Fifth Edition

Organizational Behavior

Foundations, Realities
& Challenges

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2006

Learning and Performance Management

THINKING AHEAD: VIRGIN GROUP, LTD.

People, Power, and Performance

Sir Richard Branson grew up in the 1960s, a product of the democratizing ideals of that period.[1] While leading Virgin Group more than twenty-five years later, he has not given up either his ideals that all people should be treated with respect or his great belief in people power. He has built his business on the premise that people—both customers and employees—come first. Actually, he likes to refer to Virgin employees as belonging to a large extended family. This may be a difficult posture to take in a publicly traded company, but it is quite feasible in a private company like Virgin Group. Everyone in the company continues to call Branson by his first name, and he still eschews the trappings of status and power, as he has from the very start. He may have been well ahead of his time when he focused on persons and not just behavior. As in many families, rewards are shared.

Two examples of Branson's personal approach are reflected in how a British Airways (BA) libel settlement was handled and how Virgin Atlantic responded during the recessionary period of the early 1990s brought on by Operations Desert Shield and Desert Storm. In the first case, Branson used a classic touch by sharing the £610,000 settlement from the libel suit against BA. The money was divided equally among all Virgin staff, each receiving £166. This was known as the "BA Bonus." The message was that they had all conquered BA together. In the second case, when the airline business was depressed by the Gulf War, the company managed not to lay off staff, and there was a common sharing of the pain with everyone suffering a little less.

While many companies are in the midst of flattening out, dismantling their hierarchies, and eliminating outward signs of executive privilege, Virgin has never gone to these places in building its successful business model.

Many companies also put into place formalized performance management systems that focus on observable and measurable behaviors, but Virgin is a counterpoint in its personal and familial ways of treating employees. Branson considers keeping faith with his employees to be extremely important. This does not mean that no one at Virgin loses his or her job or that no one is ever fired. Employees are fired occasionally, and the company is always interested in avoiding redundancies for its own benefit. However, the employee who believes that he or she was unjustly fired can appeal directly to the chairman. Branson has been known to intervene personally if he thinks the appeal is justified.

How does Virgin approach performance management within its legal team? Read the Looking Back at the end of this chapter.

This is the second of two chapters addressing motivation and behavior. Chapter 5 emphasized internal and process theories of motivation. This chapter focuses on external theories of motivation and factors in the work environment that influence good and bad performance. The first section addresses learning theory and the use of reinforcement, punishment, and extinction at work. It also touches on Bandura's social learning theory and Jung's personality approach to learning. The second section presents theory, research, and practice related to goal setting in organizations. The third section addresses the definition and measurement of performance. The fourth section is concerned with rewarding performance. The fifth and concluding section addresses how to correct poor performance.

Learning in Organizations

Learning is a change in behavior acquired through experience. Learning may begin with the cognitive activity of developing knowledge about a subject, which then leads to a change in behavior. Alternatively, the behaviorist approach to learning assumes that observable behavior is a function of its consequences. According to the behaviorists, learning has its basis in classical and operant conditioning. Learning helps guide and direct motivated behavior.

Classical Conditioning

Classical conditioning is the process of modifying behavior so that a conditioned stimulus is paired with an unconditioned stimulus and elicits an unconditioned response. It is largely the result of the research on animals (primarily dogs) by the Russian physiologist Ivan Pavlov.[2] Pavlov's professional exchanges with Walter B. Cannon and other American researchers during the early 1900s led to the application of his ideas in the United States.[3] Classical conditioning builds on the natural consequence of an unconditioned response to an unconditioned stimulus. In dogs, this might be the natural production of saliva (unconditioned response) in response to the presentation of meat (unconditioned stimulus). By presenting a conditioned stimulus (for example, a bell) simultaneously with the unconditioned stimulus (the meat), the researcher caused the dog to develop a conditioned response (salivation in response to the bell).

Classical conditioning may occur in a similar fashion in humans.[4] For example, a person working at a computer terminal may get lower back tension

1. Define *learning, reinforcement, punishment, extinction,* and *goal setting.*

learning
A change in behavior acquired through experience.

2. Distinguish between classical and operant conditioning.

classical conditioning
Modifying behavior so that a conditioned stimulus is paired with an unconditioned stimulus and elicits an unconditioned response.

(unconditioned response) as a result of poor posture (unconditioned stimulus). If the person becomes aware of that tension only when the manager enters the work area (conditioned stimulus), then the person may develop a conditioned response (lower back tension) to the appearance of the manager.

Although this example is logical, classical conditioning has real limitations in its applicability to human behavior in organizations—for at least three reasons. First, humans are more complex than dogs and less amenable to simple cause-and-effect conditioning. Second, the behavioral environments in organizations are complex and not very amenable to single stimulus–response manipulations. Third, complex human decision making makes it possible to override simple conditioning.

Operant Conditioning

Operant conditioning is the process of modifying behavior through the use of positive or negative consequences following specific behaviors. It is based on the notion that behavior is a function of its consequences,[5] which may be either positive or negative. The consequences of behavior are used to influence, or shape, behavior through three strategies: reinforcement, punishment, and extinction.

Organizational behavior modification (O.B. Mod., commonly known as OBM) is a form of operant conditioning used successfully in a variety of organizations to shape behavior by Luthans and his colleagues.[6] The three types of consequences used in OBM to influence behavior are financial reinforcement, nonfinancial reinforcement, and social reinforcement. A major review of the research on the influence of OBM in organizations found that it had significant and positive influence on task performance in both manufacturing and service organizations, but that the effects were most powerful in manufacturing organizations.[7] Recent research showed that money-based (financial) reinforcement improved performance more than routine pay for performance, social recognition, and performance feedback.[8]

The Strategies of Reinforcement, Punishment, and Extinction

Reinforcement is used to enhance desirable behavior, and punishment and extinction are used to diminish undesirable behavior. The application of reinforcement theory is central to the design and administration of organizational reward systems. Well-designed reward systems help attract and retain the very best employees. Strategic rewards help motivate behavior, actions, and accomplishments, which advance the organization toward specific business goals.[9] Strategic rewards go beyond cash to include training and educational opportunities, stock options, and recognition awards such as travel. Strategic rewards are important positive consequences of people's work behavior.

Reinforcement and punishment are administered through the management of positive and negative consequences of behavior. *Positive consequences* are the results of a person's behavior that the person finds attractive or pleasurable. They might include a pay increase, a bonus, a promotion, a transfer to a more desirable geographic location, or praise from a supervisor. *Negative consequences* are the results of a person's behavior that the person finds unattractive or aversive. They might include disciplinary action, an undesirable transfer, a demotion, or harsh criticism from

operant conditioning
Modifying behavior through the use of positive or negative consequences following specific behaviors.
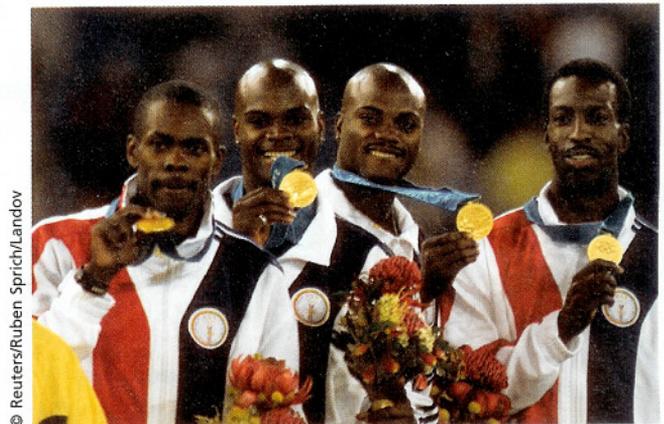
3. Explain the use of positive and negative consequences of behavior in strategies of reinforcement and punishment.

positive consequences
Results of a behavior that a person finds attractive or pleasurable.

negative consequences
Results of a behavior that a person finds unattractive or aversive.

© Reuters/Ruben Sprich/Landov

The awarding of medals to Olympic athletes is a tangible example of a positive consequence.

a supervisor. Positive and negative consequences must be defined for the person receiving them. Therefore, individual, gender, and cultural differences may be important in their classification.

The use of positive and negative consequences following a specific behavior either reinforces or punishes that behavior.[10] Thorndike's law of effect states that behaviors followed by positive consequences are more likely to recur and behaviors followed by negative consequences are less likely to recur.[11] Figure 6.1 shows how positive and negative consequences may be applied or withheld in the strategies of reinforcement and punishment.

REINFORCEMENT *Reinforcement* is the attempt to develop or strengthen desirable behavior by either bestowing positive consequences or withholding negative consequences. Positive reinforcement results from the application of a positive consequence following a desirable behavior. Bonuses paid at the end of successful business years are an example of positive reinforcement. Marriott International provides positive reinforcement by honoring ten to twenty employees each year with its J. Willard Marriott Award of Excellence. Each awardee receives a medallion engraved with the words that express the basic values of the company: dedication, achievement, character, ideals, effort, and perseverance.

Negative reinforcement results from withholding a negative consequence when a desirable behavior occurs. For example, a manager who reduces an employee's pay (negative consequence) if the employee comes to work late (undesirable behavior) and refrains from doing so when the employee is on time (desirable behavior) has negatively reinforced the employee's on-time behavior. The employee avoids the negative consequence (a reduction in pay) by exhibiting the desirable behavior (being on time to work).

Either continuous or intermittent schedules of reinforcement may be used. These reinforcement schedules are described in Table 6.1. When managers design organizational reward systems, they consider not only the type of reinforcement but also how often the reinforcement should be provided.

PUNISHMENT *Punishment* is the attempt to eliminate or weaken undesirable behavior. It is used in two ways. One way to punish a person is to ap-

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reinforcement

The attempt to develop or strengthen desirable behavior by either bestowing positive consequences or withholding negative consequences.

punishment

The attempt to eliminate or weaken undesirable behavior by either bestowing negative consequences or withholding positive consequences.

FIGURE 6.1 Reinforcement and Punishment Strategies

	Reinforcement (desirable behavior)	Punishment (undesirable behavior)
Positive consequences	Apply	Withhold
Negative consequences	Withhold	Apply

TABLE 6.1   Schedules of Reinforcement

SCHEDULE	DESCRIPTION	EFFECTS ON RESPONDING
Continuous	Reinforcer follows every response.	1. Steady high rate of performance as long as reinforcement follows every response 2. High frequency of reinforcement may lead to early satiation 3. Behavior weakens rapidly (undergoes extinction) when reinforcers are withheld 4. Appropriate for newly emitted, unstable, low-frequency responses
Intermittent	Reinforcer does not follow every response.	1. Capable of producing high frequencies of responding 2. Low frequency of reinforcement precludes early satiation 3. Appropriate for stable or high-frequency responses
Fixed Ratio	A fixed number of responses must be emitted before reinforcement occurs.	1. A fixed ratio of 1:1 (reinforcement occurs after every response) is the same as a continuous schedule 2. Tends to produce a high rate of response that is vigorous and steady
Variable Ratio	A varying or random number of responses must be emitted before reinforcement occurs.	Capable of producing a high rate of response that is vigorous, steady, and resistant to extinction
Fixed Interval	The first response after a specific period of time has elasped is reinforced.	Produces an uneven response pattern varying from a very slow, unenergetic response immediately following reinforcement to a very fast, vigorous response immediately preceding reinforcement
Variable Interval	The first response after varying or random periods of time have elapsed is reinforced.	Tends to produce a high rate of response that is vigorous, steady, and resistant to extinction

SOURCE: Table from *Organizational Behavior Modification* by Fred Luthans and Robert Kreitner. Copyright © 1985, p. 58, by Scott Foresman and Company and the authors. Reprinted by permission of the authors.

ply a negative consequence following an undesirable behavior. For example, a professional athlete who is excessively offensive to an official (undesirable behavior) may be ejected from a game (negative consequence). The other way to punish a person is to withhold a positive consequence following an undesirable behavior. For example, a salesperson who makes few visits to companies (undesirable behavior) and whose sales are well below the quota (undesirable behavior) is likely to receive a very small commission check (positive consequence) at the end of the month.

One problem with punishment is that it may have unintended results. Because punishment is discomforting to the individual being punished, the experience of punishment may result in negative psychological, emotional, performance, or behavioral consequences. For example, the person being punished may become angry, hostile, depressed, or despondent. From an organizational standpoint, this result becomes important when the punished person translates negative emotional and psychological responses into negative actions.

The Fear Factor? . . . Not at Southwest Airlines

Fear can motivate people in the short run and get results. Fear may be evoked by outright intimidation, or more subtly fostered by Machiavellian strategies of divide and conquer. Fear can have its effects especially in the presence of the intimidator or the enforcer who carries the threat of punishment and coercion. However, fear backfires when people find hidden and surreptitious ways to retaliate against their managers and hide information for protection against punishment.

The fear factor is *not* used at Southwest Airlines to achieve the world class performance results sustained over the long run. Rather, the company builds sustained, consistently high levels of performance through the power of positive relationships. Positive relationships for sustained high performance are particularly important in the case of boundary spanning positions that require coordination across internal and external organizational boundaries. Southwest practices "relational coordination." The power of this approach is in the elements of shared goals, shared knowledge, mutual respect, frequent communication, and a problem-solving focus rather than finger pointing. The power of positive relationships and the absence of the fear factor in motivating Southwest employees results in few passenger complaints, excellent on-time performance and baggage handling, fast aircraft gate service, and high employee productivity. While the company's fun culture may be its hallmark, its highly disciplined approach to performance management systems and positive relationships is what gets great results.

SOURCE: M. Maccoby, J. Hoffer Gittell, and M. Ledeen, "Leadership and the Fear Factor," *Sloan Management Review* 148 (Winter 2004): 14–18.

Threat of punishment may also elicit fear, as noted in The Real World 6.1. Clearly, the fear factor is not used at Southwest Airlines as a management strategy for employee behavior.

extinction

The attempt to weaken a behavior by attaching no consequences to it.

EXTINCTION An alternative to punishing undesirable behavior is *extinction*—the attempt to weaken a behavior by attaching no consequences (either positive or negative) to it. It is equivalent to ignoring the behavior. The rationale for using extinction is that a behavior not followed by any consequence is weakened. Some patience and time may be needed for extinction to be effective, however.

Extinction may be practiced, for example, by not responding (no consequence) to the sarcasm (behavior) of a colleague. Extinction may be most effective when used in conjunction with the positive reinforcement of desirable behaviors. Therefore, in the example, the best approach might be to compliment the sarcastic colleague for constructive comments (reinforcing desirable behavior) while ignoring sarcastic comments (extinguishing undesirable behavior).

Extinction is not always the best strategy, however. In cases of dangerous behavior, punishment might be preferable to deliver a swift, clear lesson. It might also be preferable in cases of seriously undesirable behavior, such as employee embezzlement and other illegal or unethical behavior.

Bandura's Social Learning Theory

A social learning theory proposed by Albert Bandura is an alternative and complement to the behavioristic approaches of Pavlov and Skinner.[12] Bandura believes learning occurs through the observation of other people and the modeling of their behavior. Executives might teach their subordinates a wide range of behaviors, such as leader–follower interactions and stress management, by exhibiting these behaviors. Since employees look to their supervisors for acceptable norms of behavior, they are likely to pattern their own responses on the supervisor's.

Central to Bandura's social learning theory is the notion of *task-specific self-efficacy*, an individual's beliefs and expectancies about his or her ability to perform a specific task effectively. (Generalized self-efficacy was discussed in Chapter 3.) Individuals with high self-efficacy believe that they have the ability to get things done, that they are capable of putting forth the effort to accomplish the task, and that they can overcome any obstacles to their success. Self-efficacy is higher in a learning context than in a performance content, especially for individuals with a high learning orientation.[13] There are four sources of task-specific self-efficacy: prior experiences, behavior models (witnessing the success of others), persuasion from other people, and assessment of current physical and emotional capabilities.[14] Believing in one's own capability to get something done is an important facilitator of success. There is strong evidence that self-efficacy leads to high performance on a wide variety of physical and mental tasks.[15] High self-efficacy has also led to success in breaking addictions, increasing pain tolerance, and recovering from illnesses. Conversely, success can enhance one's self-efficacy. For example, women who trained in physical self-defense increased their self-efficacy, both for specific defense skills and for coping in new situations.[16]

Alexander Stajkovic and Fred Luthans draw on Bandura's ideas of self-efficacy and social learning in expanding their original work in behavioral management and OBM into a more comprehensive framework for performance management.[17] Bandura saw the power of social reinforcement, recognizing that financial and material rewards often occur following or in conjunction with the approval of others, whereas undesirable experiences often follow social disapproval. Thus, self-efficacy and social reinforcement can be powerful influences over behavior and performance at work. A comprehensive review of 114 studies found that self-efficacy is positively and strongly related to work performance, especially for tasks that are not too complex.[18] Stajkovic and Luthans suggest that managers and supervisors can be confident that employees with high self-efficacy are going to perform well. The challenge managers face is how to select and develop employees so that they achieve high self-efficacy.

Managers can help employees develop self-efficacy. The strongest way for an employee to develop self-efficacy is to succeed at a challenging task. Managers can help by providing job challenges, coaching and counseling for improved performance, and rewarding employees' achievements. Empowerment, or sharing power with employees, can be accomplished by interventions that help employees increase their self-esteem and self-efficacy. Given the increasing diversity of the workforce, managers may want to target their efforts toward women and minorities in particular. Research has indicated that women and minorities tend to have lower than average self-efficacy.[19]

task-specific self-efficacy
An individual's beliefs and expectancies about his or her ability to perform a specific task effectively.