

# Organizational Behavior

9<sup>th</sup>

E d i t i o n

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*Arguably, not since the beginning of the industrial revolution—more than 130 years ago—has something as revolutionary as e-business swept across the business landscape.*

— S.P. Robbins

**K**evin Key, Brian Silvey, and Ken Maier look like they're working, but are they?<sup>1</sup> Key, a Web developer in San Diego, spends most of his workday on a computer. Only he's not always doing his job. He's often playing Internet games on Web sites such as Gaming Zone and Pogo.com. So is Silvey, a technical writer in New Jersey. And Maier, a vice president at dbusiness.com, routinely does his shopping online. But he does it on his office computer, during work hours.

While computer technology has generated huge productivity gains in recent years, it's also made "goofing off" at work a lot easier for employees. In need of down time or simply bored with their jobs, workers are flocking to Web sites for games, shopping, stock trading, conducting "cyberaffairs," and other diversions.

The extent of this goofing off may shock you. For instance, in one recent month, Pogo.com reported that well over 1 million people visited its game site from work, and the average workplace player spent more than 2 hours and 34 minutes per visit glued to a Pogo.com game!<sup>2</sup> As a 24-year-old tech-support worker in Dallas casually put it, "It would never occur to me to play Pogo when I'm not at work."<sup>3</sup>



# OB in an E-World



**B**usiness school faculty are fond of saying that “the world of organizations is changing; that the only thing constant is change.” There is no better evidence of these statements than the Internet revolution. As we’ve seen in the past several years, the Internet is changing business and the way organizations operate. E-commerce, as a case in point, is rewriting much of the way products are sold and promoted. But the Internet, its complimentary technology, and the new e-world it’s creating are affecting organizational behavior (OB). This 16-page insert will show how computers and the Internet are reshaping OB topics from motivation, to leadership, to work design.

One caveat before we proceed. Unfortunately, at this early stage in the development of digital technology and e-business, there’s a limited amount of solidly based research on how the e-world affects organizational behavior. So while this insert reviews that research, in contrast to the 18 chapters in your book, the following relies much more on observations and extrapolations based on reports in the business press.

## WHAT IS AN E-ORGANIZATION?

Let’s begin by clarifying some concepts. Two terms that seem to cause considerable confusion are e-commerce and e-business.<sup>4</sup>

The term e-commerce is becoming the standard label to describe the sales side of electronic business. It encompasses presenting products on Web sites and filling orders. The vast majority of articles and media attention given to using the Internet in business is directed at online shopping—marketing and selling goods and services over the Internet. When you hear about the tremendous number of people who are shopping on the Internet; and how businesses can set up Web sites where they can sell goods, conduct transactions, get paid, and fulfill orders, you’re

### AFTER READING THIS CHAPTER, YOU SHOULD BE ABLE TO

1. Identify the unique characteristics of an e-organization (e-org)
2. Describe the ethical implications of electronic surveillance
3. Explain the unique challenges to motivating employees in e-orgs
4. Discuss how e-orgs are rewriting the rules of communication
5. Explain how leadership is different in an e-org
6. Identify how politicking and networking are different in e-orgs
7. Explain how e-orgs may redefine interpersonal relationships

**e-commerce**

The sales side of electronic business.

**e-business**

The full breadth of activities included in a successful Internet-based enterprise.

**Internet**

A worldwide network of interconnected computers.

**intranets**

An organization's private Internet.

**extranets**

Extended intranets accessible only to selected employees and authorized outsiders.

hearing about e-commerce. It's a dramatic change in the way a firm relates to its customers. And e-commerce is exploding. Global e-commerce spending was \$111 billion in 1999. It's expected to be \$1.3 trillion by 2003.<sup>5</sup> You should be aware, however, that 90 percent of e-commerce sales are business-to-business transactions. The vast majority of e-commerce sales will be things like Intel chip sales to Compaq or Goodyear sales to Ford, rather than consumers like you and I buying computers or sweaters for personal consumption.

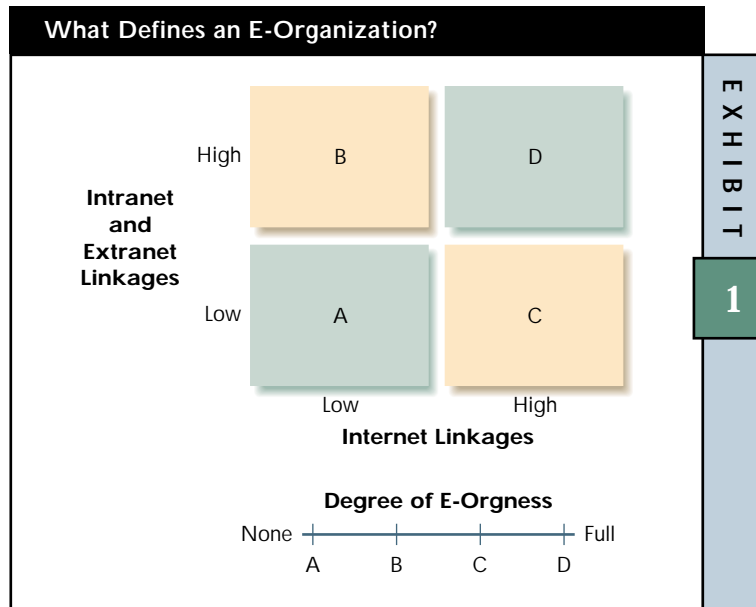
In contrast, e-business refers to the full breadth of activities included in a successful Internet-based enterprise. As such, e-commerce is a subset of e-business. E-business includes developing strategies for running Internet-based companies, improving communication with suppliers and customers, collaborating with partners to electronically coordinate design and production, identifying a different kind of leader to run a "virtual" business, the challenge of finding skilled people to build and operate intranets and Web sites, and running the "back room" or the administrative side. E-business includes the creation of new markets and customers, but it's also concerned with the optimum ways to combine computers, the Web, and applications software.

An e-business uses the Internet (a worldwide network of interconnected computers), intranets (an organization's private Internet), and extranets (an extended intranet accessible only to selected employees and authorized outsiders) to open up an organization's communication channels, making it possible to integrate and share information, and allowing customers, suppliers, employees, and others to communicate with and through the organization on a real-time basis.

It's helpful to think in terms of *degree* of e-business involvement. Companies like Amazon.com, E\*Trade, e-Toys, VarsityBooks, and drugstore.com didn't exist 10 years ago. They are totally products of the Internet revolution. Their customers never physically walk through their "stores" nor do they ever "meet" an employee. These are examples of total Internet firms. Their sole source of revenue is based on Internet-related interactions.

Toys "R" Us, J.C. Penney, Tupperware, Merrill Lynch, and Office Depot also have Web sites and are selling goods and services via the Internet. But the Internet operations of these companies are, at least currently, a small part of their business. At this point, their e-commerce operations are secondary to their traditional businesses. You can think of these firms as being *Internet enriched*.

An increasingly popular application of e-business, which doesn't get much media attention, is merely using the Internet to better manage an on-going business. There are literally millions of firms that aren't selling anything over the Internet but they are using e-business applications to improve communications with internal and external stakeholders and to better perform traditional business functions. For instance, General Motors is improving its internal efficiencies and providing support to its wide-reaching dealer network and to online sellers (such as AutoByTel and CarPoint) by creating a shared and integrated network.<sup>6</sup> GM wants to make comparison shopping easier for consumers, create a central customer data warehouse, better link product design to customer tastes, and eventually create an integrated network that can both manage the building of cars and allow GM to stay in constant touch with its car buyers. And Ford Motor Company is giving all of its 400,000 employees a home computer and Internet access for \$5 a month.<sup>7</sup> This will allow Ford management to keep in close touch with its employees, and allow employees to easily communicate with each other and readily access company information and services.



In this supplement, we'll use the term e-organization (or *e-org*) rather than e-business. The term *e-org* recognizes that the electronic world isn't just applicable to business firms. Not-for-profit firms and government also are going electronic. The U.S. Internal Revenue Service, for instance, is dealing with taxpayers over the Internet; museums are selling items on their Web sites; state governments are using the Internet for everything from purchasing supplies to renewing driver's licenses; and city governments are networking their computers to suppliers and shortening their supply chain.

Exhibit 1 provides a way to visually define an e-organization by assessing the degree to which it uses global (Internet) and private (intranet and extranet) network linkages. Type As are traditional organizations such as small retailers and service firms. Most organizations fall into this category. Type Bs are contemporary organizations with heavy reliance on intranets and extranets. Type Cs are small e-commerce firms. While small in size, Type Cs have received an inordinate amount of attention in the business press over the past several years. Finally, Type Ds are full e-orgs. They've fully integrated global and private networks. Type Ds would include firms such as eBay, Cisco Systems, Amazon.com, Dell Computer, and Wal-Mart. As Exhibit 1 illustrates, as organizations move from Type A toward Type D, they increase their degree of *e-orness*.

**e-organization**

A profit or nonprofit organization that uses the Internet and private network linkages to facilitate activities and communication.

**WHAT'S UNIQUE ABOUT E-ORGANIZATIONS?**

Before we can discuss how e-organizations are likely to influence OB issues, we need to note what's unique about them. If they're not distinct from more traditional organizations, then there is nothing special to consider. We've identified four characteristics that seem to differentiate e-orgs from their more traditional counterparts.

1. *There are no generally accepted rules.* There are no established and proven e-org models or strategic plans. What worked in March may need to be scrapped in May. E-orgs are in their infancy and players are being forced to experiment.

2. *Victory goes to the quick.* Fast is no longer fast enough. It used to be that the big would eat the small. In an e-world, the fast eat the slow. Competition is forcing e-organizations to make decisions quickly, develop new products and services in record time, move into markets fast, and be able to respond to competitive actions immediately. The old saw “Ready, Aim, Fire” has been replaced by “Fire, Ready, Aim.”
3. *Location doesn't matter.* In the past, the people you hired, the suppliers you used, and the customers you serviced were largely defined by your geographic location. For instance, you hired from the labor pool in your community or tried to entice prospective employees to move from where they lived to where your organization was located. Now, through network linkages, employers in remote locations can have access to the best and brightest. And talented people no longer have to move their residence to pursue job opportunities in far-away places.
4. *Integrated information is everything.* Intranets, extranets, and the Internet have changed the way that information can move inside organizations. Open and integrated information systems allow bypassing of traditional organizational hierarchies; making it easy for employees and managers alike to track projects; democratizing internal decision making; and closely linking organizations to their suppliers, partners, and customers.

In addition to these four differences, there is also the e-organization paradox. E-orgs are unique in that they promote two opposing processes at the same time. They increase employee isolation while also building community. As we'll elaborate on later, the Internet creates social isolation. And this has some very serious implications for work behavior. But as a number of experts on information and work design have argued, the Internet creates communities by bringing like-minded individuals together.<sup>8</sup> It restructures social networks by breaking down traditional organizational and geographical barriers. It allows employees to easily collaborate with others in their own organization and outside. For instance, the decision by Ford to provide all their employees with computers and Internet access will increase employees' ability to communicate with each other, facilitate a feeling of community, and make it easier for management to communicate with workers. Of course, it will also make it easier for employees to share grievances and collectively band together against management!

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## E-ORGS AND INDIVIDUAL BEHAVIOR

Let's now turn to specifics. We'll begin by looking at individual behavior issues (as covered in Part Two of your text). The following describes how e-organizations are likely to effect emotions (discussed in Chapter 4), ethics and privacy (Chapter 5), and motivation (Chapters 6 and 7).

### EMOTIONS

As we note on page 103, the topic of emotions is a relatively new addition to the core content of OB. Emotions were essentially overlooked within the field of OB because of the myth of rationality and the belief that emotions of any kind at work are disruptive. Essentially, organizations were viewed as vehicles for rational action. And emotions had no place in this idealized rational world. Of course this was naïve. Emotions are part of organizational life. People don't leave their emotions in the parking lot when they come to work!

Is an understanding of emotions any more important in e-organizations than traditional organizations? It just might be.<sup>9</sup> E-organizations allow people to work together from separate places and at separate times. This creates social isolation. Additionally, e-organizations are characterized by rapid change and instability. These conditions foster a need among employees for community and strong emotional bonds. People need to be able to openly share feelings and vent frustrations with colleagues. So while traditional organizations might function more effectively by encouraging employees to keep their emotions bottled up, e-organizations may be most productive when employees feel free to openly express their emotions.

## ETHICS AND PRIVACY

Electronic surveillance of employees by employers is an issue that puts an organization's desire for control against an employee's right to privacy. The development of increasingly sophisticated surveillance software only adds to the ethical dilemma of how far an organization should go in monitoring the behavior of employees who do their work on computers.<sup>10</sup>

For instance, the Web activity of every one of Xerox's 92,000 employees—in countries around the world—is routinely monitored by the company. In October 1999, Xerox fired 40 of its employees because they were caught in the act of surfing to forbidden Web sites. The company's monitoring software recorded the unauthorized visits to shopping and pornography sites, and every minute they had spent at those sites.<sup>11</sup>

Is Xerox unique? No. A recent survey by the American Management Association found that more than 50 percent of employers monitored their employees' phone calls, computer files, or e-mail messages.<sup>12</sup>

Employers argue that they need surveillance controls. These controls allow them to make sure employees are working and not goofing off, that employees are not distributing organization secrets, and to protect the organization against employees who might create a hostile environment for women or members of minority groups.

The surveillance dilemma is exasperated by the blurring of workplace parameters. There seems to be little dispute that employers have the right to monitor employees at work, when using the organization's equipment, and when employees know they are being watched. But as home life and work life are increasingly intermingled—for instance, employees doing job-related work at home rather than at the office—the ethics and legality of surveillance is less clear.

## MOTIVATION

Are there unique challenges to motivating employees in e-organizations? The answer appears to be "yes." As we noted in our opener, employees in e-orgs are more susceptible to distractions that can undermine their work effort and reduce their productivity. In addition, technical and professional employees in e-orgs often have skills that make them very marketable, and many realize their employers' dependence on these skills. As a result, employees in e-organizations frequently have different compensation expectations than do their peers in more traditional organizations.

**Coping with Distractions** Employees have always been susceptible to distractions at work such as interruptions by colleagues or personal phone calls. The Internet, however, has significantly broadened these distractions to include surfing the Net, playing online games, stock trading, shopping at work, and searching for



Many of the employees at Etensity drive BMWs and Mercedes, made possible by the company's Hot Wheels' program.

other jobs online. Some of the most visited sites people access from work, for instance, are the Weather Channel, Amazon.com, and eBay.<sup>13</sup>

The average U.S. employee with Net access is spending 90 minutes each day visiting sites unrelated to his or her job.<sup>14</sup> Recent estimates indicate that 30 to 40 percent of lost worker productivity is due solely to cyberloafing; and this cyberloafing is costing U.S. employers alone \$54 billion a year.<sup>15</sup>

If the work itself isn't interesting or creates excessive stress, employees are likely to be motivated to do something else. If they have easy access to the Internet, that "something else" is increasingly using the Net as a diversion. The solution to this problem includes making jobs interesting to employees, providing formal breaks to overcome monotony, and establishing clear guidelines so employees know what online behaviors are expected. Many employers are also installing Web-monitoring software, although there is evidence that such efforts can undermine trust in the organization and adversely affect employee morale.<sup>16</sup>

**Compensation Issues** Etensity, a Virginia-based Web-consulting and services firm, has a motivated and committed workforce.<sup>17</sup> Its turnover rate is only 5 percent a year, about 15 points below the industry average. And what is Etensity doing to stimulate and keep its people? Quite a lot actually. The company's Hot Wheels program, for instance, give employees up to \$400 a month to pay for a new car. And another program, called Raise the Roof, gives employees \$10,000 toward a new home.

It's difficult for e-organizations to find and keep technical and professional employees. So many have implemented an extensive list of attractive incentives and benefits rarely seen by non-managerial employees in typical organizations: for instance, signing bonuses, stock options, cars, free health-club memberships, full-time onsite concierges, and cell phone bill subsidies.

These incentives and benefits may benefit their recipients but there are downsides. One is the effect these rewards have on others who don't get them. The other is the increasing problem created by stock options. Specifically, while they look very good when a firm is growing and the stock market looks favorably on the company's future, stock options can demotivate employees when conditions turn negative.

The potential for perceived inequities is very high among employees in Internet-based organizations. There is often glaring discrepancies between the rewards provided hard to hire employees—particularly software designers and engineers—and other employees. This creates the potential for demotivating those who feel they're being inequitably treated. In addition, there is the problem of interfirm comparisons. How would you feel if you were making \$50,000 a year and saw someone with similar experience, age, and qualifications to yours making \$10 million because she just happened to join a firm that gave out stock options and now her company has gone public making those options incredibly

valuable? The creation of interfirm inequities has tended to create a wanderlust mentality among many e-org employees, always chasing the next wealth-creating opportunity.

The recent shakeout among dot-com stocks illustrates that the use of stock options as motivators is a two-way street. Many e-organizations encouraged hard-to-hire employees to give up a large salary in exchange for stock options. This worked fine when stock options only seemed to go up. But when stock prices drop, many stock options become worthless.<sup>18</sup> For individuals who joined and stayed with firms mainly for the possibility of getting rich through stock options, a declining market can be a powerful demotivator.

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## E-ORGS AND GROUP BEHAVIOR

In this section, we will show how issues such as decision making, communication, leadership, trust, organizational politics, and sexual harassment take on a different look and importance in e-organizations.

### DECISION MAKING

The traditional approach taken in OB when discussing decision making (see pages 131–43 and 240–45) needs to be modified for e-organizations. Exactly what those modifications should be are not yet fully clear. However, we offer two projections.

First, individual decision-making models are likely to become increasingly obsolete. E-organizations are typically team-based communities. So group decision-making models will offer greater relevance.

Second, the thoughtful, rational models of decision making—which dominate the management literature (see pages 132–33)—will be replaced by action models. There are no proven business models for e-organizations.<sup>19</sup> Success goes to firms that value experimentation—those that utilize trial and error, are able to gather data quickly and assimilate it, and who can accept failure and learn from it.

E-organizations don't have the luxury of trying to fine-tune decisions in search of perfection. E-organizations make decisions with often very limited information and, as a result, don't fear making mistakes. Decisions in e-organizations are in a continual flux, with past choices being continually modified and even discarded. And routine decision programs are essentially useless because few of the decisions that need to be made have been encountered before. So not only do decisions in e-orgs need to be made fast, they have to be made based on little previous experience. This, of course, increases the probability of errors and the need to be able to recover fast from mistakes and move on.

### COMMUNICATION

E-organizations are rewriting the rules of communication. Because they're designed around comprehensive, integrated information networks, traditional hierarchical levels no longer constrain communication. E-organizations allow, even encourage, individuals to communicate directly without going through channels. Employees can communicate instantly anytime, with anyone, anywhere. These open communication systems break down historical status hierarchies. They make obsolete or revise interpersonal communication concepts such as the distinction between formal and informal networks, nonverbal communication, and filtering (see pages 286–94). They also redefine how activities such as meetings, negotiations, supervision, and “water cooler” talk are conducted. For instance, virtual meetings allow people in geographically dispersed locations to meet regularly. Moreover, it's now easier for employees in San Francisco and

Singapore to covertly share company gossip than those off-line employees who work two cubicles apart. And employees in a number of industries even have Web sites that are becoming electronic grapevines.<sup>20</sup> Young lawyers are going to [www.greedyassociates.com](http://www.greedyassociates.com) to gripe about working conditions and pay; truckers are comparing rigs and routes on [www.truckinlife.com](http://www.truckinlife.com), and flight attendants share gossip at [www.insidetheweb.com](http://www.insidetheweb.com).

The downside of this open communication network is communication overload. A recent poll found that the average U.S. worker receives five phone calls, 36 e-mails, 18 pieces of mail, and 18 in-house memos daily.<sup>21</sup> He or she also reads 13 Post-It messages, 14 faxes, and listens to 23 voice mail or cell phone messages. These frequent incoming communication interruptions cost employees valuable time, erode their ability to concentrate, and can negatively effect their work productivity.

## LEADERSHIP

Is leadership in an e-organization different than in a traditional organization? Business executives who've worked in both think there is. They tend to focus on three differences: the speed at which they have to make decisions, the importance of maintaining flexibility, and need to create a vision of the future.

**Making Decisions Fast** Managers in all organizations never have all the data they want when making decisions. But the problem is much worse in e-organizations. The world is moving fast and the competition is intense. Meg Whitman, the president and CEO at eBay says, "We're growing at 40 percent to 50 percent per quarter. That pace absolutely changes the leadership challenge: Every three months we become a different company. In one year we went from 30 employees to 140, and from 100,000 registered users to 2.2 million. At Hasbro [where she previously had been an executive], we would set a yearlong strategy, and then we would simply execute against it. At eBay, we constantly revisit the strategy—and revise the tactics."<sup>22</sup>

Leaders in e-orgs see themselves as sprinters and their contemporaries in off-line businesses as long-distance runners. They frequently inject the term *Internet time*—a reference to a rapidly speeded up working environment. "Every [e-business] leader today has to unlearn one lesson that was drilled into each one of them: You gather data so that you can make considered decisions. You can't do that on Internet time."<sup>23</sup>

**Maintaining Flexibility** In addition to speed, leaders in e-orgs need high flexibility. They have to be able to roll with the ups and downs. They need to be able to redirect their group or organization when they find that something doesn't work. They have to encourage experimentation. Mark Cuban, co-founder of Broadcast.com, amplifies on this point: "When we started, we thought advertising would be the core of our business. We were wrong. We thought that the way to define our network was to distribute servers all over the country. We were wrong. We've had to recalibrate again and again—and we'll have to keep doing it in the future."<sup>24</sup>

**Focusing on the Vision** The founder of PriceLine.com says, "Forget about today's problems: You've got to focus constantly on the next generation of problems."<sup>25</sup> This requires visionary leadership and a deep understanding of how technology is going to change the leader's business. "The best leaders carry a mental map of the industry, of opportunities, and of discontinuities—and they check that map constantly."<sup>26</sup>



The world is moving fast and the competition is intense for e-organization leaders like Meg Whitman, the president and CEO of eBay.

Visionary leadership is undoubtedly important in every organization (see pages 330–32). But in a hyperkinetic environment, people require more from their leaders. The rules, policies, and regulations that characterize more traditional organizations provide direction and reduce uncertainty for employees. Such formalized guidelines don't typically exist in e-orgs, and it falls back upon e-leaders to provide direction through their vision.

## BUILDING TRUST

People in organizations need to have positive expectations that others will not act opportunistically and take advantage of them. That is, they need to be able to trust (see pages 336–40).

But if trust is important in traditional organizations, it's even more so in e-organizations.<sup>27</sup> Why? Studies indicate that the importance of trust increases under conditions of change and instability.<sup>28</sup> And those are terms that characterize e-organizations. When rules, policies, norms, and traditional practices are in flux or absent, people turn to personal relationships for guidance. And the quality of these relationships is largely determined by level of trust.

## POLITICS AND NETWORKING

OB recognizes the political nature of organizations, the role that politics play in decision making, and the importance of networking in developing contacts both within and outside an organization (see pages 362–73). But preliminary indicators suggest that effective politicking and networking are different in e-orgs than in the more traditional off-line organization.<sup>29</sup>

In traditional organizations, effective politicians keep themselves visible, utilize impression management techniques, and participate in activities that will put them in close contact with influential people. But these are essentially face-to-face activities that aren't as likely to work in e-organizations. E-politicians are likely to rely much more on cyberschmoozing via the electronic grapevine. Internet chat rooms and message boards, for instance, open up opportunities to meet and talk with people who can help employees be more effective in their job and their career.

Cyberschmoozing isn't likely to replace the water cooler, cocktail party, college alumni get-togethers, or trade shows as places to make contacts and build political allies. But online networking will become increasingly popular and effective as a supplement to more traditional political channels.

## SEXUAL HARASSMENT AND VERBAL ABUSE

Internet-linked organizations must address the potential for harassment, bias, discrimination, and offensive sexual behavior from Internet and e-mail abuses.<sup>30</sup>

There is increasing evidence that many employees fail to use the same constraints in electronic communications that they use in traditional work settings. As one attorney noted, employees and managers "all know that they can't hang up a *Penthouse* calendar in the workplace. They all know that they can't make a racist or sexist joke in the workplace."<sup>31</sup> But those same people may think it's acceptable to send racial and sexist jokes via e-mail or download pornography at work.

All organizations, but especially e-organizations, need a policy that defines inappropriate electronic communications, reserves the right of management to monitor employee Internet and e-mail usage, and specifies disciplinary actions for transgressions.

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## E-ORGS AND ORGANIZATION SYSTEMS

Part Four of your text discusses the impact of organizations on behavior. In this section, we look at how explanations and predictions of employee behavior change in e-organizations.

### ORGANIZATION STRUCTURES

Traditional authority hierarchies and departments (see pages 413–23) have little place in e-organizations. The dominant structure of e-orgs is strongly shaped by their closely linked information networks.

E-orgs tend to have common structural characteristics. They're best described as organic in form (see page 429). E-orgs need high vertical, horizontal, and lateral communication, cross-hierarchical and -functional teams, and low formalization to achieve flexibility and openness. E-organizations are team-based structures designed around projects.

What does this mean for employees? People who need the structure and predictability provided by job descriptions, rules, procedures, and readily available supervisors aren't likely to last in e-orgs. These organizations require employees with a high degree of ambiguity tolerance, who thrive on chaos, and possess strong team skills.

### WORK DESIGN

Electronic communication networks are helping to reshape the workplace and re-design jobs. For example, on the positive side, they're making telecommuting easier (see pages 464–66), they're allowing millions of workers to become "free agent" consultants who work on virtual projects without ever setting foot in a firm's physical facility, and they're making it simple for teams of workers to communicate without physically being in the same room.

On the downside, employees who spend day-in and day-out sitting in front of a computer are susceptible to a number of negative outcomes.<sup>32</sup> For instance, computer users who sit too far from their monitors risk fatigue and eye strain. And carpal tunnel syndrome—a common disorder causing pain in the hand, wrist and lower arm—is a major cause of missed workdays. The U.S. Bureau of Labor Statistics reports that 42 percent of CTS cases require more than 30 days away from work.<sup>33</sup>

### EMPLOYEE SELECTION

Alan Naumann, head of Calico Technologies, expresses a view widely held by e-org executives: "Despite all our focus on speed, we consciously slow down for one thing: hiring people . . . it's the one aspect of business today in which the cost of mistakes is greater than the advantage of acting in real time."<sup>34</sup>

Recruiting good people is particularly challenging in e-businesses. They require a unique brand of technical and professional people. They have to be smart and able to survive in the demanding cultures of e-business firms. In addition, those people who understand e-business are in short supply and are able to go wherever they like.

The importance of employee selection for e-orgs is demonstrated by the fact that venture capitalists place the greatest importance on the people in a firm when deciding whether or not to invest in a new Internet-based company. Given the choice between an A+ team with a B- idea and an A+ idea with a B- team, venture capitalists are choosing the former.<sup>35</sup> They're betting on the ability of a smart team of people to adjust the idea as needed.

Once applicants have been identified, e-orgs tend to carefully screen final candidates to ensure they fit well into the organization's culture. E-orgs tend to have common cultural characteristics: an informal workplace, team spirit, intense pressures to complete projects quickly and on time, and a 24/7 (24 hours a day, 7 days a week) work mentality. Selection tools such as tests, interviews, and references (see pages 476–79) need to “select out” people that aren't team players and can't handle ambiguity and stress.

### WORK-LIFE BALANCE

There's a well-known story that circulates at Microsoft. It was 8 in the evening when a young programmer, who was walking down a hall, ran into the company's then CEO, Bill Gates. Gates asked him where he was going. The young man said, “Time to go home. I've been here for 12 hours straight.” To which Gates replied, “Oh, only working half day?”

An increasing number of employees are putting in 12-hour days, plus working 6 and 7 days a week. And e-organizations appear to be at the forefront of the trend toward workaholic cultures. These organizations are increasingly expecting people to work 60 to 70 hours a week. Add in the ability of technology in e-orgs to blur the lines separating work and home plus the dramatic increase in two-career couples, and you have the ingredients for a potential crisis.

People are increasingly finding that work is squeezing out personal lives. And many are questioning this lifestyle. Balancing work life and personal life is likely to become one of the most important issues of the next decade.<sup>36</sup> Recent articles in business periodicals—with titles like “How Much Is Enough?” “9-to-5 Isn't Working Anymore,” and “A Living or a Life?”—attest to this crisis.<sup>37</sup> And a recent survey of more than 2,000 college students and recent graduates further confirms the relevance of this issue.<sup>38</sup> When asked what they value most in their career decision, 42 percent chose balancing work and personal life; while only 26 and 23 percent selected compensation and advancement potential, respectively.



The line physically separating work and personal life is becoming increasingly blurred. Many people, like IBM's Joanna Dapkevich, are doing much of their work from home.

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## WILL E-ORGS REDEFINE INTERPERSONAL RELATIONSHIPS?

Electronic technology has redefined workplace possibilities. Employees in e-organizations are no longer constrained by time or place in doing their work. But what are the implications of these e-orgs to interpersonal relationships?

There is substantive evidence that people generally are spending more time online today than just a few years ago. For instance, in 1997, the mean time people spent online was 4.4 hours per week. In 1999, it was 7.6 hours. In 2000, it was predicted to be 8.2 hours.<sup>39</sup> There is also preliminary evidence from a recent Stanford University study indicating that the more time people spend online, the less time they spend in real-life relationships with friends and family.<sup>40</sup> About one-



quarter of regular Web users report that they now are spending less time attending social activities and talking on the phone to friends and family; and 13 percent reported reduced face-to-face social interactions.<sup>41</sup> One of the Stanford study's co-authors, in fact, expressed concern that the Internet could become the ultimate isolating technology, promoting individual behavior over community involvement.

It's far too early in the development of the digital age to conclude that the Internet will undermine a sense of social community. But it clearly creates new ways to interact with work colleagues. Employees will increasingly be working on teams with people they've never met and may never meet. They'll develop "office" friendships with people thousands of miles away. And "good interpersonal skills" may increasingly mean not only the ability to interact effectively with people face-to-face, but may include the skills to communicate warmth, emotion, trust, and leadership through written words on a computer screen.

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## SUMMARY AND IMPLICATIONS FOR MANAGERS

The e-organization uses the Internet, intranets, and extranets to open up an organization's communication channels, making it possible to integrate and share information, and allowing customers, suppliers, employees, and others to communicate with and through the organization on a real-time basis. The more that an organization integrates global and private networks, the more it takes on characteristics of an e-org.

### INDIVIDUAL BEHAVIOR

E-orgs create social isolation and uncertainty. These conditions foster a need by employees for strong emotional bonds. Managers in e-orgs should consider, therefore, encouraging employees to more openly express their emotions than should managers in more traditional organizations.

As the line separating employees' home life and work life increasingly blurs, employees need guidance as to which online behaviors are and are not acceptable. Managers need to inform employees if, when, and how their work will be monitored; and managers need to create clear policy guidelines to reduce ethical ambiguities.

Motivating employees in an e-org creates unique challenges for managers. For example, managers need to make jobs interesting to minimize the distraction of “going online.” And to hire and keep professional and technical employees, who are in short supply, management should design creative compensation and benefit programs that will appeal to these employees’ varied needs.

## **GROUP BEHAVIOR**

In contrast to traditional organizations, e-orgs are more dependent on group decision processes. These decisions are also likely to be more fluid and less rational because there are no proven business models for e-orgs. Managers in e-orgs need to let teams make mistakes and encourage them to learn from them.

Communication in e-orgs is able to cut across vertical and horizontal levels. Employees can communicate instantly anytime, with anyone, anywhere. But this openness also increases the likelihood that employees will experience communication overload. To help employees, managers should encourage people to screen communications carefully, prioritize demands on their time, and engage in other time-management techniques.

Managers who have worked in both traditional and e-organizations say that leadership is different in e-orgs because of the increased importance of speed, flexibility, and the need to provide direction through vision. Additionally, the change and instability typical in an e-org places a higher premium on managers creating a trusting climate with their employees.

Politics in e-orgs is not limited to face-to-face interactions. Traditional political activities, such as water cooler conversation, are expanded in e-orgs to include cyber-schmoozing via the electronic grapevine. Effective managers in e-orgs will recognize this added dimension to political channels and attempt to keep abreast of the issues that concern employees by monitoring these e-messages. Monitoring electronic communications is made further necessary to ensure that the Internet and e-mail are not used to harass or discriminate against others.

## **ORGANIZATION SYSTEMS**

E-orgs tend to rely heavily on the organic form of structure. As such, employees who need rules, regulations, and close supervision are likely to be poorly matched to e-organizations.

Electronic communication networks are reshaping the workplace and re-designing jobs. But they are also putting employees in front of CRT monitors for hours at a time and increasing the risk of fatigue, eyestrain, and repetitive-motion injuries. Management, in cooperation with architects and industrial engineers, need to design workplaces that are ergonomically effective.

The success or failure of an organization depends, to a large degree, on the quality of the people it hires. Managers in e-orgs need to pay particular attention in hiring to finding job candidates who are not only competent in their area of expertise, but who can handle high levels of uncertainty and change, who work well on teams, can endure long hours, and can handle intense work pressures.

Finally, employees are increasingly seeking to balance their work and personal lives. Offering family-friendly benefits such as flexible work hours and on-site day-care facilities are attempts by organizations to help their employees better cope with the demands of their personal lives. But management can do more. For instance, although management can’t eliminate work-family conflicts, it can help counsel employees to understand the need to make trade-offs.

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