to change the settings, which can be a fiddly business. The presumption should be exactly the opposite: the default should be tight privacy controls, which users may then loosen if they choose. If Facebook fails to simplify and improve its privacy policy, it will justly risk the wrath of regulators—and many more Facebook suicides."[v]

Facebook has acknowledged the problems with its privacy policy. On a blog post, Facebook

© 2020 Cengage Learning. All Rights Reserved. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

ORGB 6th edition Nelson Solutions Manual

admitted that its "privacy policy has been criticized as being '5830 words of legalese' and 'longer than the U.S. constitution—without the amendments' . . . [and] that privacy policies can and should be more easily understood."[vi] As a partial response to the privacy criticism, in early October 2010 Facebook unveiled a feature called Groups through which "users and their friends can place each other in a myriad of social circles, and choose which bits of information to share with whom."[vii] Some privacy critics commended Facebook for developing and implementing the Groups feature because it gives users more control over their personal data; but it has not met as warm a reception from privacy critics who don't like how friends have the ability to add users to groups on their behalf. [viii] Likewise, Facebook's Places feature, which was launched in August 2010, has been criticized because it gives online friends the ability to check someone into a place without that person's permission.[ix]

Sunil Gupta, a business professor at Harvard Business School, says that privacy could be the Achilles' heel for Facebook.[x] Although privacy is an ongoing thorny issue for Facebook, the company is nonetheless forging ahead with other opportunities. Facebook seeks to become a dominant and pervasive presence on the Internet. The company's ambitions are evident in many ways. "The social network is a potential rival in electronic payments to eBay Inc.'s PayPal, while partnerships Facebook is cementing with smartphone makers set the stage for competition with Apple Inc. and Google in mobile services."[xi] Sheryl Sandberg, Facebook's Chief Operating Officer, asserts that "every industry is going to be rebuilt around social engagement . . . [; n]ews, health, finance, shopping and commerce . . . will be rebuilt by companies that work with us to put social at the core."[xii] Clearly, the opportunities upon which Facebook is capitalizing have important implications for existing and potential competitors in a wide range of businesses. "[M]any Silicon Valley companies increasingly have to decide whether to treat Facebook like a friend whose reach and user data can help propel their own growth, or a foe that can become a destructive force."[xiii]

Facebook founder and CEO Mark Zuckerberg's ultimate goal is "to turn Facebook into the planet's standardized communication (and marketing) platform, as ubiquitous and intuitive as the telephone but far more interactive, multidimensional and indispensable. Your Facebook ID quite simply will be your gateway to the digital world, Zuckerberg predicts."[xiv] "Zuckerberg makes it clear . . . that he's still intensely focused on connecting the entire world on Facebook—only now his vision goes well beyond the site as a digital phone book. It becomes the equivalent of the phone itself: It is the main tool people use to communicate for work and pleasure. It also becomes the central place where members organize parties, store pictures, find jobs, watch videos, and play games. Eventually they'll use their Facebook ID as an online passkey to gain access to websites and online forums that require personal identification. In other words, Facebook will be where people live their digital lives, without the creepy avatars."[xv]

Should people be elated or distressed about Facebook's desire to permeate human existence in

© 2020 Cengage Learning. All Rights Reserved. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

ORGB 6th edition Nelson Solutions Manual

light of what can happen regarding the privacy of personal data?

Discussion Questions

1. How does Facebook's privacy management of users' personal information affect the behavior of Facebook patrons?
2. Being a college student you are quite likely a Facebook user. What is your opinion regarding how Facebook deals with privacy issues? What have you done (or decided not to do) with regard to protecting your privacy on Facebook (or other social networking sites)?
3. How can the availability of Facebook users' personal data create business opportunities for Facebook and for other businesses?
4. Refer to Mark Zuckerberg's future ambitions for Facebook, as articulated in the next to the last paragraph of the case. From your perspective, what benefits might result if Zuckerberg's aims are realized? What concerns do you have about Zuckerberg's goals?

SOURCE: This case was written by Michael K. McCuddy, The Louis S. and Mary L. Morgal Chair of Christian Business Ethics and Professor of Management, College of Business Administration, Valparaiso University.

---

[i] G.A. Fowler, Facebook's Web of Frenemies," *The Wall Street Journal* (Eastern edition) (February 15, 2011): B1.
[ii] A. Diana, "Facebook Ad Spending to Hit $4.05 Billion in 2011," *InformationWeek* (January 20, 2011), http://www.informationweek.com/news/software/bi/229000995 (accessed February 10, 2014).
[iii] Anonymous, "Leaders: Dicing with Data; Facebook, Google, and Privacy," *The Economist* 395(8683): 16.
[iv] Ibid.
[v] Ibid.
[vi] T. Claburn, "Facebook Proposes 'Data Use' Policy to Replace 'Privacy Policy'," *InformationWeek* (February 25, 2011), http://www.informationweek.com/news/security/privacy/229219459 (accessed February 10, 2014).
[vii] G.A. Fowler, "Facebook Unseats Algorithm as Boss," *The Wall Street Journal* (Eastern edition) (October 11, 2010): B1.
[viii] Ibid.
[ix] Ibid.
[x] S. Forden, "Facebook Builds a Washington Lobbying Team," *Bloomberg Businessweek* (December 9, 2010), http://www.businessweek.com/magazine/content/10_51/b4208036753172.htm (accessed February 10, 2014).
[xi] G.A. Fowler, Facebook's Web of Frenemies," *The Wall Street Journal* (Eastern edition) (February 15, 2011): B1.
[xii] Ibid.
[xiii] Ibid.
[xiv] J. Hempel and B. Kowitt, "How Facebook Is Taking Over Our Lives," *Fortune* 159(4) (March 2, 2009): 48–56 (8 pages).
[xv] Ibid.

© 2020 Cengage Learning. All Rights Reserved. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

ORGB 6th edition Nelson Solutions Manual