eighth edition

ORGANIZATIONAL BEHAVIOR

EMERGING KNOWLEDGE. GLOBAL REALITY

McShane   Von Glinow

organizational behavior

eighth edition

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Steve earned his PhD from Michigan State University, where he specialized in organizational behavior and labor relations. He also holds a Master's of Industrial Relations from the University of Toronto and an undergraduate degree from Queen's University in Canada. Steve is a past president of the Administrative Sciences Association of Canada (the Canadian equivalent of the Academy of Management) and served as director of graduate programs in Simon Fraser University's business faculty. He has conducted executive programs with Nokia, TÜV-SÜD, Wesfarmers Group, Main Roads WA, McGraw-Hill, ALCOA World Alumina Australia, and many other organizations.

Along with coauthoring *Organizational Behavior*, Eighth Edition, Steve is lead coauthor of *Canadian Organizational Behaviour*, Ninth Edition (2016), *Organisational Behaviour: Asia Pacific*, Fifth Edition (2016), and *M: Organizational Behavior*, Third Edition (2016). He is also coauthor of editions or translations of his organizational behavior books in China, India, Quebec, Taiwan, and Brazil. Steve has published several dozen articles and conference papers on workplace values, training transfer, organizational learning, exit–voice–loyalty, employee socialization, wrongful dismissal, media bias in business magazines, and other diverse topics.

Steve enjoys spending his leisure time hiking, swimming, body board surfing, canoeing, skiing, and traveling with his wife and two daughters.

Mary Ann Von Glinow

Dr. Von Glinow is a Knight Ridder Eminent Scholar Chair in International Management at Florida International University and is senior editor for the *Journal of International Business Studies (JIBS)*. She served as 2010 to 2012 president of the Academy of International Business (AIB) and the 1994–1995 president of the Academy of Management (AOM). Previously on the Marshall School faculty of the University of Southern California, she has an MBA and a PhD in management science from Ohio State University, and is a Fellow of the Academy of Management, the Academy of International Business, and the Pan-Pacific Business Association. She sits on 13 editorial review boards and

numerous international panels and teaches in executive programs in Latin America, Asia, and the United States.

Dr. Von Glinow has authored over 100 journal articles and 13 books, most of which have been translated into Chinese, Hindi, and Spanish. Her book on organizational learning capability won a Gold Book Award from the Ministry of Economic Affairs in Taiwan in 2002. She is the 2005 recipient of the Academy of Management's Distinguished Service Award, one of the highest honors bestowed by the Academy.

Mary Ann has consulted widely and is on the board of directors of several organizations, including the advisory board to Volvo-Geely in China. She is actively involved in several animal welfare organizations and received the 1996 Humanitarian Award of the Year from Miami's Adopt-a-Pet.

dedication

Dedicated with love and devotion to Donna, and to our wonderful daughters, Bryton and Madison

—S.L.M.

Dedicated to Zack, Emma, Googun, Blue, Chloe, Jackson, and Boomer

—M.A.V.G.

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Welcome to the exciting world of organizational behavior! Knowledge is replacing infrastructure. Social media and virtual teams are transforming the way employees work together. Values and self-leadership are replacing command-and-control management. Companies are looking for employees with emotional intelligence and effective teamwork skills, not just technical smarts.

Organizational Behavior, Eighth Edition, is written in the context of these emerging workplace realities. This edition explains how emotions are the foundation of employee motivation, attitudes, and decisions; how social networks generate power and shape communication patterns; how self-concept influences individual behavior, team cohesion, and leadership; and how adopting a global mindset has become an important employee characteristic in this increasingly interconnected world. This book also presents the reality that organizational behavior is not just for managers; it is relevant and valuable to anyone who works in and around organizations.

Linking Theory with Reality

Every chapter of *Organizational Behavior* is filled with examples to make OB knowledge more meaningful as well as to illuminate the relevance and excitement of this field. These stories about real people and organizations translate academic theories into useful knowledge and real-life applications. For example, we describe how employees at Airbnb, the San Francisco–based online vacation accommodation company, are intrinsically motivated through autonomy and personal growth; how John Dean, executive chair of Hawaii's Central Pacific Bank, helped his executive team work together more effectively by learning about each other's personalities; how easyJet CEO Carolyn McCall revived the discount airline through transformational leadership behaviors and effective leadership skills; how police forces in San Diego and Baltimore are improving officers' interpersonal skills through emotional intelligence training; and how David Sacks (cofounder of Yammer and one of PayPal's earliest executives) applied change leadership practices to transform Silicon Valley start-up Zenefits into a more compliance-driven company.

These real-life stories, which the authors personally selected and incorporated into this book, appear in many forms. Every chapter is filled with photo captions and in-text anecdotes about work life. *Global Connections* features "connect" OB concepts with events in real-world companies around the planet. Case studies in each chapter also connect OB concepts to the emerging workplace realities. These anecdotes and detailed descriptions discuss large and small organizations around the world and in a wide range of industries.

Global Focus

From its first edition, this book has been crafted around the reality of increasing globalization. The Eighth Edition continues this global focus by introducing the theme in the first chapter and by discussing global and cross-cultural issues in many other chapters. Furthermore, every chapter includes truly global examples, not just how American companies operate in other parts of the world. For example, we describe how New Zealand drinks manufacturer Frucor Beverages maintains a highly engaged workforce; how China's e-commerce giant Alibaba Group has nurtured a strong organizational culture; how Buurtzorg Nederland organized its 8,000 professionals into self-directed teams to become one of the world's best-managed community health care organizations; how Infosys, one of India's leading technology companies, is improving employee creativity and decision making through design thinking principles and practices; how the president of Panasonic Corporation created an urgency for change at the Japanese conglomerate; and how trivago, the German-based hotel metasearch company, puts considerable resources into the employee socialization process.

Contemporary Theory Foundation

Vivid real-world examples and practices are valuable only if they are connected to good theory. *Organizational Behavior* has developed a reputation for its solid foundation in contemporary and classic research and writing. This evidence-based foundation is apparent from the number and quality of literature cited in each chapter, including dozens of articles, books, and other sources. The most recent literature receives thorough coverage, resulting in what we believe is the most up-to-date organizational behavior textbook available. These references also reveal that we reach out to marketing, information management, human resource management, and other disciplines for new ideas. This book is rigorously focused on information that readers value, namely OB knowledge and practices. Consequently, with a few classic exceptions, we avoid writing a "who's who" book; most scholars are named in the references, not in the main text.

One of the driving forces for writing *Organizational Behavior* is to provide a more responsive conduit for emerging OB knowledge to reach students, practitioners, and fellow scholars. To its credit, *Organizational Behavior* is apparently the first major OB book to discuss the full self-concept model (not just core self-evaluation), workplace emotions, social identity theory, global mindset, four-drive theory, predictors of moral intensity, specific elements of social networks, appreciative inquiry, affective events theory (but without the jargon), somatic marker hypothesis (also without the jargon), virtual teams, mindfulness in ethical behavior, Schwartz's values model, employee engagement, learning orientation, social and information processing characteristics of job design, and several other groundbreaking topics. This edition continues this leadership by introducing the latest knowledge on design thinking, self-concept distinctiveness versus inclusion, and the four factors to consider when selecting the best communication channel.

Organizational Behavior Knowledge for Everyone

Another distinctive feature of *Organizational Behavior* is that it is written for everyone in organizations, not just managers. The philosophy of this book is that everyone who works in and around organizations needs to understand and make use of organizational behavior knowledge. People throughout the organization—systems analysts, production employees, accounting professionals—are taking on more responsibilities as companies remove layers of management and give the rest of us more autonomy and accountability for our work outcomes. This book helps everyone make sense of organizational behavior, and provides the conceptual tools to work more effectively in the workplace.

Active Learning and Critical Thinking Support

We teach organizational behavior, so we understand how important it is to use a textbook that offers deep support for active learning and critical thinking. Business school accreditation associations also emphasize the importance of the learning experience, which further reinforces our attention on classroom activities. This Eighth Edition includes more than two dozen case studies in various forms and levels of complexity, as well as four dozen self-assessments, most of which have been empirically tested and validated. This book is also a rich resource for in-class activities, some of which are not available in other organizational behavior books, such as the Personal Values Exercise, Employee Involvement Cases, Deciphering the (Social) Network, Test Your Knowledge of Personality, and the Cross-Cultural Communication Game.

Changes to the Eighth Edition

Organizational Behavior, Eighth Edition, incorporates numerous improvements, thanks to reviews by dozens of organizational behavior instructors across several countries, along with our regular practice of scanning the diverse literature for new ideas that have gained sufficient evidential support. Almost every chapter in this edition has noticeable updates and revisions, but the most substantial changes have occurred in Chapter 1 (introduction to OB), Chapter 7 (decision making and creativity), Chapter 9 (communication), and Chapter 11 (conflict and negotiation).

Together with dozens of conceptual improvements, this edition replaces most examples with new real-world stories that satisfy our criteria of being recent, interesting, and relevant. Almost all of the chapter-opening case studies are new; only two opening vignettes remain from the previous edition, both of which have been updated. Most captioned photos and Global Connections features are new or updated. We have also added dozens of new in-text examples as well as several new case studies for class discussion or course assignments. A unique strength of *Organizational Behavior*, Eighth Edition (and previous editions), is that the authors personally researched and wrote all of the conceptual content, in-text examples, captioned photos, and features. This provides better integration of the knowledge and ensures that the examples are truly relevant and useful additions to the learning experience.

Here are the main conceptual improvements in *Organizational Behavior,* Eighth Edition:

- *Chapter 1: Introduction to the Field of Organizational Behavior*—This chapter has been substantially updated, revised, and reorganized from the previous edition. We have incorporated an integrated model of organizational behavior to help students visualize the relationship among the main concepts throughout this book. Technological change has been added in the section on contemporary developments facing organizations. The section on perspectives of organizational effectiveness has been streamlined and moved to the latter part of the chapter. Most topics have been rewritten, but particularly the text on the four contemporary developments, why study OB, and several aspects of organizational effectiveness.

- *Chapter 2: Individual Behavior, Personality, and Values*—Several topics in this chapter have been updated, particularly coverage of the five-factor model of personality and work performance, values and individual behavior, moral sensitivity, and cultural diversity within the United States.

- *Chapter 3: Perceiving Ourselves and Others in Organizations*—This book apparently pioneered the full model of self-concept and its relevance to organizational behavior. This edition further develops this important topic and provides new information on the opposing motives for distinctiveness and inclusion. The section on stereotyping also includes new information about stereotype threat.

- *Chapter 4: Workplace Emotions, Attitudes, and Stress*—This edition significantly revises and updates discussion on four key workplace stressors, with new writing about organizational constraints and interpersonal conflict as stressors. Other parts of this chapter received minor revision, such as discussion of attitude–behavior contingencies.

- *Chapter 5: Foundations of Employee Motivation*—New to this edition is the topic of intrinsic and extrinsic motivation, as well as the question of whether introducing extrinsic sources of motivation reduces intrinsic motivation. We have also refined the writing on four-drive theory, drives and needs, Maslow's needs hierarchy, and feedback.

- *Chapter 6: Applied Performance Practices*—The previous edition was among the first OB books to introduce recent knowledge about the social and information

processing characteristics of jobs. This edition further refines that emerging topic. It also has updated content on the meaning of money, supporting empowerment, and self-leadership effectiveness.

- *Chapter 7: Decision Making and Creativity*—This chapter has been substantially revised and updated in several ways. The emerging topic of design thinking was briefly introduced in the previous edition, but this chapter now presents the topic fully as a set of principles and activities to improve creative decision making. Another area with substantial rewriting is the topic of problems with information processing when choosing alternatives. Several topics have also received minor updates, particularly on solution-focused problems, problems with goals, implicit favorite bias, and satisficing (problems with maximization).

- *Chapter 8: Team Dynamics*—This edition refines discussion introduced in the previous edition on the three characteristics that distinguish types of teams. It also updates and offers more detail about social loafing. This chapter incorporates task variability and analyzability (introduced in Chapter 6) as task characteristics that influence the need for teamwork. Several other topics have also been revised, such as team mental models (as part of team development), team development through team building, the team cohesion–performance relationship, and brainstorming.

- *Chapter 9: Communicating in Teams and Organizations*—This edition includes a complete revision and update on choosing the best communication medium. This topic now fully discusses four key factors (synchronicity, social presence, social acceptance, and media richness), along with their associated contingencies to communication channel selection. This edition further shifts the focus toward various forms of digital communication (less focus on email alone). It also has minor revisions on the encoding–decoding process and the benefits of enterprise social media.

- *Chapter 10: Power and Influence in the Workplace*—This chapter has a few minor changes, such as on the topic of nonsubstitutability.

- *Chapter 11: Conflict and Negotiation in the Workplace*—This edition substantially reorganizes and updates the entire section on resolving conflict through negotiation. The new or revised topics include distributive and integrative approaches to bargaining, understanding needs, bargaining zone dynamics, how BATNA increases bargaining power, the importance of listening, and strategies for making concessions. This edition also introduces recent knowledge about gender and negotiation. Elsewhere in this chapter, we update coverage on task and relationship conflict, including further clarification of these concepts, reference to process conflict, and problems resulting from relationship conflict.

- *Chapter 12: Leadership in Organizational Settings*—The previous edition substantially revised and reorganized this chapter. Aside from new examples and references, this edition has relatively minor changes, notably on the topics of communicating the vision, evaluating path–goal theory, and the personal attributes of effective leaders.

- *Chapter 13: Designing Organizational Structures*—This chapter has minor revisions, notably on span of control and on the structural contingency of diverse versus integrated environments.

- *Chapter 14: Organizational Culture*—Along with replacing most examples and updating references, this chapter has a number of subtle changes, particularly on the topics of espoused versus enacted values, content of organizational culture, types of organizational culture artifacts, the integration strategy for merging cultures, and how founders and leaders shape and strengthen culture.

- *Chapter 15: Organizational Change*—The main changes to this chapter are examples and updated literature references.

acknowledgments

Organizational behavior is a fascinating subject. It is also incredibly relevant and valuable, which becomes apparent while developing a world-class book such as *Organizational Behavior,* Eighth Edition. Throughout this project, we witnessed the power of teamwork, the excitement of creative thinking, and the motivational force of the vision that we collectively held as our aspiration. The tight coordination and innovative synergy was evident throughout this venture. Our teamwork is even more amazing when you consider that most team members on this project are scattered throughout the United States, and the lead coauthor (Steve) spends most of his time on the other side of the planet!

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supporting the learning process

AN INTERNATIONAL AUTHOR TEAM FOR THE GLOBAL EMPLOYEE

Drawing on their extensive international teaching and research experience, the authors have produced a book that is highly regarded for its global focus. Steve McShane teaches in Australia and throughout Asia, and gives talks each year to schools throughout Asia and North America. As director of the Center for International Business Education, Mary Ann Von Glinow regularly visits and conducts research in South America, China, and elsewhere around the world.

DEBATING POINTS

Debating Point boxes help students think critically and recognize that even seemingly obvious ideas have logical counterarguments. Debating Points also raise the bar by focusing on topics that are central to the world of work.

REAL-WORLD EXAMPLES BRING OB TO LIFE

Every chapter is filled with examples to make OB knowledge more meaningful and reflect the relevance and excitement of this field. Opening case studies set the stage; captioned photos depict OB concepts; and Global Connections features present more international examples of OB concepts in practice.

SELF-ASSESSMENTS

Self-assessments are an important and engaging part of the active learning process. This edition features self-assessments associated with content in every chapter, such as power-distance orientation, romance of leadership, preferred organizational structure, work centrality, sensing-intuitive type, and guanxi orientation. These self-assessments are available online in Connect with self-scoring results and written feedback.

student and instructor support materials

Organizational Behavior, Eighth Edition, includes a variety of supplemental materials to help instructors prepare and present the material in this textbook more effectively.

Online Learning Center (www.mhhe.com/mcshane8e)

The Online Learning Center provides instructors with the following teaching tools.

INSTRUCTOR'S MANUAL

This is one of the few textbooks for which the authors write the *Instructor's Manual,* ensuring that the instructor materials represent the textbook's content and support instructor needs. Each chapter includes the learning objectives, glossary of key terms, a chapter synopsis, complete lecture outline with thumbnail images of corresponding PowerPoint slides, and suggested answers to the end-of-chapter discussion questions. Also included are teaching notes for the chapter case(s), team exercises, and self-assessments. The *Instructor's Manual* also provides complete teaching notes for the additional cases.

TEST BANK AND EZ TEST

Updated for this edition, the Test Bank includes more than 2,000 multiple-choice, true/false, and essay questions. Each question identifies the relevant learning objective, Bloom's taxonomy level, AACSB standard for assurance of learning, and difficulty level.

In addition, McGraw-Hill's testing software, EZ Test, allows you to easily query for learning objectives that directly relate to the learning objectives for your course; the reporting features of EZ Test also enable you to aggregate student results, making the collection and presentation of assurance-of-learning data quick and easy. The program provides a means to create tests that are book-specific and even add your own questions. Multiple versions of a test can be created, and any test can be exported for use with course management systems such as WebCT and Blackboard or with any other course management system.

POWERPOINT PRESENTATION SLIDES

The PowerPoint slides have been prepared by the authors, allowing seamless integration between the slides and the *Instructor's Manual.* Each chapter includes more than two dozen slides, featuring key points, photographs, and figures from the text, as well as teaching tips and notes for using the slides.

Video Resources

MANAGER'S HOT SEAT

Now instructors can put students in the hot seat with access to an interactive program. Students watch real managers apply their years of experience when confronting unscripted issues. As the scenario unfolds, questions about how the manager is handling the situation pop up, forcing the student to make decisions along with the manager. At the end of the scenario, students watch a post-scenario interview with the manager, to see how their responses matched up with the manager's decisions. The Manager's Hot Seat videos are now available as assignments in Connect.

AACSB Statement

McGraw-Hill Education is a proud corporate member of AACSB International. Understanding the importance and value of AACSB accreditation, the authors of *Organizational Behavior,* Eighth Edition, recognize the curricula guidelines detailed in the AACSB standards for business accreditation by connecting selected questions in the text and/or the Test Bank to the six general knowledge and skill guidelines in the AACSB standards.

The statements contained in *Organizational Behavior,* Eighth Edition, are provided only as a guide for the users of this textbook. The AACSB leaves content coverage and assessment within the purview of individual schools, the mission of the school, and the faculty. While *Organizational Behavior* and the teaching package make no claim of any specific AACSB qualification or evaluation, we have within *Organizational Behavior* labeled selected questions according to the six general knowledge and skill areas.

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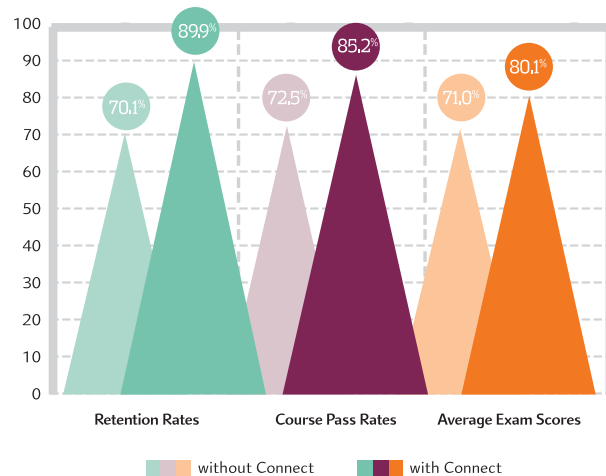
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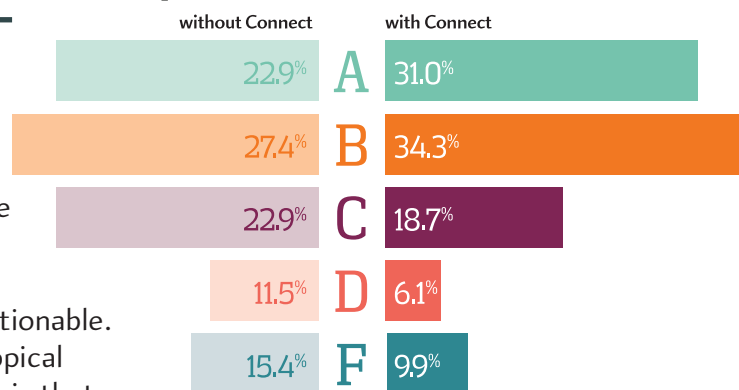
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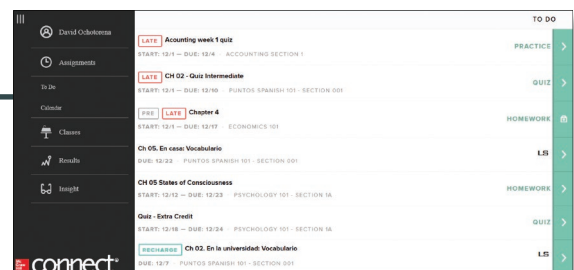
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organizational
behavior

Introduction to the Field of Organizational Behavior

learning objectives

After studying this chapter, you should be able to:

1-1 Define organizational behavior and organizations, and discuss the importance of this field of inquiry.

1-2 Debate the organizational opportunities and challenges of technological change, globalization, emerging employment relationships, and workforce diversity.

1-3 Discuss the anchors on which organizational behavior knowledge is based.

1-4 Compare and contrast the four perspectives of organizational effectiveness.

A fter completing an international MBA, Megan Kates joined Anheuser-Busch InBev (InBev), the world's largest brewer, as a brand manager in its Mexican operations. Kates, who previously held a marketing job in Miami for French jeweler Cartier, was assigned the premium European import brew, Stella Artois. Later, she was handed additional responsibilities throughout Mexico for Michelob Ultra and Budweiser. "[InBev] basically handed me a brand and told me to run with it," says Kates. "It's a very lean company."

As one of the world's most admired organizations, Anheuser-Busch InBev has a high-performance culture that continually challenges employees to develop their potential. The Belgium-based brewer instills an owner-like commitment by giving Megan Kates and other staff deep responsibility and autonomy to run their part of the business. "We create restaurant owners, not waiters," explains an InBev manager.

InBev's performance culture eschews complacency. "We set ourselves stretch targets and are never completely satisfied with our results," says one of the firm's 10 guiding principles. The company regularly takes people out of their comfort zones by transferring them to new positions with increasing responsibilities and challenges. "I never get to that stage of being bored and looking elsewhere," says a British InBev manager who currently works at the brewer's offices in Belgium.

As Megan Kates observes, InBev is a very lean company. Its industry-leading profit margins result from a relentless drive for operational efficiency through practices that continually drive out waste. It applies zero-based budgeting, so costs must be justified annually. InBev is also famously frugal. The brewer avoids many executive perks (no cars or golf memberships), allows business class travel only for long-haul flights, and has moderately priced office decor.[1]

© David Hecker/AP Images

AB InBev applies high-performance work practices and other organizational behavior strategies to become one of the world's most successful companies.

Welcome to the Field of Organizational Behavior!

High-performance work practices. Values-driven organization. Motivating jobs. Inspirational leadership. These are just a few of the organizational behavior topics and practices that have made Anheuser-Busch InBev a successful organization in a highly competitive and dynamic environment. In every sector of the economy, organizations need to employ skilled and motivated people who can be creative, work in teams, and maintain a healthy lifestyle. They need leaders with foresight and vision, who support innovative work practices, and make decisions that consider the interests of multiple stakeholders. In other words, the best companies succeed through the concepts and practices that we discuss in this organizational behavior book.

Our purpose is to help you understand what goes on in organizations. We examine the factors that make companies effective, improve employee well-being, and drive successful collaboration among coworkers. We look at organizations from numerous and diverse perspectives, from the deepest foundations of employee thoughts and behavior (personality, self-concept, attitudes, etc.) to the complex interplay between the organization's structure and culture and its external environment. Along this journey, we emphasize why things happen and what you can do to predict and guide organizational events.

We begin this chapter by introducing you to the field of organizational behavior and explaining why it is important to your career and to organizations. This is followed by an overview of four major societal developments facing organizations: technological change, globalization, emerging employment relationships, and increasing workforce diversity. We then describe four anchors that guide the development of organizational behavior knowledge. The latter part of this chapter describes the "ultimate dependent variable" in organizational behavior by presenting the four main perspectives of organizational effectiveness. The chapter closes with an integrating model of organizational behavior, which serves as a road map to guide you through the topics in this book.

The Field of Organizational Behavior

1-1

Organizational behavior (OB) is the study of what people think, feel, and do in and around organizations. It looks at employee behavior, decisions, perceptions, and emotional responses. It examines how individuals and teams in organizations relate to each other and to their counterparts in other organizations. OB also encompasses the study of how organizations interact with their external environments, particularly in the context of employee behavior and decisions. OB researchers systematically study these topics at multiple levels of analysis, namely, the individual, team (including interpersonal), and organization.[2]

The definition of organizational behavior begs the question: What are organizations? **Organizations** are groups of people who work interdependently toward some purpose.[3] Notice that organizations are not buildings or government-registered entities. In fact, many organizations exist with neither physical walls nor government documentation to confer their legal status. Organizations have existed for as long as people have worked together. Massive temples dating back to 3500 BC were constructed through the organized actions of multitudes of people. Craftspeople and merchants in ancient Rome formed guilds, complete with elected managers. More than 1,000 years ago, Chinese factories were producing 125,000 tons of iron each year.[4]

One key feature of all organizations throughout history is that they are collective entities.[5] They consist of human beings—typically, but not necessarily,

organizational behavior (OB)
the study of what people think, feel, and do in and around organizations

organizations
groups of people who work interdependently toward some purpose

employees—who interact with each other in an *organized* way. This organized relationship requires some minimal level of communication, coordination, and collaboration to achieve organizational objectives. As such, all organizational members have degrees of interdependence; they accomplish goals by sharing materials, information, or expertise with coworkers.

A second key feature of organizations is that their members have a collective sense of purpose. This collective purpose isn't always well defined or agreed on. Most companies have vision and mission statements, but they are sometimes out of date or don't describe what employees actually try to achieve. Still, imagine an organization without a collective sense of purpose. It would be an assemblage of people without direction or unifying force. So, whether they are producing and marketing a premium beer at AB InBev or selling almost anything on the Internet at Amazon.com, people working in organizations do have some sense of collective purpose.

HISTORICAL FOUNDATIONS OF ORGANIZATIONAL BEHAVIOR

Several events suggest that OB emerged as a distinct field throughout the 1940s.[6] During that decade, a few researchers began describing their research as organizational (rather than sociological or psychological). And by the late 1940s, Harvard had changed the name of its MBA human relations course to "Organizational Behavior."

Although the field of OB is recent, experts in other fields have been studying organizations for many centuries. The Greek philosopher Plato (400 BC) wrote about the essence of leadership, and the Chinese philosopher Confucius (500 BC) extolled the virtues of ethics and leadership. Economist Adam Smith (1770s) discussed the benefits of job specialization and division of labor. German sociologist Max Weber (early 1900s) wrote about rational organizations, the work ethic, and charismatic leadership. Industrial engineer Frederick Winslow Taylor (1910s) proposed systematic ways to organize work processes and motivate employees through goal setting and rewards.[7]

Political scientist Mary Parker Follett (1920s) offered new ways of thinking about constructive conflict, team dynamics, power, and leadership. Harvard professor Elton Mayo and his colleagues (1930s and 1940s) established the "human relations" school of

Steve Jobs orchestrated many of the greatest advances in our digital lifestyle and animation film over the past few decades. The cofounder of Apple and Pixar Animation Studios was renowned for his vision and persistence. Yet Jobs emphasized that great achievements also require the power of organizations. "A company is one of humanity's most amazing inventions," Jobs once explained. "It's totally abstract. Sure, you have to build something with bricks and mortar to put the people in, but basically a company is this abstract construct we've invented, and it's incredibly powerful."[8]
© Tony Avelar/Bloomberg/Getty Images
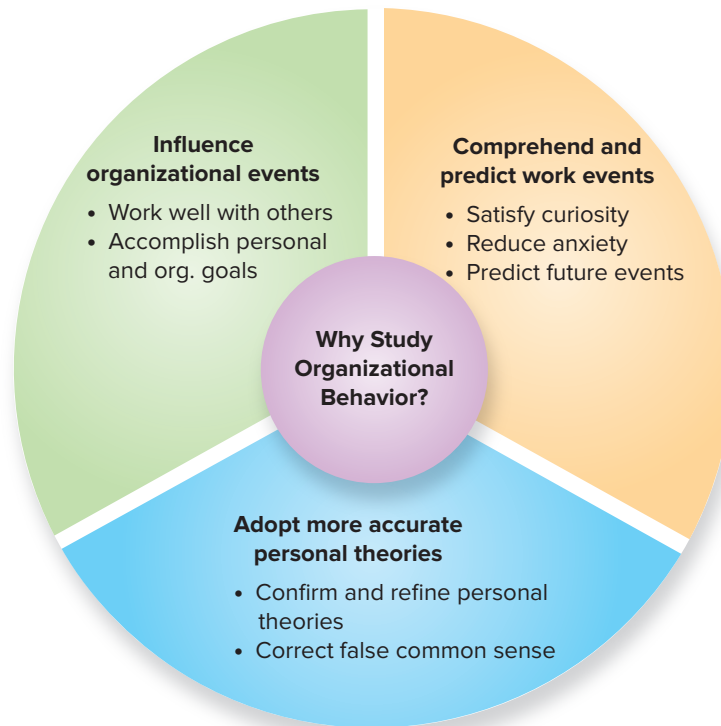
management, which pioneered research on employee attitudes, formal team dynamics, informal groups, and supervisor leadership style. American executive and Harvard associate Chester Barnard (1930s) wrote insightful views regarding organizational communication, coordination, leadership and authority, organizations as open systems, and team dynamics.[9] This brief historical tour indicates that OB has been around for a long time; it just wasn't organized into a unified discipline until around World War II.

WHY STUDY ORGANIZATIONAL BEHAVIOR?

In all likelihood, you are reading this book as part of a required course in organizational behavior. Apart from degree or diploma requirements, why should you learn the ideas and practices discussed in this book? After all, who ever heard of a career path leading to a "vice president of OB" or a "chief OB officer"? Our answer to this question begins with survey findings that students who have been in the workforce for some time typically point to OB as one of their most valuable courses. Why? Because they have learned through experience that OB *does make a difference* to one's career success.[10] There are three main reasons why OB theories and practices are important (see Exhibit 1.1):

Comprehend and Predict Workplace Events   Every one of us has an inherent drive to make sense of what is going on around us.[11] This need is particularly strong in organizations because they are highly complex and ambiguous contexts that have a profound effect on our lives. The field of organizational behavior uses scientific research to discover systematic relationships, which give us a valuable foundation for comprehending organizational life.[12] This knowledge satisfies our curiosity about why events occur and reduces our anxiety about circumstances that would otherwise be unexpected and unexplained. Furthermore, it helps us predict and

anticipate future events so we can get along with others, achieve our goals, and minimize unnecessary career risks.

Adopt More Accurate Personal Theories   A frequent misunderstanding is that OB is common sense. Of course, some OB knowledge is very similar to the theories you have developed through personal experience. But personal theories are usually not quite as precise as they need to be. Perhaps they explain and predict some situations, but not others. For example, one study found that when liberal arts students and chief executive officers were asked to choose the preferred organizational structure in various situations, their commonsense answers were typically wrong because they oversimplified well-known theory and evidence on that topic.[13] (We discuss organizational structures in Chapter 13.) Throughout this book you'll also discover that OB research has debunked some ideas that people thought were "common sense." Overall, we believe the OB knowledge you will gain by reading this book will help you challenge and refine your personal theories, and give you more accurate and complete perspectives of organizational events.

Influence Organizational Events   Probably the greatest value of OB knowledge is that it helps us get things done in the workplace by influencing organizational events.[14] By definition, organizations are people who work together to accomplish things, so we need a toolkit of knowledge and skills to work successfully with others. Studies consistently observe that the most important knowledge and skills that employers desire in employees relate to the topics we discuss in this book, such as building teams, motivating coworkers, handling workplace conflicts, making decisions, and changing employee behavior. No matter what career path you choose, you'll find that OB concepts play an important role in performing your job and working more effectively within organizations.

Organizational Behavior Is for Everyone   Organizational behavior is discussed by some writers as a topic for managers. Effective management does depend on OB concepts and practices, but this book pioneered the broader view that OB is valuable for everyone who works in and around organizations. Whether you are a software engineer, customer service representative, foreign exchange analyst, or chief executive officer, you need to understand and apply the many organizational behavior topics that are discussed in this book. In fact, OB knowledge is probably more valuable than ever before because employees increasingly need to be proactive, self-motivated, and able to work effectively with coworkers without management intervention. In the words of one forward-thinking OB writer more than four decades ago: Everyone is a manager.[15]

OB and the Bottom Line   Up to this point, our answer to the question "Why study OB?" has focused on how organizational behavior knowledge benefits you as an individual. However, OB is also vital to the organization's survival and success.[16] For instance, the best 100 companies to work for in America (i.e., companies with the highest levels of employee satisfaction) enjoy significantly higher financial performance than other businesses within the same industry. Companies with higher levels of employee engagement have higher sales and profitability (see Chapter 5). OB practices are also associated with various indicators of hospital performance, such as lower patient mortality rates and higher patient satisfaction. Other studies have consistently found a positive relationship between the quality of leadership and the company's financial performance.

The bottom-line value of organizational behavior is supported by research into the best predictors of investment portfolio performance. These investigations suggest that leadership, performance-based rewards, employee development, employee attitudes,

and other specific OB characteristics are important "positive screens" for selecting companies with the highest and most consistent long-term investment gains.[17] Overall, the organizational behavior concepts, theories, and practices presented throughout this book do make a positive difference to you personally, to the organization, and ultimately to society.

Contemporary Developments Facing Organizations

1-2

Organizations are experiencing unprecedented change. Technological developments, consumer expectations, global competition, and many other factors have substantially altered business strategy and everyday workplace activities. The field of organizational behavior plays a vital role in guiding organizations through this continuous turbulence. As we will explain in more detail later in this chapter, organizations are deeply affected by the external environment. Consequently, they need to maintain a good organization–environment fit by anticipating and adjusting to changes in society. Over the next few pages, we introduce four major environmental developments facing organizations: technological change, globalization, emerging employment relationships, and increasing workforce diversity.

TECHNOLOGICAL CHANGE

Technological change has always been a disruptive force in organizations, as well as in society.[18] Waterwheels, cotton gins, steam engines, microprocessors (such as in automated systems and artificial intelligence), and many other innovations dramatically boost productivity, but also usually displace employees and render obsolete entire occupational groups. Not even top-level executives are immune to the effects of these transformational innovations. Other technologies, such as the telegraph, smartphone, and the Internet, potentially improve productivity but more profoundly alter our relationships and patterns of behavior with coworkers, clients, and suppliers. Still other technologies aim to improve health and well-being, such as the development of better medicines and medical equipment, new leisure apparatus, and environmentally safer materials.

Information technology is one of the most significant forms of technological change in recent times.[19] As we discuss in Chapter 9, the introduction of email has altered communication patterns and power dynamics throughout most workplaces. Social media and other social collaboration technologies are slowly replacing email, and will further reshape how people associate and coordinate with each other. Some OB experts argue that information technology gives employees a stronger voice through direct communication with executives and broader distribution of their opinions to coworkers and beyond.

SOCIAL MEDIA TECHNOLOGY RESHAPES THE WORKPLACE[20]

21% of 2,027 employed American adults say they spend between 1 and 6 hours using social media tools or mobile applications to help get their job done.

58% of 1,000 American employees polled say they would prefer to work at a company that uses internal (enterprise) social media.

46% of 9,908 information workers polled across 32 countries say that social media tools have somewhat or greatly increased their productivity.

42% of 9,908 information workers polled across 32 countries say that social media tools have resulted in more workplace collaboration.

52% of 2,175 American hiring and human resource managers say they use social media sites to research job candidates.

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Information technology has also created challenges, such as tethering people to their jobs for longer hours, reducing their attention spans at work, and increasing techno-stress. We discuss these concerns below and in Chapter 4 (workplace stress). At a macro-level, information technology has reconfigured entire organizations by integrating suppliers and other external entities into the transformation process. Eventually, technology may render organizations less of a place where people work and more of a process or network where people collaborate across space and time (see Chapter 13).

GLOBALIZATION

Globalization refers to economic, social, and cultural connectivity with people in other parts of the world. Organizations globalize when they actively participate in other countries and cultures. Although businesses have traded goods across borders for centuries, the degree of globalization today is unprecedented because information technology and transportation systems allow a much more intense level of connectivity and interdependence around the planet.[21]

Globalization offers numerous benefits to organizations in terms of larger markets, lower costs, and greater access to knowledge and innovation. At the same time, there is considerable debate about whether globalization benefits developing nations and the extent to which it is responsible for increasing work intensification, reduced job security, and poor work–life balance in developed countries.[22]

The field of organizational behavior focuses on the effects of globalization on organizations and how to lead and work effectively in this emerging reality. Throughout this book, we will refer to the effects of globalization on teamwork, diversity, cultural values, organizational structure, leadership, and other themes. Globalization has brought more complexity and new ways of working to the workplace. It also requires additional knowledge and skills that we will discuss in this book, such as emotional intelligence, a global mindset, nonverbal communication, and conflict handling.

EMERGING EMPLOYMENT RELATIONSHIPS

Technology, globalization, and several other developments have substantially altered the employment relationship in most countries. Before the digital age, most employees would finish work after eight or nine hours and could separate their personal time from their employment. Today, they are more likely to be connected to work on a 24/7 schedule. Globalization increases competitive pressure to work longer and creates a 24-hour schedule because coworkers, suppliers, and clients work in different time zones. Information technology enables employers and others to easily and quickly communicate with employees beyond their traditional workday.

Little wonder that one of the most important employment issues over the past decade has been **work–life balance.** Work–life balance occurs when people are able to minimize conflict between their work and nonwork demands.[23] Most employees lack this balance because they spend too many hours each week performing or thinking about their job, whether at the workplace, at home, or on vacation. This focus on work leaves too little time to fulfill nonwork needs and obligations. Our discussion of work-related stress (Chapter 4) will examine work–life balance issues in more detail.

Another employment relationship trend is for employees to work away from the organization's traditional common work site.[24] One form of this *remote work* arrangement involves performing most job duties at client sites throughout the day. Repair technicians and management consultants regularly work at client sites, for example. Longer-term remote work occurs where employees

globalization
economic, social, and cultural connectivity with people in other parts of the world

work–life balance
the degree to which a person minimizes conflict between work and nonwork demands

global connections 1.1

From Commute to Telecommute in Japan

Yui Nishimura moved closer to her husband's workplace when she recently married, but faced a 90-minute commute by train each way to her office in Tokyo. Fortunately, Nishimura's employer, major snack foods company Calbee, allows the investor relations employee to telecommute a couple of days each month. "I don't have to spend time commuting, and I'm now able to focus more on my work," says Nishimura. Currently, only 4 percent of Japanese employees work from home at least one day per week. The Japanese government hopes that 10 percent of Japanese employees will be telecommuting within the next few years.[25]

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are assigned to partner organizations. For instance, biotechnology firm Anteo Diagnostics dispatches its scientists for several weeks or months to partner companies around the world, where they jointly investigate the effectiveness of Anteo's patented nano glue products on the partner firm's point-of-care technology.

telecommuting

an arrangement whereby, supported by information technology, employees work from home one or more work days per month rather than commute to the office

Telecommuting   The best-known form of remote work is **telecommuting** (also called *teleworking*) whereby information technology enables employees to work from home one or more workdays per month rather than commute to the office. An estimated 37 percent of U.S. workers telecommute, with almost one-third of them working from home at least six days each month. The U.S. government reports that 23 percent of employees perform some or all of their work at home (but that includes taking work home after attending the office, not just telecommuting).[26]

Is telecommuting beneficial for employees and organizations? This question continues to be debated because it has advantages, disadvantages, and several contingencies that muddy its effectiveness.[27] One advantage is that telecommuters usually experience better work–life balance because they have more time and somewhat more control to juggle work with family obligations. For example, a study of 25,000 IBM employees found that female telecommuters with children were able to work 40 hours per week, whereas female employees with children who work solely at the office could manage only 30 hours before feeling work–life balance tension. Work–life balance is less likely to improve when telecommuters lack sufficient workspace and privacy at home and have increased family responsibilities on telecommuting days.

Telecommuting is an attractive benefit for younger job applicants, and turnover is usually lower among telecommuting employees. Research also indicates that telecommuters have higher productivity than nontelecommuters, likely because they experience less stress and tend to transfer some former commuting time to work time. Telecommuting also improves productivity by enabling employees to work at times when the weather or natural disasters block access to the office.

Several companies report that telecommuting has reduced greenhouse gas emissions and office expenses. For instance, health insurer Aetna estimates that its telecommuting employees (31 percent of the workforce) annually avoid using two million gallons of gas, thereby reducing carbon dioxide emissions by more than 23,000 metric tons. With many

employees working from home, Aetna has also been able to reduce its real estate and related costs by between 15 and 25 percent.[28]

Telecommuting also has several disadvantages.[29] Telecommuters frequently report more social isolation, including weaker relationships with coworkers. They also receive less word-of-mouth information, which may have implications for promotional opportunities and workplace relations. "When I'm home, I miss out on going to have coffee with people, and that's when all kinds of information about employment applications, the ministries and the university comes up," says Marcel Swart, a chemist at a university in Spain.[30] Organizations also potentially suffer from lower team cohesion and a weaker organizational culture when most employees work from home for a significant part of their workweek.

Telecommuting success depends on several characteristics of the employee, job, and organization.[31] Employees who work effectively from home typically have higher self-motivation, self-organization, need for autonomy, and information technology skills. Those who telecommute most of the time also fulfill their social needs more from sources outside the workplace. Jobs are better suited to telecommuting when the tasks do not require resources at the workplace, the work is performed independently from coworkers, and task performance is measurable. Organizations improve telecommuting success by rewarding and promoting employees based on their performance rather than their presence in the office (face time). Effective companies also help telecommuters maintain sufficient cohesion with their team and psychological connectedness with the organization. This occurs by limiting the number of telecommuting days, having special meetings or events where all employees assemble at the workplace, and regularly using video communication and other technology that improves personal relatedness.

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connect

SELF-ASSESSMENT 1.1: Are You a Good Telecommuter?

Telecommuting is an increasingly popular workplace relationship, and it potentially offers benefits for both companies and telecommuters. However, some people are better suited than others to telecommuting and other forms of remote work. You can discover how well you adjust to telecommuting and remote work by locating this self-assessment in Connect if it is assigned by your instructor.

INCREASING WORKFORCE DIVERSITY

Immigrants to the United States and many other countries have much more multicultural origins than a few decades ago, resulting in a much more diverse workforce in most organizations. In addition, globalization has increased the diversity of people employees interact with in partner organizations (suppliers, clients, etc.) located elsewhere in the world.

surface-level diversity
the observable demographic or physiological differences in people, such as their race, ethnicity, gender, age, and physical disabilities

When discussing workforce diversity, we usually think about **surface-level diversity**—the observable demographic and other overt differences among members of a group, such as their race, ethnicity, gender, age, and physical capabilities.[32] As mentioned, surface-level diversity in the United States and many other countries has increased substantially over the past few decades. For instance, people with non-Caucasian or Hispanic origin currently represent one-third of the American population. Within the next 50 years, an estimated one-quarter of Americans will be Hispanic, 14 percent will be African American, and 8 percent will be of Asian descent.[33]

Note: Percentage of U.S. workforce by age group, based on data from the U.S. Bureau of Labor Statistics. "Silents" represent the generation of employees born before 1946. Generation Zers were born after 1990, although some sources consider this group part of the Millennials.

deep-level diversity
differences in the psychological characteristics of employees, including personalities, beliefs, values, and attitudes

Diversity also includes differences in personalities, beliefs, values, and attitudes.[35] We can't directly see this **deep-level diversity,** but it is evident in a person's choices, words, and actions. Deep-level diversity is revealed when employees have different perceptions and attitudes about the same situation (see Chapter 11) and when they form like-minded informal social groups (see Chapter 8). Some deep-level diversity is associated with surface-level attributes. For example, studies report significant differences between men and women regarding their preference of conflict-handling styles, ethical principles, and approaches to communicating with other people in various situations.[36]

An example of deep-level diversity is the variations in beliefs and expectations across generations.[37] Exhibit 1.2 illustrates the distribution of the American workforce by major generational cohorts: *Baby Boomers* (born from 1946 to 1964), *Generation Xers* (born from 1965 to 1980), and *Millennials* (also called *Generation Yers,* born after 1980).

Generational deep-level diversity does exist to some extent, but it tends to be subtler than the popular press would suggest. Also, some generational differences are actually due to age, not cohort.[38] For instance, Millennials have a stronger motivation for personal development, advancement, and recognition, whereas Baby Boomers are more motivated by interesting and meaningful work. Research indicates that as Millennials age, their motivation for learning and advancement will wane and their motivation for interesting and meaningful work will increase.

Consequences of Diversity   Workforce diversity offers numerous advantages to organizations.[39] Teams with high informational diversity—members have different knowledge and skills—tend to be more creative and make better decisions in complex situations compared to teams with less informational diversity. A workforce with surface- and deep-level diversity is also more representative of most communities, so companies are better able to recognize and address community needs. "As a company serving customers around the globe, we greatly value the diverse opinions and experiences that an inclusive and diverse workforce brings to the table," says a Verizon executive. The American telecommunications company has won several awards for

Supporting workforce diversity is the right thing to do as well as a source of competitive advantage at MasterCard Incorporated. "Our culture of inclusion has established us as a global company of empowered employees who use their diversity of thought, experience and background to advance innovation and MasterCard's contributions to society," says MasterCard president and CEO Ajay Banga (shown in this photo). Banga personally chairs MasterCard's Global Diversity and Inclusion Council and meets several times each year with its eight Business Resource Groups. More than half of MasterCard's employees participate in these diversity-based groups, which serve as internal business consultants to guide the company on consumer preferences, cultural insights, and access to networks. "By valuing of a culture of inclusion, we gain additional insights and perspectives that allow us to make the best decisions for our business and customers," explains Donna Johnson, MasterCard's chief diversity officer.[40]
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its practices to support workforce inclusion.[41] These and other benefits may explain why companies that win diversity awards have higher financial returns, at least in the short run.[42]

Diversity also poses challenges in the workplace.[43] One problem is that employees with diverse backgrounds usually take longer to perform effectively together because they experience numerous communication problems and create "faultlines" in informal group dynamics (see Chapter 8). Some forms of diversity also increase the risk of dysfunctional conflict, which reduces information sharing and satisfaction with coworkers (see Chapter 11). Some research suggests that these problems can neutralize the advantages of diversity in some situations.

But even with these challenges, companies need to make diversity a priority because surface-level diversity and some forms of deep-level diversity are moral and legal imperatives. Companies that offer an inclusive workplace are, in essence, fulfilling the ethical standard of fairness in their decisions regarding employment and the allocation of rewards. Inclusive workplace practices improve the quality of hiring and promotion, and increase employee satisfaction and loyalty. Companies that create an inclusive workplace also nurture a culture of respect which, in turn, improves cooperation and coordination among employees.

Anchors of Organizational Behavior Knowledge

1-3

Technological change, globalization, emerging employment relationships, and increasing workforce diversity are just a few of the societal changes that make organizational behavior knowledge more useful than ever before. To understand these and other topics, OB relies on a set of basic beliefs or knowledge structures (see Exhibit 1.3). These conceptual anchors represent the principles on which OB knowledge is developed and refined.[44]

THE SYSTEMATIC RESEARCH ANCHOR

A key feature of OB knowledge is that it should be based on systematic research, which typically involves forming research questions, systematically collecting data, and testing hypotheses against those data.[45] The appendix at the end of this book provides a brief overview of these research methods. Systematic research investigation is the basis for **evidence-based management**—making decisions and taking actions guided by research evidence. It makes perfect sense that management practice should be founded on the best available systematic knowledge. Yet many of us who study organizations using systematic methods are amazed at how often corporate leaders and other staff embrace fads, untested consulting models, and their own pet beliefs without bothering to find out if they actually work![46]

Why don't decision makers consistently apply evidence-based management? One reason is that they are bombarded with ideas from consultant reports, popular business books, newspaper articles, and other sources, which makes it difficult to figure out which ones are based on good evidence. A second reason is that good OB research is necessarily generic; it is rarely described in the context of a specific problem in a specific organization. Managers therefore have the difficult task of figuring out which theories are relevant to their unique situation.

A third reason why organizational leaders follow popular management fads that lack research evidence is because the sources of these fads are rewarded for marketing their ideas, not for testing to see if they actually work. Indeed, some management concepts have become popular (some have even found their way into OB textbooks!) because of heavy marketing, not because of any evidence that they are valid. A fourth reason is that human beings are affected by several perceptual errors and decision-making biases, as we will learn in Chapters 3 and 7. For instance, decision makers have a natural tendency to look for evidence that supports their pet beliefs and ignore evidence that opposes those beliefs.

OB experts have proposed a few simple suggestions to create a more evidence-based organization.[47] First, be skeptical of hype, which is apparent when so-called experts say

evidence-based management
the practice of making decisions and taking actions based on research evidence

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EXHIBIT 1.3

Anchors of Organizational Behavior Knowledge

Systematic research anchor	Study organizations using systematic research methods
Multidisciplinary anchor	Import knowledge from other disciplines, not just create its own knowledge
Contingency anchor	Recognize that the effectiveness of an action may depend on the situation
Multiple levels of analysis anchor	Understand OB events from three levels of analysis: individual, team, organization

debating point

IS THERE ENOUGH EVIDENCE TO SUPPORT EVIDENCE-BASED MANAGEMENT?

One of the four anchors of organizational behavior is that knowledge must be built on a solid foundation of scientifically based research. This evidence-based management approach embraces scientific methods. It also advises corporate leaders to become more aware of evidence-based knowledge, and to use diagnostic tools (such as surveys and checklists) to apply those principles in the workplace.

It seems obvious that we should rely on good evidence rather than bad evidence (or no evidence at all) to make good decisions in the workplace. Yet, there is another side to this debate. The question isn't whether good evidence is valuable; it is about the meaning of "good evidence." One concern is that scholars might be advocating an interpretation of good evidence that is far too narrow.[48] They typically limit evidence to empirical correlational research, whereas descriptive and qualitative information often provide additional evidence, and occasionally the only feasible evidence. Albert Einstein tried to avoid an empiricist bias by keeping the following message framed on his wall: "Not everything that can be counted counts, and not everything that counts can be counted."

Another concern is that managers don't view organizational research as particularly relevant to the issues they face.[49] Much university research is derived from cross-sectional surveys that depend on uncontaminated, quantifiable measures. But managers say they need research that is closer to real-world variables and conditions. Unfortunately, only about 2 percent of organizational studies are real-world experiments, mainly because these field studies take more time and are usually empirically messy, which may be more difficult to get published.[50]

A third concern is that systematic elements of organizational research studies (e.g., sample size, measurement reliability, advanced data analysis methods) can mask other potentially serious underlying faults. Cross-cultural studies, for instance, often use limited samples of college students to represent an entire culture. Lab studies with students assume they replicate workplace conditions, yet ignore important differences with employee characteristics. These and many other faults may explain why replicated studies often produce different results from the original. And even if the published research is valid, the collective knowledge is still somewhat inaccurate because studies with nonsignificant results are much less likely to get published (partly because authors don't bother to submit papers with nonsignificant findings).[51]

the idea is "new," "revolutionary," and "proven." In reality, most management ideas are adaptations, evolutionary, and never proven (science can disprove, but never prove; it can only find evidence to support a practice). Second, the company should embrace collective expertise rather than rely on charismatic stars and management gurus. Third, stories provide useful illustrations and possibly preliminary evidence of a useful practice, but they should never become the main foundation to support management action. Instead, rely on more systematic investigation with a larger sample. Finally, take a neutral stance toward popular trends and ideologies. Executives tend to get caught up in what their counterparts at other companies are doing without determining the validity of those trendy practices or their relevance to their own organizations.

THE MULTIDISCIPLINARY ANCHOR

Another organizational behavior anchor is that the field should welcome theories and knowledge from other disciplines, not just from its own isolated research base. For instance, psychological research has aided our understanding of individual and interpersonal behavior. Sociologists have contributed to our knowledge of team dynamics, organizational socialization, organizational power, and other aspects of the social system. OB knowledge has also benefited from knowledge in emerging fields such as communications, marketing, and information systems. This practice of borrowing theory from other disciplines is inevitable. Organizations have central roles in society, so they are studied in many social sciences. Furthermore, organizations consist of people who interact with each other, so there is an inherent intersection between OB and most disciplines that study human beings.

THE CONTINGENCY ANCHOR

People and their work environments are complex, and the field of organizational behavior recognizes this by stating that the effect of one variable on another variable often depends on the characteristics of the situation or people involved. In practice, this means that a single outcome or solution rarely exists; a particular action may have different consequences under different conditions.[52] For example, earlier in this chapter we said that the success of telecommuting depends on specific characteristics of the employee, job, and organization. Contingencies are identified in many OB theories, such as the best leadership style, the best conflict-handling style, and the best organizational structure. Of course, it would be so much simpler if we could rely on "one best way" theories, in which a particular concept or practice has the same results in every situation. OB experts do try to keep theories as simple as possible, but the contingency anchor is always on their mind.[53]

THE MULTIPLE LEVELS OF ANALYSIS ANCHOR

Organizational behavior recognizes that what goes on in organizations can be placed into three levels of analysis: individual, team (including interpersonal), and organization. In fact, advanced empirical research currently being conducted carefully identifies the appropriate level of analysis for each variable in the study and then measures at that level of analysis. For example, team norms and cohesion are measured as team variables, not as characteristics of individuals within each team.

Although OB research and writing pegs each variable within one of these levels of analysis, most variables are understood best by thinking of them from all three levels of analysis.[54] Communication is located in this book as a team (interpersonal) process, for instance, but it also includes individual and organizational processes. Therefore, you should try to think about each OB topic at the individual, team, and organizational levels, not just at one of these levels.

Perspectives of Organizational Effectiveness

1-4

organizational effectiveness
a broad concept represented by several perspectives, including the organization's fit with the external environment, internal subsystems configuration for high performance, emphasis on organizational learning, and ability to satisfy the needs of key stakeholders

Apple and Google (Alphabet) are the two most admired companies in the world, according to *Fortune* magazine's annual list.[55] Yet, neither of these firms was on anyone's radar screen two decades ago. Apple was on life support in the late 1990s, barely clinging to a few percentage points of market share in the computer industry. Google wasn't even registered as a company. It was little more than a computer project by two Stanford PhD students that was quickly outgrowing the dorm room where their equipment was housed. How did Apple and Google achieve their incredible success? They have consistently applied the four perspectives of organizational effectiveness that we discuss over the next few pages.

Almost all organizational behavior theories have the implicit or explicit objective of making organizations more effective.[56] In fact, **organizational effectiveness** is considered the "ultimate dependent variable" in organizational behavior.[57] This means that organizational effectiveness is the outcome that most OB theories are ultimately trying to achieve. Many theories use different labels—organizational performance, success, goodness, health, competitiveness, excellence—but they are basically presenting models and recommendations that help organizations become more effective.

Many years ago, OB experts thought the best indicator of a company's effectiveness was how well it achieved its stated objectives. According to this definition, Delta Air Lines would be an effective organization if it met or exceeded its annual sales and profit targets. Today, we know that this goal perspective might not indicate organizational effectiveness at all. Any leadership team could set corporate goals that are easy to achieve, yet the company would be left in the dust by competitors' more aggressive objectives. Worse still, some goals might ultimately put the company out of business. For example, they may focus employees on reducing costs whereas success may require more focus on product or service quality.

EXHIBIT 1.4   Open Systems Perspective of Organizations
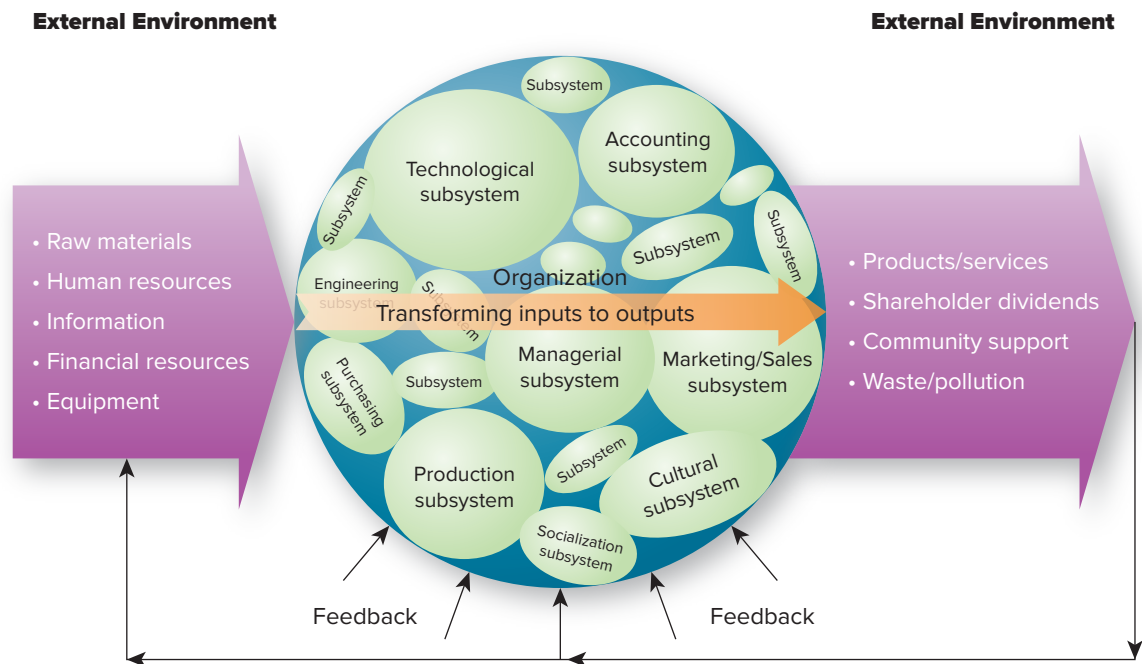
The best yardstick of organizational effectiveness is a composite of four perspectives: open systems, organizational learning, high-performance work practices, and stakeholders.[58] Organizations are effective when they have a good fit with their external environment, are learning organizations, have efficient and adaptive internal subsystems (i.e., high-performance work practices), and satisfy the needs of key stakeholders. Over the next few pages, we examine each of these perspectives in more detail.

OPEN SYSTEMS PERSPECTIVE

open systems

a perspective that holds that organizations depend on the external environment for resources, affect that environment through their output, and consist of internal subsystems that transform inputs to outputs

The **open systems** perspective of organizational effectiveness is one of the earliest and most-entrenched ways of thinking about organizations.[59] Indeed, the other major organizational effectiveness perspectives mainly provide more detail to specific sections of the open systems model. The open systems perspective views organizations as complex organisms that "live" within an external environment, as Exhibit 1.4 illustrates. The word *open* describes this permeable relationship, whereas *closed systems* operate without dependence on or interaction with an external environment.

As open systems, organizations depend on the external environment for resources, including raw materials, job applicants, financial resources, information, and equipment. The external environment also consists of rules and expectations, such as laws and cultural norms, that place demands on how organizations should operate. Some environmental resources (e.g., raw materials) are transformed into outputs that are exported to the external environment, whereas other resources (e.g., job applicants, equipment) become subsystems in the transformation process.

Inside the organization are numerous subsystems, such as departments, teams, informal groups, information systems, and technological processes. These subsystems are dependent on each other as they transform inputs into outputs. Some outputs (e.g., products and services) may be valued by the external environment; other outputs (e.g., employee layoffs, pollution) are undesirable by-products. Throughout this process, organizations receive feedback from the external environment regarding the value of their outputs, the availability of future inputs, and the appropriateness of the transformation process.

global connections 1.2

Zara's Open Systems Thinking

Zara has become the world's largest fashion retailer by applying the open systems perspective of organizational effectiveness. The Spanish company rapidly adapts to fashion trends by continuously experimenting with numerous new styles, receiving almost immediate feedback about which styles are most popular, making quick changes so styles are more appealing, and rapidly producing and delivering new or revised styles to better fit customer preferences.[60]

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Organization–Environment Fit   The open systems perspective states that organizations are effective when they maintain a good "fit" with their external environment.[61] Good fit exists when the organization's inputs, processes, and outputs are aligned with the resources available in the external environment as well as with the needs and expectations of that environment. Organizations maintain a good environmental fit in three ways:

- **Adapt to the environment:** Effective organizations closely and continuously monitor the environment for emerging conditions that pose a threat or opportunity. Then they reconfigure their internal subsystems to align more closely with that shifting environment. There are many ways that companies are adaptive (called their *dynamic capability*), such as by changing the type or volume of products produced, shifting to different input resources that are more plentiful or reliable, and designing better production (transformation) processes.

- **Influence the environment:** Effective organizations don't merely respond to emerging conditions; they actively try to influence their environment. For instance, businesses rely on marketing to increase demand for their products or services. Some firms gain exclusive rights to particular resources (e.g., sole provider of a popular brand) or restrict competitor access to valued resources. Still others lobby for legislation that strengthens their position in the marketplace or try to delay legislation that would disrupt their business activities.

- **Move to a more favorable environment:** Sometimes the current environment becomes so challenging that organizations cannot adapt or influence it enough to survive. For instance, the current environment might have extreme resource scarcity, too many competitors, too little demand for the firm's products, or onerous rules that make the transformation process too demanding or expensive. Under these circumstances, organizations often move to a more benevolent environment that can support their future. For example, IBM exited the computer products industry when senior executives correctly predicted that selling computers would be less prosperous than the rapidly growing technology services business.

Effective Transformation Process   In addition to maintaining a good fit with the external environment, effective organizations have a transformation process that does well at converting inputs to outputs.[62] The most common indicator of effective internal subsystems is their *efficiency*. Efficient organizations produce more goods or services

with less labor, materials, and energy. Another indicator is their *adaptability*. Organizations need to adapt to their external environment, and this usually includes a transformation process that adapts to new products and sometimes new ways of making those products. A third indicator of an effective transformation process is *innovativeness*. Innovation involves designing products and work processes that are superior to what competitors can offer.

An important feature of an effective transformation process is how well the internal subsystems coordinate with each other.[63] Coordination is one of the most important OB concepts because organizations consist of people working together to achieve collective goals. As companies grow, they develop increasingly complex subsystems, which makes coordination more and more difficult. Complexity increases the risk that information gets lost, ideas and resources are hoarded, messages are misinterpreted, and rewards are distributed unfairly. Subsystems are interconnected, so small work practice changes in one subsystem may ripple through the organization and undermine the effectiveness of other subsystems. Consequently, organizations rely on coordinating mechanisms to maintain an efficient, adaptive, and innovative transformation process (see Chapter 13).

ORGANIZATIONAL LEARNING PERSPECTIVE

Jack Welch, the former CEO of General Electric, once advised: "An organization's ability to learn, and translate that learning into action rapidly, is the ultimate competitive advantage."[64] Welch was describing the second perspective of organizational effectiveness, called **organizational learning.** This perspective takes the view that organizations are effective when they find ways to acquire, share, use, and store knowledge. Knowledge is a resource or asset, called **intellectual capital,** which exists in three forms: human capital, structural capital, and relationship capital.[65]

> **organizational learning**
> a perspective that holds that organizational effectiveness depends on the organization's capacity to acquire, share, use, and store valuable knowledge

- **Human capital:** Human capital refers to the knowledge, skills, and abilities that employees carry around in their heads. It is a competitive advantage because employees are essential for the organization's survival and success, and their talents are difficult to find, to copy, and to replace with technology.[66] Human capital is also a huge risk for most organizations because it literally leaves the organization every day when employees go home![67]

- **Structural capital:** Even if every employee left the organization, some intellectual capital remains as structural capital. It includes the knowledge captured and retained in an organization's systems and structures, such as the documented work procedures, physical layout of production and office space, and the finished products (which can be reverse engineered to discover how they were made).[68]

- **Relationship capital:** Relationship capital is the value derived from an organization's relationships with customers, suppliers, and others who provide added mutual value for the organization. It includes the organization's goodwill, brand image, and combination of relationships that organizational members have with people outside the organization.[69]

An organization's intellectual capital develops and is maintained through the four organizational learning processes shown in Exhibit 1.5: acquiring, sharing, using, and storing knowledge.[70]

intellectual capital	**human capital**	**structural capital**	**relationship capital**
a company's stock of knowledge, including human capital, structural capital, and relationship capital	the stock of knowledge, skills, and abilities among employees that provide economic value to the organization	knowledge embedded in an organization's systems and structures	the value derived from an organization's relationships with customers, suppliers, and others

EXHIBIT 1.5

**Four Organizational
Learning Processes**

Acquiring Knowledge
- Individual learning (external)
  - ▸ Training
  - ▸ Observing
- Environment scanning
- Grafting
- Experimentation

Storing Knowledge
- Human memory
- Documents/databases
- Knowledge transfer
- Systems/practices/habits

Sharing Knowledge
- Communication
- Individual learning (internal)
  - ▸ Training
  - ▸ Observing
- Information systems

Using Knowledge
- Sensemaking
- Requisite skills
- Autonomy
- Learning orientation

Acquiring Knowledge   Acquiring knowledge refers to bringing in knowledge from the external environment as well as through discovery. It occurs daily when employees casually observe changes in the external environment as well as when they receive formal training from sources outside the organization. Knowledge acquisition also occurs through environmental scanning, such as actively monitoring consumer trends, proposed government legislation, and competitor activities. A third method is to hire skilled staff and buy complementary businesses (called *grafting*). Finally, knowledge acquisition occurs through experimentation—generating new ideas and products through creative discovery and testing.

Sharing Knowledge   Sharing knowledge refers to distributing knowledge throughout the organization. This mainly occurs through formal and informal communication with coworkers, as well as through various forms of in-house learning (training, observation, etc.). Companies encourage informal communication through their organizational structure, workspace design, corporate culture, and social activities.[71] Company intranets and digital information repositories also support knowledge sharing.

Using Knowledge   Knowledge is a competitive advantage only when it is applied to improve organizational processes. To use knowledge, employees need a mental map (sense making) so they are aware the knowledge exists and know where to find it in the organization. Knowledge use also requires employees with sufficient prerequisite knowledge and skills. For example, financial analysts need foundation knowledge in mathematics and financial products to use new knowledge on asset valuation methods. Autonomy is another important condition for knowledge use; employees must have enough freedom to try out new ideas. Knowledge use also flourishes where workplace norms strongly support organizational learning. These beliefs and norms represent a **learning orientation,** which we discuss further on the topics of creativity (Chapter 7) and organizational culture (Chapter 14).[72]

learning orientation
beliefs and norms that support the acquisition, sharing, and use of knowledge as well as work conditions that nurture these learning processes

global connections 1.3

Having a Hoot with Organizational Learning

Hootsuite relies on organizational learning practices to retain its leadership in social media technology. The leading provider of social media management and analytics acquires knowledge by actively hiring new employees and buying entire companies (grafting). "Maybe the only person we can find is already within a startup. We want to get that person over, so we have to buy the company," says Hootsuite CEO Ryan Holmes. Hootsuite encourages experimentation through Hoot-Hackathons, intensive two-day events during which employees work together to build new products. The Vancouver, Canada–based company encourages knowledge sharing through open-space offices and a supportive culture. It also holds a monthly "parliament"—a social gathering hosted by two departments. "The real point [of parliament] is that team

Source: Hootsuite/Flickr/CC BY 2.0

members from different departments collaborate in the creative process, building ties that carry over to more serious stuff," says Holmes.[74]

Storing Knowledge   Storing knowledge is the process of retaining knowledge, which is known as *organizational memory.* Some memory is embedded in the organization's systems and structures as structural capital.[73] Effective organizations also retain knowledge in human capital by motivating employees to stay with the company. Furthermore, organizations encourage employees to share what they know so valuable knowledge is held by coworkers when an employee does quit or retire. Another strategy is to actively document knowledge when it is created by debriefing teams on details of their knowledge of clients or product development.

One last point about the organizational learning perspective: effective organizations not only learn; they also unlearn routines and patterns of behavior that are no longer appropriate.[75] Unlearning removes knowledge that no longer adds value and, in fact, may undermine the organization's effectiveness. Some forms of unlearning involve replacing dysfunctional policies, procedures, and routines. Other forms of unlearning erase attitudes, beliefs, and assumptions that are no longer valid. Organizational unlearning is particularly important for organizational change, which we discuss in Chapter 15.

HIGH-PERFORMANCE WORK PRACTICES PERSPECTIVE

Anheuser-Busch InBev is one of the world's most admired companies because its leaders apply the open systems approach, encourage organizational learning, and maintain mutually beneficial relations with stakeholders. But as the opening case study to this chapter described, the Belgium-based brewer is probably best known for applying another perspective of organizational effectiveness: **high-performance work practices (HPWPs).** The HPWP perspective states that organizations become more effective through workplace practices that enhance human capital.[76] Motivated and skilled employees offer competitive advantage by generating more efficient, adaptive, and innovative transformation of inputs to outputs, by providing better sensitivity to the external environment, and by having better relations with key stakeholders.

InBev motivates employees through stretch goals, promotions, and involvement in decisions affecting their work. It continually develops employee potential through revolving assignments. InBev gives its brand managers and other staff a high degree of autonomy, which instills an owner-like commitment to the company and their part of the business. In short, InBev builds human capital through four of the best-known high-performance work

high-performance work practices (HPWPs)
a perspective that holds that effective organizations incorporate several workplace practices that leverage the potential of human capital

practices: employee involvement, job autonomy, competency development, and rewards for performance and competencies.[77] These four work practices individually improve organizational effectiveness, but studies suggest that they have a stronger effect when applied together.[78]

Employee involvement and autonomy strengthen employee motivation, improve decision making, accelerate organizational responsiveness, and increase employee commitment to change. In high-performance workplaces, employee involvement and job autonomy are often assigned to self-directed teams (see Chapter 8). Employee competency development refers to recruiting, selecting, and training employees so they have useful skills, knowledge, and other personal characteristics. The fourth high-performance work practice is linking performance and skill development to various financial and nonfinancial rewards valued by employees.

High-performance work practices improve an organization's effectiveness in three ways.[79] First, as we mentioned earlier, these activities develop employee skills and knowledge (human capital), which directly improve individual behavior and performance. Second, companies with superior human capital tend to adapt better to rapidly changing environments. This adaptability occurs because employees are better at performing diverse tasks in unfamiliar situations when they are highly skilled and have more freedom to perform their work. A third explanation is that HPWP practices strengthen employee motivation and positive attitudes toward the employer. HPWPs represent the company's investment in its workforce, which motivates employees to reciprocate through greater effort in their jobs and assistance to coworkers.

The HPWP perspective is still developing, but it already reveals important information about specific organizational practices that improve an organization's effectiveness through its employees. Still, this perspective offers an incomplete picture of organizational effectiveness. The remaining gaps are filled by the stakeholder perspective of organizational effectiveness.

STAKEHOLDER PERSPECTIVE

stakeholders
individuals, groups, and other entities that affect, or are affected by, the organization's objectives and actions

The open systems perspective says that effective organizations adapt to the external environment. However, it doesn't offer much detail about the external environment. The stakeholder perspective offers more specific information and guidance by focusing on the organization's relationships with stakeholders. **Stakeholders** include organizations, groups, and other entities that affect, or are affected by, the company's objectives and actions.[80] The stakeholder perspective personalizes the open systems perspective; it identifies specific social entities in the external environment as well as employees and others within the organization (the internal environment). This perspective also recognizes that stakeholder relations are dynamic; they can be negotiated and influenced, not just taken as a fixed condition. In general, the stakeholder perspective states that organizations are more effective when they understand, manage, and satisfy stakeholder needs and expectations.[81]

There are many types of stakeholders, and they are continuously evolving. Consider the key stakeholders identified by CSL Limited in Exhibit 1.6. The global leader in blood-related products and vaccines pays attention to more than a dozen groups, and likely others that aren't included in this diagram. Understanding, managing, and satisfying the interests of stakeholders is challenging because they have conflicting interests and organizations lack sufficient resources to satisfy everyone. Therefore, organizational leaders need to decide how much priority to give to each group.[82] Research has identified several factors that influence the prioritization of stakeholders, including the entity's power and urgency for action, its legitimate claim to organizational resources, how executives perceive the organization's environment, the organization's culture, and the personal values of the corporate board and CEO.

Values, Ethics, and Corporate Social Responsibility   The stakeholder perspective provides valuable details about features of the external environment that are missing

EXHIBIT 1.6   **CSL Limited's Key Organizational Stakeholders**
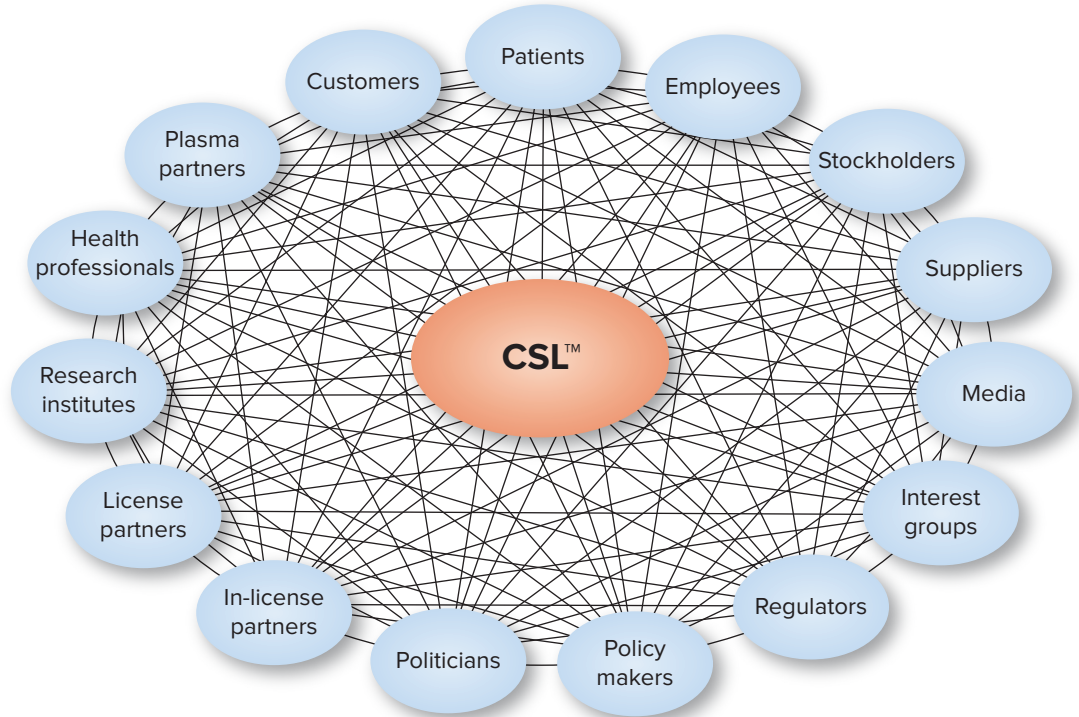
Used with permission of CSL Limited.

from the open system perspective. Equally important, the stakeholder perspective incorporates values, ethics, and corporate social responsibility into the organizational effectiveness equation. As mentioned, personal values influence how corporate boards and CEOs allocate organizational resources to stakeholders.[83] **Values** are relatively stable, evaluative beliefs that guide our preferences for outcomes or courses of action in a variety of situations.[84] Values help us know what is right or wrong, or good or bad, in the world. Chapter 2 explains how values anchor our thoughts and to some extent motivate our actions.

Although values exist within individuals, groups of people often hold similar values, so we tend to ascribe these *shared values* to the team, department, organization, profession, or entire society. For example, Chapter 14 discusses the importance and dynamics of organizational culture, which includes shared values across the company. Many firms strive to become values-driven organizations, whereby employee decisions and behavior are guided mainly by the collective values identified as critical to the organization's success.[85]

By focusing on values, the stakeholder perspective also highlights the importance of ethics and corporate social responsibility. In fact, the stakeholder perspective emerged out of earlier writing on those two topics. **Ethics** refers to the study of moral principles or values that determine whether actions are right or wrong and outcomes are good or bad. We rely on our ethical values to determine "the right thing to do." Ethical behavior is driven by the moral principles we use to make decisions. One recent survey reported that almost all Americans agree that companies should make sure their employees behave ethically; however, only 10 percent of the people surveyed have a lot of trust and confidence that major companies are ethical (i.e., will do what's right).[86] Chapter 2 discusses the main influences on ethical decisions and behavior in the workplace.

values

relatively stable, evaluative beliefs that guide a person's preferences for outcomes or courses of action in a variety of situations

ethics

the study of moral principles or values that determine whether actions are right or wrong and outcomes are good or bad

global connections 1.4

21 Days of Y'ello Care

MTN Group is the largest mobile telecommunications company in Africa and a leader in corporate social responsibility (CSR). Its award-winning "21 Days of Y'ello Care" program involves many of the company's 22,000 employees in CSR events throughout the first three weeks of June. These initiatives focus on improving education throughout the 21 African and Middle Eastern countries where MTN operates. This photo shows MTN employees in Rwanda installing solar panels (provided by German firm Mobisol) to generate off-grid electricity for lighting at several rural schools. MTN employees also delivered digital books and provided instruction on using ebooks to rural schools across the country.[87]

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corporate social responsibility (CSR)
organizational activities intended to benefit society and the environment beyond the firm's immediate financial interests or legal obligations

Corporate social responsibility (CSR) consists of organizational activities intended to benefit society and the environment beyond the firm's immediate financial interests or legal obligations.[88] It is the view that companies have a contract with society, in which they must serve stakeholders beyond stockholders and customers. In some situations, the interests of the firm's stockholders should be secondary to those of other stakeholders.[89] As part of CSR, many companies have adopted the triple-bottom-line philosophy: They try to support or "earn positive returns" in the economic, social, and environmental spheres of sustainability. Firms that adopt the triple bottom line aim to survive and be profitable in the marketplace (economic), but they also intend to maintain or improve conditions for society (social) as well as the physical environment.[90] Companies are particularly eager to become "greener," that is, to minimize any negative effect they have on the physical environment.

Not everyone agrees that organizations need to cater to a wide variety of stakeholders. Many years ago, economist Milton Friedman pronounced that "there is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits."[91] Friedman is highly respected for developing economic theory, but few writers take this extreme view today. In fact, almost all *Fortune* 500 companies publish sustainability reports, and 67 percent of nearly 3,000 managers polled globally say that sustainability is critically important to being competitive in today's marketplace.[92] The emerging evidence is that companies with a positive CSR reputation tend to have better financial performance, more loyal employees (stronger organizational identification), and better relations with customers, job applicants, and other stakeholders.[93]

CONNECTING THE DOTS: AN INTEGRATIVE MODEL OF ORGANIZATIONAL BEHAVIOR

Open systems, organizational learning, high-performance work practices, and stakeholders represent the four perspectives of organizational effectiveness. Organizational effectiveness is the ultimate dependent variable in organizational behavior, so it is directly or indirectly predicted by all other OB variables. The relationship between organizational effectiveness and other OB variables is shown in Exhibit 1.7. This diagram is an integrative road map for the field of organizational behavior, and for the structure of this book. It is a meta-model of the various OB topics and concepts, each of which has its own explanatory models. For instance, you will learn about employee motivation theories and practices in Chapter 5 and leadership theories and skills in Chapter 12. Exhibit 1.7 gives you a bird's-eye view of the book and its various topics, to see how they fit together.

EXHIBIT 1.7

An Integrative Model of Organizational Behavior

Organizational Inputs and Processes
- Organizational structure
- Organizational culture
- Organizational technology
- Organizational change
- Human resource practices
- Organizational strategy

Individual Inputs and Processes
- Personality/values/competencies
- Self-concept/perceptions/mindset
- Emotions/attitudes
- Motivation
- Self-leadership

Team/Interpersonal Inputs and Processes
- Team tasks/size/composition
- Team development/trust/cohesion
- Communication
- Leadership (team/organization)
- Power/influence/politics
- Conflict/negotiation

Individual Outcomes
- Behavior/performance
- Organizational citizenship
- Well-being (low distress)
- Decisions/creativity

Team/Interpersonal Outcomes
- Team performance
- Team decisions
- Collaboration/mutual support
- Social networks

Organizational Outcomes (Effectiveness)
- Open systems fit
- Organizational learning
- Human capital development (HPWPs)
- Satisfied stakeholders/ethical conduct

As Exhibit 1.7 illustrates, individual inputs and processes influence individual outcomes, which in turn have a direct effect on the organization's effectiveness. For example, how well organizations transform inputs to outputs and satisfy key stakeholders is dependent on how well employees perform their jobs and make logical and creative decisions. Individual inputs, processes, and outcomes are identified in the two left-side boxes of our integrating OB model and are the center of attention in Part 2 of this book. After introducing a model of individual behavior and results, we will learn about personality and values—two of the most important individual characteristics—and later examine various individual processes, such as self-concept, perceptions, emotions, attitudes, motivation, and self-leadership.

Part 3 of this book directs our attention to team and interpersonal inputs, processes, and outcomes. These topics are found in the two boxes on the right side of Exhibit 1.7. The chapter on team dynamics (Chapter 8) offers an integrative model for that specific topic, which shows how team inputs (i.e., team composition, size, and other team characteristics) influence team processes (team development, cohesion, and others), which then affect team performance and other outcomes. Later chapters in Part 3 examine specific interpersonal and team processes listed in Exhibit 1.7, including communication, power and influence, conflict, and leadership.

Exhibit 1.7 illustrates that team processes and outcomes affect individual processes and outcomes. As an example, employee personal well-being is partly affected by the mutual support received from team members and other coworkers. The opposite is also true;

individual processes affect team and interpersonal dynamics in organizations. For instance, we will learn that self-concept among individual team members influences the team's cohesion.

The top area of Exhibit 1.7 highlights the macro-level influence of organizational inputs and processes on both teams and individuals. These organizational-level variables are mainly discussed in Part 4, including organizational structure, organizational culture, and organizational change. However, we will also refer to human resource practices, information systems, and additional organizational-level variables throughout this book where they have a known effect on individual, interpersonal, and team dynamics.

The Journey Begins

This chapter gives you some background about the field of organizational behavior. But it's only the beginning of our journey. Throughout this book, we will challenge you to learn new ways of thinking about how people work in and around organizations. We begin this process in Chapter 2 by presenting a basic model of individual behavior, then introducing over the next few chapters various stable and mercurial characteristics of individuals that relate to elements of the individual behavior model. Next, this book moves to the team level of analysis. We examine a model of team effectiveness and specific features of high-performance teams. We also look at decision making and creativity, communication, power and influence, conflict, and leadership. Finally, we shift our focus to the organizational level of analysis, where the topics of organizational structure, organizational culture, and organizational change are examined in detail.

chapter summary

1-1   Define organizational behavior and organizations, and discuss the importance of this field of inquiry.

Organizational behavior is the study of what people think, feel, and do in and around organizations. Organizations are groups of people who work interdependently toward some purpose. OB theories help us (a) comprehend and predict work events, (b) adopt more accurate personal theories, and (c) influence organizational events. OB knowledge is for everyone, not just managers. OB theories and practices are highly beneficial for an organization's survival and success.

1-2   Debate the organizational opportunities and challenges of technological change, globalization, emerging employment relationships, and workforce diversity.

Technological change has improved efficiency, interactivity, and well-being, but it has also been a disruptive force in organizations. Information technology has altered communication patterns and power dynamics at work, and has affected our nonwork time, attention span, and techno-stress. Globalization, which refers to various forms of connectivity with people in other parts of the world, has become more intense than ever before because of information technology and transportation systems. It has brought more complexity and new ways of working to the workplace, requiring additional knowledge and skills. It may be an influence on work intensification, reduced job security, and lessening work–life balance.

An emerging employment relationship trend is the blurring of work and nonwork time and the associated call for more work–life balance (minimizing conflict between work and nonwork demands). Another employment trend is telecommuting, whereby employees work from home one or more workdays per month rather than commute to the office. Telecommuting potentially benefits employees and employers, but there are also disadvantages and its effectiveness depends on the employee, job, and organization. An organization's workforce has both surface-level diversity (observable demographic and other overt differences in people) and deep-level diversity (differences in personalities, beliefs, values, and attitudes). Diversity may improve creativity and decision making, and provide better awareness and response to diverse communities. However, diversity also poses challenges, such as dysfunctional conflict and slower team development.

1-3   Discuss the anchors on which organizational behavior knowledge is based.

The multidisciplinary anchor states that the field should develop from knowledge in other disciplines (e.g., psychology, sociology, economics), not just from its own isolated research base. The systematic research anchor states that OB knowledge should be based on systematic research, consistent with evidence-based management. The contingency anchor states that OB theories generally need to consider that there will be different consequences in different situations.

The multiple levels of analysis anchor states that OB topics may be viewed from the individual, team, and organization levels of analysis.

1-4   Compare and contrast the four perspectives of organizational effectiveness.

The open systems perspective views organizations as complex organisms that "live" within an external environment, depend on it for resources, then use organizational subsystems to transform those resources into outputs, which are returned to the environment. Organizations receive feedback to maintain a good "fit" with that environment. Fit occurs by adapting to the environment, influencing the environment, or moving to a more favorable environment. Effective transformation processes are efficient, adaptable, and innovative. The organizational learning perspective states that organizations are effective when they find ways to acquire, share, use, and store knowledge. Intellectual capital consists of human capital, structural capital, and relationship capital. Knowledge is retained in the organizational memory; companies also selectively unlearn.

The high-performance work practice (HPWP) perspective identifies a bundle of systems and structures to leverage workforce potential. The most widely identified HPWPs are employee involvement, job autonomy, employee competency development, and performance- and skill-based rewards. HPWPs improve organizational effectiveness by building human capital, increasing adaptability, and strengthening employee motivation and attitudes. The stakeholder perspective states that organizations are more effective when they understand, manage, and satisfy stakeholder needs and expectations. Leaders manage the interests of diverse stakeholders by relying on their personal and organizational values for guidance. Ethics and corporate social responsibility (CSR) are natural variations of values-based organizations. CSR consists of organizational activities intended to benefit society and the environment beyond the firm's immediate financial interests or legal obligations.

key terms

corporate social responsibility (CSR), p. 24

deep-level diversity, p. 12

ethics, p. 23

evidence-based management, p. 14

globalization, p. 9

high-performance work practices (HPWPs), p. 21

human capital, p. 19

intellectual capital, p. 19

learning orientation, p. 20

open systems, p. 17

organizational behavior (OB), p. 4

organizational effectiveness, p. 16

organizational learning, p. 19

organizations, p. 4

relationship capital, p. 19

stakeholders, p. 22

structural capital, p. 19

surface-level diversity, p. 11

telecommuting, p. 10

values, p. 23

work–life balance, p. 9

critical thinking questions

1. A friend suggests that organizational behavior courses are useful only to people who will enter management careers. Discuss the accuracy of your friend's statement.

2. A young student from the United States is interested in doing international business across China, India, Brazil, and Russia. Discuss how the knowledge of OB can be useful to the student.

3. Look through the list of chapters in this textbook, and discuss how globalization could influence each organizational behavior topic.

4. What does *evidence-based management* mean? Describe situations you have heard about in which companies have practiced evidence-based management, as well as situations in which companies have relied on fads that lacked sufficient evidence of their worth.

5. "Organizational theories should follow the contingency approach." Comment on the accuracy of this statement.

6. After hearing a seminar on organizational learning, a mining company executive argues that this perspective is relevant to software and other knowledge businesses, but it ignores the fact that mining companies cannot rely on knowledge alone to stay in business. They also need physical capital (such as extracting and ore-processing equipment) and land (where the minerals are located). In fact, these two may be more important than what employees carry around in their heads. Evaluate the mining executive's comments.

7. It is said that the CEO and other corporate leaders are keepers of the organization's memory. Please discuss this.

8. A common refrain among executives is "People are our most important asset." Relate this statement to any two of the four perspectives of organizational effectiveness presented in this chapter. Does this statement apply better to some perspectives than to others? Why or why not?

9. Corporate social responsibility is one of the hottest issues in corporate boardrooms these days, partly because it is becoming increasingly important to employees and other stakeholders. In your opinion, why have stakeholders given CSR more attention recently? Does abiding by CSR standards potentially cause companies to have conflicting objectives with some stakeholders in some situations?

CASE STUDY: ANCOL CORP.

By Steven L. McShane, Curtin University (Australia) and University of Victoria (Canada)

Paul Sims was delighted when Ancol Corp. offered him the job of manager at its Lexington, Kentucky, plant. Sims was happy enough managing a small metal stamping plant with another company, but the invitation to apply for the plant manager job at one of the leading metal fabrication companies was irresistible. Although the Lexington plant was the smallest of Ancol's 15 operations, the plant manager position was a valuable first step in a promising career.

One of Sims's first observations at Ancol's Lexington plant was that relations between employees and management were strained. Taking a page from a recent executive seminar that he attended on building trust in the workplace, Sims ordered the removal of all time clocks from the plant. Instead, the plant would assume that employees had put in their full shift. This symbolic gesture, he believed, would establish a new level of credibility and strengthen relations between management and employees at the site.

Initially, the 250 production employees at the Lexington plant appreciated their new freedom. They felt respected and saw this gesture as a sign of positive change from the new plant manager. Two months later, however, problems started to appear. A few people began showing up late, leaving early, or taking extended lunch breaks. Although this represented only about 5 percent of the employees, others found the situation unfair. The increased absenteeism levels were also beginning to have a noticeable effect on plant productivity. The problem had to be managed.

Sims asked supervisors to observe and record when the employees came or went and to discuss attendance problems with those abusing their privileges. But the supervisors had no previous experience with keeping attendance and many lacked the necessary interpersonal skills to discuss the matter constructively with subordinates. Employees resented the reprimands, so relations with supervisors deteriorated. The additional responsibility of keeping track of attendance also made it difficult for supervisors to complete their other duties. After just a few months, Ancol found it necessary to add another supervisor position and reduce the number of employees assigned to each supervisor.

But the problems did not end there. Without time clocks, the payroll department could not deduct pay for the amount of time that employees were late. Instead, a letter of reprimand was placed in the employee's personnel file. However, this required yet more time and additional skills from the supervisors. Employees did not want these letters to become a permanent record, so they filed grievances with their labor union. The number of grievances doubled within six months, which required even more time for both union officials and supervisors to handle these disputes.

Nine months after removing the time clocks, Paul Sims met with union officials, who agreed that it would be better to put the time clocks back in. Employee–management relations had deteriorated below the level when Sims had started. Supervisors were feeling stressed from overwork and poor interpersonal relations. Productivity had dropped due to poorer attendance records and increased administrative workloads.

A couple of months after the time clocks were reintroduced, Sims attended an operations meeting at Ancol's headquarters in Cincinnati. During lunch, Sims described the time clock incident to Liam Jackson, Ancol's plant manager in Portland, Oregon. Jackson looked surprised, then chuckled. He explained that six or seven years ago the previous manager at his plant had tried a similar initiative with almost the same consequences. The previous manager had left some time ago, but Jackson heard about the earlier time clock incident from a supervisor during the supervisor's retirement party two months ago.

"I guess it's not quite like lightning striking the same place twice," said Sims to Jackson. "But it sure feels like it."

Discussion Questions

1. Discuss the consequences of the time clock removal on Ancol's effectiveness as an organization using any two of the perspectives of organizational effectiveness.

2. What changes should occur to minimize the likelihood of these problems in the future?

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👥 **WEB EXERCISE:** DIAGNOSING ORGANIZATIONAL STAKEHOLDERS

PURPOSE This exercise is designed to help you understand how stakeholders influence organizations as part of the open systems anchor.

MATERIALS Students need to select a company and, prior to class, retrieve and analyze publicly available informa-

tion over the past year or two about that company. This may include annual reports, which are usually found on the websites of publicly traded companies. Where possible, students should also scan full-text newspaper and magazine databases for articles published over the previous year about the company.

INSTRUCTIONS The instructor may have students work alone or in groups for this activity. Students will select a company and investigate the relevance and influence of various stakeholder groups on the organization. Stakeholders can be identified from annual reports, newspaper articles, website statements, and other available sources. Stakeholders should be rank-ordered in terms of their perceived importance to the organization.

Students should be prepared to present or discuss their rank ordering of the organization's stakeholders, including evidence for this ordering.

Discussion Questions

1. What are the main reasons certain stakeholders are more important than others for this organization?
2. On the basis of your knowledge of the organization's environmental situation, is this rank order of stakeholders in the organization's best interest? Should specific other stakeholders be given higher priority?
3. What societal groups, if any, are not mentioned as stakeholders by the organization? Does this lack of reference to these unmentioned groups make sense?

CLASS EXERCISE: IT ALL MAKES SENSE?

PURPOSE This exercise is designed to help you comprehend how organizational behavior knowledge can help you understand life in organizations.

INSTRUCTIONS Read each of the statements below and determine whether each statement is true or false, in your opinion. The class will consider the answers to each question and discuss the implications for studying organizational behavior.

This exercise may also be conducted as a team activity, whereby students answer these questions in teams rather than alone.

1. True   False   A happy worker is a productive worker.
2. True   False   A decision maker's effectiveness increases with the number of choices or alternatives available to her or him.
3. True   False   Organizations are more effective when they minimize conflict among employees.

4. True   False   Employees have more power with many close friends than with many acquaintances.
5. True   False   Companies are more successful when they have strong corporate cultures.
6. True   False   Employees perform better without stress.
7. True   False   The best way to change people and organizations is by pinpointing the source of their current problems.
8. True   False   Female leaders involve employees in decisions to a greater degree than do male leaders.
9. True   False   The best decisions are made without emotion.
10. True   False   If employees feel they are paid unfairly, nothing other than changing their pay will reduce their feelings of injustice.

Individual Behavior, Personality, and Values

Very early on a Saturday morning in November, Best Buy employees across the country are at their stores practicing for the big event. Thanksgiving evening and Black Friday begin the busiest shopping week of the year (Best Buy calls it "power week"). Most retailers depend on this week for much of their Christmas sales and profits. Those sales depend on employees with accurate information, clear role responsibilities, and a heavy dose of motivation. "It's crazy and hectic but fun also because it goes by so fast," says Tabitha Morales, a team leader at Best Buy in Henderson, Nevada. "We're going to make sure everyone is taken care of and get them in and out as fast as possible."

The highlight of the Saturday morning training is a dress rehearsal to ensure that every employee has crystal-clear role perceptions. Some staff role-play as customers, peppering coworkers with ambiguous technical questions or directions to specific products. Then they line up to test how efficiently cashiers can ring up their sales. "Know your role and

how you're going to be successful at delivering an inspirational shopping experience," sales manager Anthony Saunders tells employees at the Best Buy store in Henderson.

Along with developing technical training and clear role perceptions, Best Buy's employees receive plenty of motivation through group cheers of "In it to win it!" and reminders that Black Friday and power week are critical to the retailer's success. "This is our Super Bowl," enthuses store manager Pipo Rodriguez in a pep talk to 100 employees at a Best Buy in Houston. "This is our World Cup. This is our NBA Finals!"

First-time employees are understandably nervous, but the training, practice, and motivational talks have the desired effect. "I'm sure it's going to be madness but the dress rehearsal gave us an idea of what to expect," says Tiana Meyer, who is working her first Black Friday at Best Buy. "I feel like if I do this, I'll be able to conquer anything."[1]

Advanced technical and sales training, clear role expectations, highly motivated staff, and sufficient resources have enabled Best Buy to serve the mind-boggling number and variety of customers who enter the electronic retailer's stores during Black Friday and power week. This chapter begins by introducing the four direct drivers of individual behavior and performance that enable employees at Best Buy and other companies to provide peak performance. Next, we review the five types of individual behavior that represent the individual-level dependent variables found in most organizational behavior research. We then turn our attention to personality and values, which are the two relatively stable characteristics of individuals. Finally, this chapter presents the topics of ethical and cross-cultural values.

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Best Buy supports customer service through the MARS model of individual behavior and performance. This image shows Best Buy employees in Chesapeake, Virginia, cheering each other moments before the start of the busy Black Friday shopping event.

MARS Model of Individual Behavior and Performance

2-1

For most of the past century, experts have investigated the direct predictors of individual behavior and performance.[2] One of the earliest formulas was *performance = person ×situation,* where *person* includes individual characteristics and *situation* represents external influences on the individual's behavior. Another frequently mentioned formula is *performance = ability × motivation.*[3] Sometimes known as the "skill-and-will" model, this formula elaborates two specific characteristics within the person that influence individual performance. Some organizational studies use the *ability–motivation–opportunity (AMO)* model, which refers to the three variables but with a limited interpretation of the situation. Along with ability, motivation, and situation, researchers have more recently identified a fourth key direct predictor of individual behavior and performance: role perceptions (the individual's expected role obligations).[4]

Exhibit 2.1 illustrates these four variables—motivation, ability, role perceptions, and situational factors—which are represented by the acronym *MARS.*[5] All four factors are critical influences on an individual's voluntary behavior and performance; if any one of them is low in a given situation, the employee would perform the task poorly. For example, motivated salespeople with clear role perceptions and sufficient resources (situational factors) will not perform their jobs as well if they lack sales skills and related knowledge (ability). Motivation, ability, and role perceptions are clustered together in the model because they are located within the person. Situational factors are external to the individual but still affect his or her behavior and performance.[6] The four MARS variables are the direct predictors of employee performance, customer service, coworker collegiality, ethical behavior, and all other forms of voluntary behavior in the workplace. Let's look at each of the four factors in the MARS model.

motivation
the forces within a person that affect his or her direction, intensity, and persistence of voluntary behavior

EMPLOYEE MOTIVATION

Motivation represents the forces within a person that affect his or her direction, intensity, and persistence of voluntary behavior.[7] *Direction* refers to the path along which people steer their effort. In other words, motivation is goal-directed, not random. People

EXHIBIT 2.1   MARS Model of Individual Behavior and Results
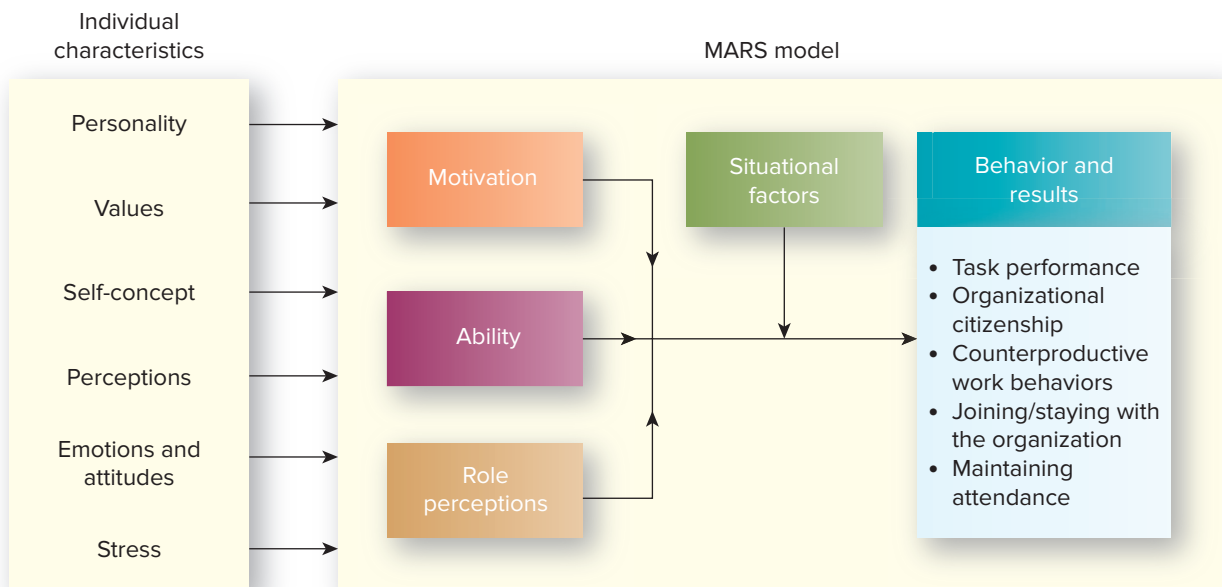
MIND THE MARS GAP ON ABILITY, ROLE PERCEPTIONS, AND SITUATIONAL FACTORS[8]

73%
of 500 Canadian senior executives polled say there is a gap between the skill level and experience that job applicants have, and what organizations in their industry are looking for.

57%
of employees in 34 countries (minimum 400 surveyed per country) say their employer has trouble finding the right talent.

50%
of 2.2. million employees in 550 organizations strongly agree they know what is expected of them.

23%
of 1,143 employed Americans surveyed say they're provided with tools, resources, and/or a development plan to help them improve their performance.

23%
of 310 employees (among 1,005 surveyed) who quit their job within six months say they didn't receive clear guidelines about their responsibilities (top reason for quitting).

Photo: © Maren Wischnewski/Alamy RF

have choices about what they are trying to achieve and at what level of quality, quantity, and so forth. They are motivated to arrive at work on time, finish a project a few hours early, or aim for many other targets.

The second element of motivation, called *intensity,* is the amount of effort allocated to the goal. Intensity is all about how much people push themselves to complete a task. Two employees might be motivated to finish their project within the next few hours (direction), but only one of them puts forth enough effort (intensity) to achieve this goal. The third element of motivation is *persistence,* which refers to the length of time that the individual continues to exert effort toward an objective. Employees sustain their effort until they reach their goal or give up beforehand.

To help remember these three elements of motivation, consider the metaphor of driving a car in which the thrust of the engine is your effort. Direction refers to where you steer the car, intensity is how much you put your foot down on the gas pedal, and persistence is for how long you drive toward your destination. Remember that motivation is a force that exists within individuals; it is not their actual behavior. Thus, direction, intensity, and persistence are cognitive (thoughts) and emotional conditions that directly cause us to move.

ABILITY

ability
the natural aptitudes and learned capabilities required to successfully complete a task

Employee abilities also make a difference in behavior and task performance. **Ability** includes both the natural aptitudes and the learned capabilities required to successfully complete a task. *Aptitudes* are the natural talents that help employees learn specific tasks more quickly and perform them better. For example, finger dexterity is an aptitude by which individuals learn more quickly and potentially achieve higher performance at picking up and handling small objects with their fingers. Employees with high finger dexterity are not necessarily better than others at first; rather, they usually learn the skill faster and eventually reach a higher level of performance. *Learned capabilities* are the physical and mental skills and knowledge you have acquired. They tend to wane over time when not in use. Aptitudes and learned capabilities (skills and knowledge) are the main elements of a broader concept called *competencies*, which are characteristics of a person that result in superior performance.[9]

The challenge is to match a person's abilities with the job's requirements because a good match tends to increase employee performance and well-being. One matching strategy is to select applicants who already demonstrate the required competencies. For example, companies ask applicants to perform work samples, provide references for checking their past performance, and complete various selection tests. A second strategy is to train employees who lack specific knowledge or skills needed for the job.[10] The third person–job matching strategy is to redesign the job so that employees are given

global connections 2.1

Iceland Foods Takes MARS to Success[11]

In the UK's highly competitive retail foods market, Iceland Foods Group Limited continues to perform well, was recently named the nation's best online supermarket, and is one of the best places to work. The company enjoys strong performance through MARS model practices. Employees are motivated by a living wage (higher than most supermarkets), an inspiring CEO, and individual and store-level incentives. "A well-motivated staff is priceless," says Iceland's founder and CEO Malcolm Walker. "That is our secret weapon." Iceland is also among the top companies for employee scores on ability (most say they receive all the training they needed to do their job well), role clarity (most say they are clear about what is expected of them in their jobs), and situational support (most say managers ensure they have the resources needed to do the job).

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tasks only within their current abilities. For example, a complex task might be simplified—some aspects of the work are transferred to others—so that a new employee performs only tasks that he or she is currently able to perform. As the employee becomes more competent at these tasks, other tasks are added back into the job.

ROLE PERCEPTIONS

role perceptions
the degree to which a person understands the job duties assigned to or expected of him or her

Along with motivation and ability, employees require accurate **role perceptions** to perform their jobs well. Role perceptions refer to how clearly people understand their job duties. These perceptions range from role clarity to role ambiguity. Role ambiguity may be a serious problem in organizations. When 7,000 employees in a recent global survey were asked what would most improve their performance, "greater clarity about what the organization needs from me" was identified as the most important factor.[12]

Role clarity exists in three forms. First, employees have clear role perceptions when they understand the specific duties or consequences for which they are accountable. This may seem obvious, but people are occasionally evaluated on job duties they were never told were within their zone of responsibility. This lack of role clarity may be an increasing concern as organizations move away from precisely defined job descriptions to broader work responsibilities.

Second, role clarity exists when employees understand the priority of their various tasks and performance expectations. This is illustrated in the classic dilemma of quantity versus quality, such as how many customers to serve in an hour (quantity) versus how well each customer should be served (quality). Role clarity in the form of task priorities also exists in the dilemma of allocating personal time and resources, such as how much time managers should devote to coaching employees versus meeting with customers. The third form of role perceptions involves understanding the preferred behaviors or procedures for accomplishing tasks. Role ambiguity exists when an employee knows two or three ways to perform a task, but misunderstands which of these the company prefers.

Role perceptions are important because they represent how well employees know where to direct their effort.[13] Employees with role clarity perform work more accurately and efficiently, whereas those with role ambiguity waste considerable time and

energy performing the wrong tasks or in the wrong way. Furthermore, role clarity is essential for coordination with coworkers and other stakeholders. For instance, performers at Cirque du Soleil depend on one another to perform precise behaviors at exact times, such as catching each other in midair. Role clarity ensures that these expectations are met and the troupe's performances are executed safely. Finally, role clarity motivates employees because they have a higher belief that their effort will produce the expected outcomes. In other words, people are more confident when they know what is expected of them.

SITUATIONAL FACTORS

Individual behavior and performance also depend on the situation, which is any context beyond the employee's immediate control.[14] The situation has two main influences on individual behavior and performance.[15] First, the work context constrains or facilitates behavior and performance. For example, employees who are motivated, skilled, and know their role obligations will nevertheless perform poorly if they lack time, budget, physical work facilities, and other resources. Second, situations provide cues that guide and motivate people. For example, companies install barriers and warning signs in dangerous areas. The barriers and warning signs are situational factors that cue employees to avoid the nearby hazard.

Types of Individual Behavior

2-2

The four elements of the MARS model—motivation, ability, role perceptions, and situational factors—affect all voluntary workplace behaviors and performance. There are many varieties of individual behavior, but most can be organized into the five categories described over the next few pages: task performance, organizational citizenship, counterproductive work behaviors, joining and staying with the organization, and maintaining work attendance (Exhibit 2.2).

EXHIBIT 2.2

Five Types of Individual Behavior in the Workplace

Types of individual behavior

- Maintaining attendance
- Task performance
- Organizational citizenship
- Counter-productive behavior
- Joining/staying with the organization

TASK PERFORMANCE

Task performance refers to the individual's voluntary goal-directed behaviors that contribute to organizational objectives.[16] Most jobs require incumbents to complete several tasks. For example, foreign exchange traders at Morgan Stanley must be able to identify and execute profitable trades, work cooperatively with clients and coworkers, assist in training new staff, and work on special telecommunications equipment without error. These tasks involve working with people, data, things, and ideas.[17] Foreign exchange traders mainly work with data (e.g., performing technical analysis of trends), people (e.g., sharing information with coworkers and clients), and ideas (interpreting charts and company reports).

There are three types of task performance. *Proficient task performance* refers to performing the work efficiently and accurately. It involves accomplishing the assigned work at or above the expected standards of quality, quantity, and other indicators of effectiveness. A second type is *adaptive task performance*, which refers to how well employees modify their thoughts and behavior to align with and support a new or changing environment. Essentially, adaptive task performance is about how well employees respond to change in the workplace and in their job duties. A third form is *proactive task performance*, which refers to how well employees take the initiative to anticipate and introduce new work patterns that benefit the organization.[18] All jobs expect employees to perform their work proficiently. However, adaptive and proactive task performance are also important when the work is ambiguous. This ambiguity exists in many situations, such as when the client's expectations are unclear, resources to perform the work have uncertain availability, and the methods used to perform the work are rapidly evolving due to emerging technology.

ORGANIZATIONAL CITIZENSHIP

Employee behavior extends beyond performing specific tasks. It also includes **organizational citizenship behaviors (OCBs),** which are various forms of cooperation and helpfulness to others that support the organization's social and psychological context.[19] Some OCBs are directed toward individuals, such as assisting coworkers with their work problems, adjusting your work schedules to accommodate coworkers, showing genuine courtesy toward coworkers, and sharing your work resources (supplies, technology, staff) with coworkers. Other OCBs represent cooperation and helpfulness toward the organization, such as supporting the company's public image, offering ideas beyond those required for your own job, attending events that support the organization, and keeping up with new developments in the organization.

Early literature defined OCBs as discretionary behaviors (employees don't have to perform them), whereas more recent studies indicate that some OCBs are a job requirement even if they aren't explicitly stated. In fact, OCBs may be as important as task performance when managers evaluate employee performance.[20]

OCBs can have a significant effect on individual, team, and organizational effectiveness.[21] Employees who help others have higher task performance because they receive more support from coworkers. OCBs also increase team performance where members depend on one another. However, engaging in OCBs can also have negative consequences.[22] OCBs take time and energy away from performing tasks, so employees who give more attention to OCBs risk lower career success in companies that reward task performance. Also, employees who frequently perform OCBs tend to have higher work–family conflict because of the amount of time required for these activities.

task performance
the individual's voluntary goal-directed behaviors that contribute to organizational objectives

organizational citizenship behaviors (OCBs)
various forms of cooperation and helpfulness to others that support the organization's social and psychological context

COUNTERPRODUCTIVE WORK BEHAVIORS

counterproductive work behaviors (CWBs)
voluntary behaviors that have the potential to directly or indirectly harm the organization

Organizational behavior is interested in all workplace behaviors, including dysfunctional activities collectively known as **counterproductive work behaviors (CWBs).** CWBs are voluntary behaviors that have the potential to directly or indirectly harm the organization or its stakeholders.[23] This concept includes a wide array of behaviors, both intentional and unintentional, such as harassing coworkers, creating unnecessary conflict, deviating from preferred work methods (e.g., shortcuts that undermine work quality), being untruthful, stealing, sabotaging work, and wasting resources. CWBs are not minor concerns; research suggests that they can substantially undermine the organization's effectiveness.

JOINING AND STAYING WITH THE ORGANIZATION

Organizations are people working together toward common goals, so another critical set of behaviors is joining and staying with the company. In one recent survey, 46 percent of 400 executives in large American businesses said their company won't have the skills required within the next one or two years. Similarly, a survey of 500 senior executives in Canada identified shortage of skilled workers as their company's biggest challenge.[24]

Hiring qualified and productive staff is vital, but so is ensuring that they stay with the company.[25] As we discussed in Chapter 1, human capital is arguably the organization's main source of competitive advantage. The importance of human capital is particularly apparent when employees quit. Those who leave remove valuable knowledge, skills, and relationships with coworkers and external stakeholders, all of which take time for new staff to acquire. In later chapters, we identify other problems with employee turnover, such as its adverse effect on customer service, team development, and corporate culture strength. Employee turnover does offer some benefits, such as opening up positions so new employees with fresh ideas can be hired and removing people without counterproductive work behaviors, but overall, turnover usually has a negative effect on organizational effectiveness.

MAINTAINING WORK ATTENDANCE

Organizations are more effective when employees perform their jobs at scheduled times, whether in-person or through remote work arrangements. In contrast, absenteeism results in staff shortages and the temporarily loss of the absent employee's skills and knowledge.[26] These conditions lead to increased workloads or overtime among coworkers, lower performance by temporary staff filling the vacant position, poorer coordination in the work process, poorer customer service, and potentially more workplace accidents. An employee's chronic absenteeism can also lead to coworkers feeling conflict and injustice by that employee's frequent absences.

Most physicians urge sick patients to stay home, yet few take their own advice. Almost all (95 percent) of the physicians surveyed at Children's Hospital of Pennsylvania agreed that working while sick puts patients at risk, yet 83 percent of them admitted working while sick within the past year. Similarly, 75 percent of New Zealand doctors working in hospitals say they went to work while unwell over the past year. "Presenteeism is the elephant in the room that nobody wants to talk or do anything about," suggests Michael Edmond, an executive and physician at the University of Iowa Hospitals & Clinics. It is difficult for hospitals to find a replacement on short notice and many doctors feel guilty letting down their coworkers and patients. "There is an unspoken understanding that you probably should be on your deathbed if you are calling in sick," says an attending physician who participated in the Philadelphia study. "It inconveniences my colleagues, is complicated to pay back shifts, and makes me look bad to do so."[27]
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Absence from work also has positive consequences for employees and the organization. People often take sick leave due to illness, injury, and stress, so time off tends help them recover sooner or cope with difficult working conditions. Absenteeism also occurs when people urgently need to care for family members, or when inclement weather makes traveling to work too risky. The positive consequences of absenteeism are apparent when employees engage in *presenteeism*—showing up for work even though they are unwell, injured, preoccupied by personal problems, or face dangerous conditions getting to work. These employees tend to be less productive and may reduce the productivity of coworkers. In addition, they may worsen their own health and increase health and safety risks of coworkers.[28]

Personality in Organizations

2-3

personality
the relatively enduring pattern of thoughts, emotions, and behaviors that characterize a person, along with the psychological processes behind those characteristics

Delaware North Companies, which helps people plan vacations at national parks, had high turnover at its call center in Fresno, California. The hospitality company decided to solve this problem by hiring people with the same personality traits and skills of its best-performing staff members. Through tests, Delaware North discovered that the best performers display friendliness and curiosity, so job applicants now complete a personality test that measures these traits. Employee turnover at Delaware North's Fresno call center has since dropped significantly. "Now we understand better what makes a great reservation sales applicant," says a Delaware North executive.[29]

Delaware North and many other companies try to measure each job applicant's **personality**—the relatively enduring pattern of thoughts, emotions, and behaviors that characterize a person, along with the psychological processes behind those characteristics.[30] It is, in essence, the bundle of characteristics that make us similar to or different from other people. We estimate an individual's personality by what he or she says and does, and we infer the person's internal states—including thoughts and emotions—from these observable behaviors.

People engage in a wide range of behaviors in their daily lives, yet close inspection of those actions reveal discernible patterns called *personality traits*.[31] Traits are broad concepts that allow us to label and understand individual differences. For example, some of your friends are probably quite talkative whereas others tend to be quieter. Some people like to take risks whereas others are risk-averse. Each trait implies that there is something within the person, rather than environmental influences alone, that predicts this behavioral tendency. In fact, studies report that an individual's personality traits measured in childhood predict many behaviors and outcomes in adulthood, including educational attainment, employment success, marital relationships, illegal activities, and health-risk behaviors.[32]

Although people have behavioral tendencies, they do not act the same way in all situations. Such consistency would be considered abnormal because it indicates a person's insensitivity to social norms, reward systems, and other external conditions.[33] People vary their behavior to suit the situation, even if the behavior is at odds with their personality. For example, talkative people remain relatively quiet in a library where "no talking" rules are explicit and strictly enforced. Even there, personality differences are apparent because talkative people tend to do more talking in libraries relative to how much other people talk in libraries.

PERSONALITY DETERMINANTS: NATURE VERSUS NURTURE

Personality is shaped by both nature and nurture, although the relative importance of each continues to be debated and studied.[34] *Nature* refers to our genetic or hereditary origins—the genes that we inherit from our parents. Studies of identical twins reveal that heredity has a very large effect on personality; up to 50 percent of variation in behavior and 30 percent of temperament preferences can be attributed to a person's genetic characteristics. In other words, genetic code not only determines our eye color, skin tone, and physical shape; it also significantly affects our attitudes, decisions, and behavior.

EXHIBIT 2.3

Five-Factor Model of Personality Dimensions

Personality dimension	People with higher scores on this dimension tend to be more:
Conscientiousness	Organized, dependable, goal-focused, thorough, disciplined, methodical, industrious
Agreeableness	Trusting, helpful, good-natured, considerate, tolerant, selfless, generous, flexible
Neuroticism	Anxious, insecure, self-conscious, depressed, temperamental
Openness to experience	Imaginative, creative, unconventional, curious, nonconforming, autonomous, perceptive
Extraversion	Outgoing, talkative, energetic, sociable, assertive

Personality is also shaped by *nurture*—our socialization, life experiences, and other forms of interaction with the environment. Personality develops and changes mainly from childhood to young adulthood, typically stabilizing by around age 30. However, some personality changes continue to occur later in life. For instance, a few traits (openness to experience, social vitality) increase through to young adulthood, then decline in later years, whereas other traits (agreeableness, conscientiousness) tend to increase through to late life. Our personality can also change somewhat from the job we work in over a long time period.[35]

The main explanation of why personality becomes more stable by adulthood is that we form a clearer and more rigid self-concept. This increasing clarity of "who we are" anchors our behavior with the help of our *executive function*. This is the part of the brain that monitors and regulates goal-directed behavior to keep it consistent with our self-concept. Our self-concept becomes clearer and more stable with age, which increases the stability and consistency of our personality and behavior.[36] We discuss self-concept in more detail in Chapter 3. The main point here is that personality is not completely determined by heredity; life experiences, particularly early in life, also shape each individual's personality traits.

FIVE-FACTOR MODEL OF PERSONALITY

Sociable, anxious, curious, dependable, suspicious, talkative, adventurous, and hundreds of other personality traits have been described over the years, so experts have tried to organize them into smaller clusters. The most researched and respected clustering of personality traits is the **five-factor (Big Five) model (FFM).**[37] Several decades ago, personality experts identified more than 17,000 words that describe an individual's personality. These words were distilled down to five broad personality dimensions, each with a cluster of specific traits. Similar results were found in studies of different languages, suggesting that the five-factor model is fairly robust across cultures. These "Big Five" dimensions, represented by the handy acronym *CANOE,* are outlined in Exhibit 2.3 and described as follows:

- **Conscientiousness.** Characterizes people who are organized, dependable, goal-focused, thorough, disciplined, methodical, and industrious. People with low conscientiousness tend to be careless, disorganized, and less thorough.

five-factor (Big Five) model (FFM)
the five broad dimensions representing most personality traits: conscientiousness, emotional stability, openness to experience, agreeableness, and extraversion

conscientiousness
a personality dimension describing people who are organized, dependable, goal-focused, thorough, disciplined, methodical, and industrious

- **Agreeableness.** Describes people who are trusting, helpful, good-natured, considerate, tolerant, selfless, generous, and flexible. People with low agreeableness tend to be uncooperative and intolerant of others' needs as well as more suspicious and self-focused.
- **Neuroticism.** Refers to people who tend to be anxious, insecure, self-conscious, depressed, and temperamental. In contrast, people with low neuroticism (high emotional stability) are poised, secure, and calm.
- **Openness to experience.** Characterizes people who are imaginative, creative, unconventional, curious, nonconforming, autonomous, and aesthetically perceptive. Those with low scores on this dimension tend to be more resistant to change, less open to new ideas, and more conventional and fixed in their ways.
- **Extraversion.** Describes people who are outgoing, talkative, energetic, sociable, and assertive. The opposite is *introversion,* which applies to those who are quiet, cautious, and less interactive with others. Extraverts get their energy from people and things around them, whereas introverts get their energy more from personal reflection on concepts and ideas. Introverts do not necessarily lack social skills. Instead, they are more inclined to direct their interests to ideas than to social events. Introverts feel more comfortable being alone than do extraverts.

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SELF-ASSESSMENT 2.1: What Is Your Big Five Personality?

Personality experts have organized the dozens of personality traits into five main dimensions, known as the five-factor or "Big Five" model. Each dimension consists of several specific personality traits that cluster together. Most scholarly research on personality relies on this model, but it is also useful in everyday life as a relatively easy categorization of personalities. You can discover your Big Five personality by locating this self-assessment in Connect if it is assigned by your instructor.

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SELF-ASSESSMENT 2.2: Are You Introverted or Extraverted?

One of the most widely studied and discussed personality dimensions in the five-factor (Big Five) model of personality is introversion-extraversion. Introversion characterizes people who tend to be quiet, shy, and cautious. Extraversion characterizes people who tend to be outgoing, talkative, sociable, and assertive. You can discover your level of introversion or extraversion by locating this self-assessment in Connect if it is assigned by your instructor.

agreeableness	neuroticism	openness to experience	extraversion
a personality dimension describing people who are trusting, helpful, good-natured, considerate, tolerant, selfless, generous, and flexible	a personality dimension describing people who tend to be anxious, insecure, self-conscious, depressed, and temperamental	a personality dimension describing people who are imaginative, creative, unconventional, curious, nonconforming, autonomous, and aesthetically perceptive	a personality dimension describing people who are outgoing, talkative, sociable, and assertive
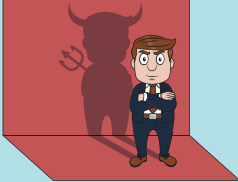
EXHIBIT 2.4   Big Five Personality and Work Performance

Type of Performance	Proficient task performance	Adaptive task performance	Proactive task performance
Relevant Personality Dimensions	• Conscientiousness • Extraversion	• Emotional stability • Extraversion (assertiveness) • Openness to experience	• Extraversion (assertiveness) • Openness to experience

Type of Performance	Organizational citizenship	Counterproductive work behaviors
Relevant Personality Dimensions	• Conscientiousness • Agreeableness	• Conscientiousness* • Agreeableness*

*Negative relationship.

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Five-Factor Model and Work Performance   Personality mainly affects behavior and performance through motivation, specifically by influencing employees' direction and intensity of effort (i.e., what goals they choose to reach and how much effort they apply to reach those goals). Consequently, all of the five-factor model dimensions predict one or more types of employee behavior and performance to some extent. However, the Big Five dimensions cluster several specific traits, each of which can predict employee performance somewhat differently from others in the cluster. In fact, some experts suggest that performance is better predicted by the specific traits than by the broad Big Five dimensions. Another observation is that the relationship between a personality dimension or trait and performance may be nonlinear. People with moderate extraversion perform better in sales jobs than those with high or low extraversion, for example.[38]

Exhibit 2.4 highlights which Big Five personality dimensions best predict five types of work behavior and performance.[39] Conscientiousness stands out as the best overall personality predictor of proficient task performance for most jobs. The specific conscientiousness traits of industriousness (achievement, self-discipline, purposefulness) and dutifulness are the best predictors of proficient task performance. Conscientious employees set higher personal goals for themselves and are more persistent. They also engage in more organizational citizenship and in less counterproductive work behavior. Conscientiousness is a weak predictor of adaptive (responding to change) and proactive performance (taking initiative toward new work patterns). In fact, two specific conscientiousness traits—orderliness and dependability—tend to suppress adaptivity.

Extraversion is the second best overall personality predictor of proficient task performance, but it is much weaker than conscientiousness. Assertiveness and positive emotionality are the strongest predictors among the specific extraversion dimension traits. Assertive employees with a positive orientation frame situations as challenges rather than threats, so they have a stronger "can-do" belief. Extraversion (specifically, assertiveness) also predicts both adaptive and proactive performance, possibly because extraverts are comfortable engaging with their environment. Extraversion is associated with influencing others and being comfortable in social settings, which (along with being assertive) explains why effective leaders and salespeople tend to be somewhat more extraverted than the general population.

Agreeableness does not predict proficient or proactive task performance very well, mainly because it is associated with lower motivation to set goals and achieve results. However, agreeableness does predict an individual's performance as a team member as well as in customer service jobs. The reason is that employees with high agreeableness are motivated to be cooperative, sensitive, flexible, and supportive. For example, this section of the chapter opened with the story about Delaware North Companies, which identified friendliness (a form of agreeableness) as a personality trait of successful call center agents. These characteristics also explain why agreeableness is positively associated with organizational citizenship and negatively associated with counterproductive work behaviors.[40]

Openness to experience is a weak predictor of proficient task performance. However, employees with higher openness scores have more curiosity, imagination, and tolerance of change, which explains why this is one of the best personality predictors of adaptive and proactive performance.[41] These traits also explain why openness to change is associated with successful performance in creative work.

Emotional stability (low neuroticism) is moderately associated with proficient task performance, organizational citizenship, and counterproductive work behaviors, but its influence is neither strong nor consistent enough to be listed in Exhibit 2.4 for these categories. However, emotional stability is one of the best personality predictors of adaptive performance. Employees with higher emotional stability cope better with the ambiguity and uncertainty of change. In contrast, those with higher neuroticism tend to view change as a threat, so they tend to avoid change and experience more stress when faced with workplace adjustments.[42] These characteristics would suggest that emotional stability also predicts proactive performance, but the limited research has reported mixed results.

connect

SELF-ASSESSMENT 2.3: Can You Identify Personality Traits from Blogging Words?

Personality influences all aspects of our lives, including the words we use when writing blogs. In fact, some companies now use sophisticated software to estimate the personality traits of job applicants from the words they use in blogs and other online writing. You can discover how well you interpret someone's personality in blogs and other writing by locating this self-assessment in Connect if it is assigned by your instructor.

Myers-Briggs Type Indicator (MBTI)

an instrument designed to measure the elements of Jungian personality theory, particularly preferences regarding perceiving and judging information

JUNGIAN PERSONALITY THEORY AND THE MYERS-BRIGGS TYPE INDICATOR

The five-factor model of personality has the most research support, but it is not the most popular personality test in practice. That distinction goes to Jungian personality theory, which is measured through the **Myers-Briggs Type Indicator (MBTI)** (see Exhibit 2.5). Nearly a century ago, Swiss psychiatrist Carl Jung suggested that personality is mainly

Extraversion (E)
• Talkative
• Externally focused
• Assertive

Getting energy

Introversion (I)
• Quiet
• Internally focused
• Abstract

Sensing (S)
• Concrete
• Realistic
• Practical

Perceiving information

Intuitive (N)
• Imaginative
• Future-focused
• Abstract

Thinking (T)
• Logical
• Objective
• Impersonal

Making decisions

Feeling (F)
• Empathetic
• Caring
• Emotion-focused

Judging (J)
• Organized
• Schedule-oriented
• Closure-focused

Orienting to the external world

Perceiving (P)
• Spontaneous
• Adaptable
• Opportunity-focused
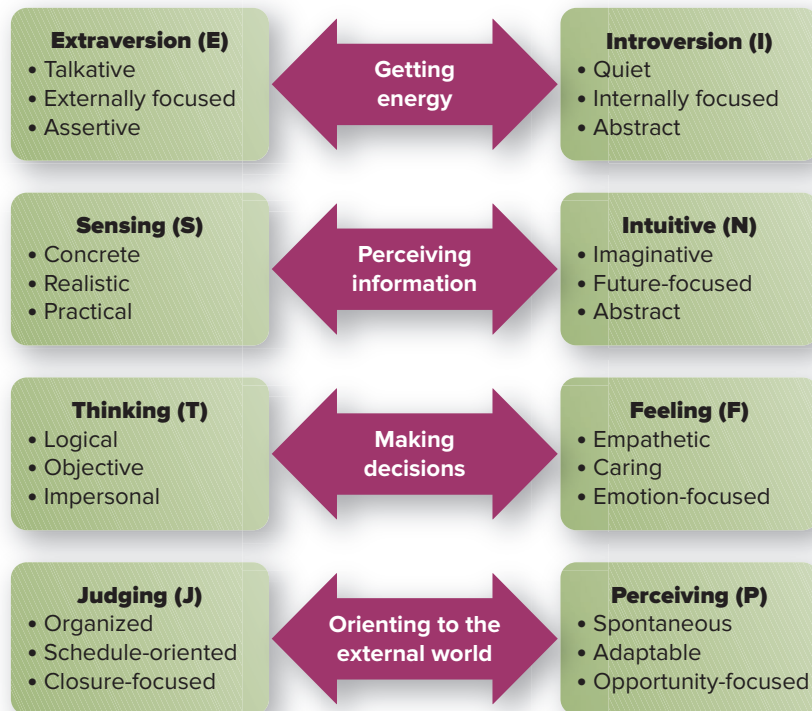
represented by the individual's preferences regarding perceiving and judging information.[44] Jung explained that the perceiving function—how people prefer to gather information—occurs through two competing orientations: *sensing (S)* and *intuition (N).* Sensing involves perceiving information directly through the five senses; it relies on an organized structure to acquire factual and preferably quantitative details. In contrast, intuition relies more on insight and subjective experience to see relationships among variables. Sensing types focus on the here and now, whereas intuitive types focus more on future possibilities.

connect

SELF-ASSESSMENT 2.4: Are You a Sensing or Intuitive Type?

Nearly a century ago, Swiss psychiatrist Carl Jung proposed that personality is primarily represented by the individual's preferences regarding perceiving and judging information. Jung explained that perceiving, which involves how people prefer to gather information or perceive the world around them, occurs through two competing orientations: sensing (S) and intuition (N). You can discover the extent to which you are a sensing or intuitive type by locating this self-assessment in Connect if it is assigned by your instructor.

Jung also proposed that the judging function—how people prefer making decisions based on what they have perceived—consists of two competing processes: *thinking (T)* and *feeling (F).* People with a thinking orientation rely on rational cause–effect logic and systematic data collection to make decisions. Those with a strong feeling orientation, on the other hand, rely on their emotional responses to the options presented, as well as to how those choices affect others. Jung noted that in addition to the four core processes of sensing, intuition, thinking, and feeling, people differ in their level of extraversion–introversion, which was introduced earlier as one of the Big Five personality traits.

debating point

SHOULD COMPANIES USE PERSONALITY TESTS TO SELECT JOB APPLICANTS?

Personality theory has made significant strides over the past two decades, particularly in demonstrating that specific traits are associated with specific workplace behaviors and outcomes. Various studies have reported that specific Big Five dimensions predict overall job performance, organizational citizenship, leadership, counterproductive work behaviors, training performance, team performance, and a host of other important outcomes. These findings cast a strong vote in favor of personality testing in the workplace.

A few prominent personality experts urge caution, however.[45] They point out that although traits are associated with workplace behavior to some extent, there are better predictors of work performance, such as work samples and past performance. Furthermore, selection procedures typically assume that more of a personality trait is better, whereas an increasing number of studies indicate that the best candidates might be closer to the middle than the extremes of the range. For instance, job performance apparently increases with conscientious-

ness, yet employees with high conscientiousness might be so thorough that they become perfectionists, which can stifle rather than enhance job performance.[46] A third concern is that, depending on how the selection decision applies the test results, personality instruments may unfairly discriminate against specific groups of people.[47]

A fourth worry is that most personality tests are self-reported scales, so applicants might try to fake their answers.[48] Worse, the test scores might not represent the individual's personality or anything else meaningful because test takers often don't know what personality traits the company is looking for. Studies show that candidates who try to fake "good" personality scores change the selection results. Supporters of personality testing offer the counterargument that few job applicants try to fake their scores. One major study recently found that most personality dimensions are estimated better by observers than by self-ratings, but few companies rely on ratings from other people.[49]

As CEO (now executive chair) of Hawaii's Central Pacific Bank, John Dean realized that the executive team needed to work together better to rebuild the bank and its culture. The executives completed the Myers-Briggs Type Indicator with debriefing by executive coaches. The executives shared their results to gain a better understanding of each other's personality, particularly how they perceive things and analyze information. "Knowing this personal information leads to more trust," says Dean, shown in this photo. He has noticed that disagreements are now resolved more easily. "Knowing more about someone's personality can help alleviate some of those problems that crop up when management teams work together."[53]

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The MBTI extends Jung's list of personality traits described above by also measuring Jung's broader categories of *perceiving* and *judging*, which represent a person's attitude toward the external world. People with a perceiving orientation are open, curious, and flexible. They prefer to keep their options open and to adapt spontaneously to events as they unfold. Judging types prefer order and structure and want to resolve problems quickly.

MBTI has a number of benefits, but it is usually a poor predictor of job performance and is generally not recommended for employment selection or promotion decisions.[50] There are also issues with its measurement. MBTI can potentially identify employees who prefer face-to-face versus virtual teamwork, but does not seem to predict how well a team develops. It also has questionable value in predicting leadership effectiveness.

In spite of these limitations, the MBTI is the most widely studied measure of cognitive style in management research and is the most popular personality test for career counseling and executive coaching.[51] It is even being used by artificial intelligence engineers to adapt the behavior of robots to user preferences. MBTI takes a neutral or balanced approach by recognizing both the strengths and limitations of each personality type in different situations. In contrast, the five-factor model views people with higher scores as better than those with lower scores on each dimension. This may be a restrictive view of personality and makes the Big Five model more difficult to apply in coaching and development settings.[52]

Values in the Workplace

2-4

The decision to embrace energy efficiency and to "go green" was easy for owner Jerry Gray and his 25 employees at Sloan Electromechanical Service & Sales. The market was shifting in that direction, but the bigger influence was everyone's personal values. "It was primarily about the values—my personal values and our company's values. Talking with my employees, we all agreed this was the right thing to do," Gray recalls. The San Diego provider of motor, generator, and control services initially experienced higher inventory costs and more sales effort to educate customers, but the results are paying off for the business and for Gray's peace of mind. "It was just the morally right thing to do," he says.[54]

Jerry Gray and his employees relied on their personal values to guide them in the decision toward energy efficiency and more environmentally friendly business practices. *Values*, a concept that we introduced in Chapter 1, are stable, evaluative beliefs that guide our preferences for outcomes or courses of action in a variety of situations.[55] They are perceptions about what is good or bad, right or wrong. Values tell us to what we "ought" to do. They serve as a moral compass that directs our motivation and, potentially, our decisions and actions. They also provide justification for past decisions and behavior.

People arrange values into a hierarchy of preferences, called a *value system*. Some individuals value new challenges more than they value conformity. Others value generosity more than frugality. Each person's unique value system is developed and reinforced through socialization from parents, religious institutions, friends, personal experiences, and the society in which he or she lives. As such, a person's hierarchy of values is stable and long-lasting. For example, one study found that value systems of a sample of adolescents were remarkably similar 20 years later when they were adults.[56]

Notice that our description of values has focused on individuals, whereas Jerry Gray and other executives often describe values as though they belong to the organization. In reality, values exist only within individuals—we call them *personal values*. However, groups of people might hold the same or similar values, so we tend to ascribe these *shared values* to the team, department, organization, profession, or entire society. The values shared by people throughout an organization *(organizational values)* receive fuller discussion in Chapter 14 because they are a key part of corporate culture. The values shared across a society *(cultural values)* receive attention in the last section of this chapter.

Values and personality traits are related to each other, but the two concepts differ in a few ways.[57] The most noticeable distinction is that values are evaluative—they tell us what we *ought* to do—whereas personality traits describe what we naturally *tend* to do. A second distinction is that personality traits have minimal conflict with each other (e.g., you can have high agreeableness and high introversion), whereas some values are opposed to other values. For example, someone who values excitement and challenge would have difficulty also valuing stability and moderation. Third, although personality and values are both partly determined by heredity, values are influenced more by socialization whereas heredity has a stronger influence on an individual's personality traits.

TYPES OF VALUES

Values come in many forms, and experts on this topic have devoted considerable attention to organizing them into clusters. By far, the most widely accepted model of personal values is Schwartz's values circumplex, developed and tested by social psychologist Shalom Schwartz and his colleagues.[58] This model clusters 57 values into 10 broad values categories that are organized into the circular model (circumplex) shown in Exhibit 2.6. The

EXHIBIT 2.6   **Schwartz's Values Circumplex**
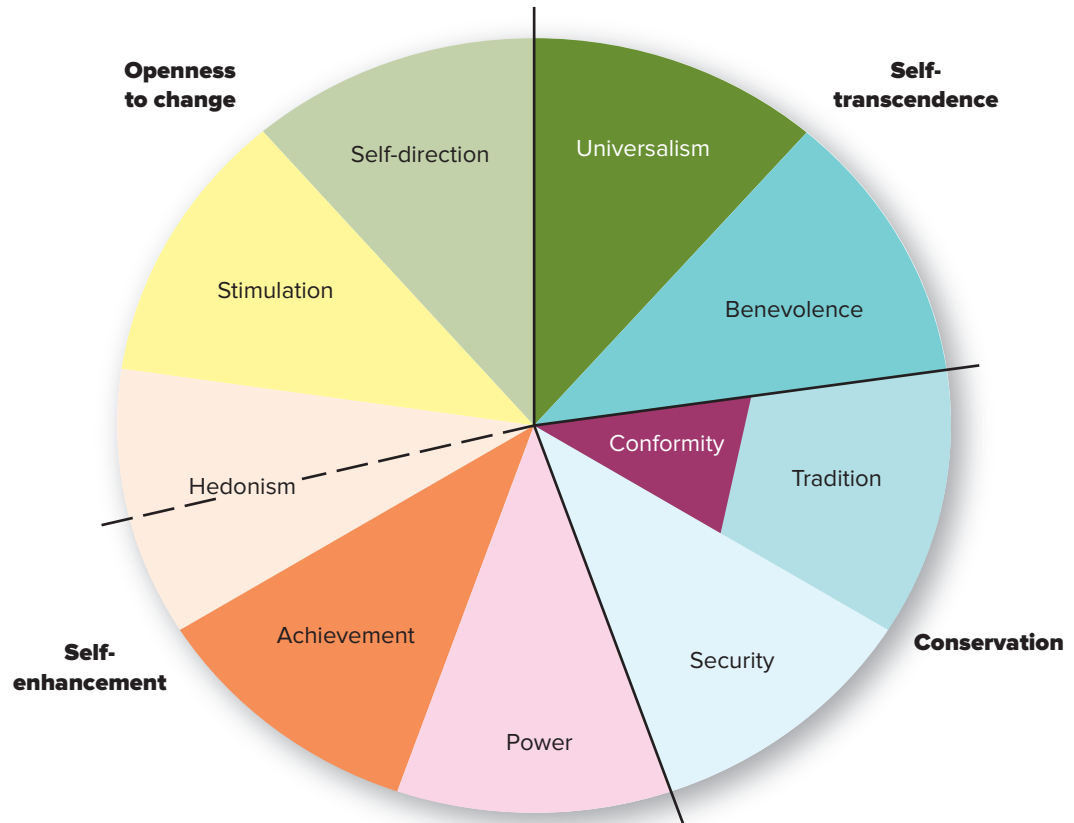
Sources: S.H. Schwartz, "Universals in the Content and Structure of Values: Theoretical Advances and Empirical Tests in 20 Countries," *Advances in Experimental Social Psychology* 25 (1992): 1–65; S.H. Schwartz and K. Boehnke, "Evaluating the Structure of Human Values with Confirmatory Factor Analysis," *Journal of Research in Personality* 38, no. 3 (2004): 230–55.

10 categories include universalism, benevolence, tradition, conformity, security, power, achievement, hedonism, stimulation, and self-direction. Each category is a cluster of more specific values (not shown). For example, conformity includes the specific values of politeness, honoring parents, self-discipline, and obedience.

These 10 broad values categories are further clustered into four quadrants. One quadrant, called *openness to change*, refers to the extent to which a person is motivated to pursue innovative ways. This quadrant includes the value categories of self-direction (creativity, independent thought), stimulation (excitement and challenge), and hedonism (pursuit of pleasure, enjoyment, gratification of desires). The opposing quadrant is *conservation*, which is the extent to which a person is motivated to preserve the status quo. The conservation quadrant includes the value categories of conformity (adherence to social norms and expectations), security (safety and stability), and tradition (moderation and preservation of the status quo).

The third quadrant in Schwartz's circumplex model, called *self-enhancement,* refers to how much a person is motivated by self-interest. This quadrant includes the values categories of achievement (pursuit of personal success), power (dominance over others), and hedonism (a values category shared with openness to change). The opposite of self-enhancement is *self-transcendence,* which refers to motivation to promote the welfare of others and nature. Self-transcendence includes the value categories of benevolence (concern for others in one's life) and universalism (concern for the welfare of all people and nature).

SELF-ASSESSMENT 2.5: What Are Your Dominant Values?

Values are stable, evaluative beliefs that guide our preferences for outcomes or courses of action in a variety of situations. They are perceptions about what is good or bad, right or wrong. We arrange our personal values into a hierarchy of preferences, called a value system. Schwartz's values circumplex organizes the dozens of personal values into 10 categories placed in a circle (circumplex). You can discover your value system hierarchy in Schwartz's model by locating this self-assessment in Connect if it is assigned by your instructor.

VALUES AND INDIVIDUAL BEHAVIOR

Personal values influence decisions and behavior in various ways.[59] First, values directly motivate our actions by shaping the relative attractiveness (*valence*) of the choices available. In other words, we experience more positive feelings toward alternatives that are aligned with our most important values. If stimulation is at the top of our values hierarchy, then a job opportunity offering new experiences will appeal to us more than a job opportunity with more predictable and stable work.

Second, values indirectly motivate behavior by framing our perceptions of reality. Specifically, values influence whether we notice something as well as how we interpret it. Our decisions and actions are affected by how we perceive those situations. Third, we are motivated to act consistently with our self-concept and public self-presentation. If we have a self-view and public image that values achievement, then we try to ensure that our behavior is consistent with that value. This consistency is particularly important for behaviors that more clearly depict a specific underlying value.

Personal values motivate behavior to some extent, but several factors weaken that relationship.[60] One reason for this "disconnect" between personal values and individual behavior is the situation. The MARS model states that the situation influences behavior, which sometimes causes people to act contrary to their personal values. For example, individuals with strong self-transcendent values tend to engage in more environmentally friendly behaviors such as recycling, but lack of recycling facilities prevents or severely limits this behavior. People also deviate from their personal values due to strong counter-motivational forces. For instance, employees caught in illegal business dealings sometimes attribute their unethical activities to pressure from management to achieve their performance at any cost.

Another reason why decisions and behavior are inconsistent with our personal values is that we don't actively think about them much of the time.[61] Values are abstract concepts, so their relevance is not obvious in many situations. Furthermore, many daily decisions and actions occur routinely, so we don't actively evaluate their consistency with our values. We do consciously consider our values in some situations, of course, such as realizing how much we value security when deciding whether to perform a risky task. However, many daily events do not trigger values awareness, so we act without their guidance. We literally need to be reminded of our values so they guide our decisions and actions.

The effect of values awareness on behavior was apparent in a study in which students were given a math test and received a payment for each correct answer.[62] One group submitted their results to the experimenter for scoring, so they couldn't lie about their results. A second group could lie because they scored the test themselves and told the experimenter their test score. A third group was similar to the second (they scored their own test), but that test included the following statement, and students were required to sign their name to that statement: "I understand that this short survey falls under (the university's) honor system." The researchers estimated that some students cheated when they scored their own test without the "honor system" statement, whereas no one given

global connections 2.2

Values Congruence Generates Bags of Enthusiasm and Intent

Melanie Gleeson and Belinda Fraser started endota spa to fill the growing demand for wellness services and for spas designed as an eco-friendly retreat, not an impersonal clinic. Fifteen years later, their vision grew into Australia's largest network of more than 90 day spas. The rapid growth depended on more than financial investment. "We needed bags of enthusiasm and the right intent, and we had both," explains Gleeson. Personal values have generated much of that enthusiasm and intent. "The endota values are very much aligned with the ones I had growing up and I live by—connection, intent, balance and truth," says Gleeson. "To be lucky enough to align my personal values with what I do every day is very special."[63]

© Endota Spa Berwick

the "honor system" form lied about the results. The university didn't actually have an honor system, but the message made students pay attention to their honesty. In short, people are more likely to apply their values (honesty, in this case) when they are explicitly reminded of those values and see their relevance to the situation.

VALUES CONGRUENCE

Values tell us what is right or wrong and what we ought to do. This evaluative characteristic affects how comfortable we are with specific organizations and individuals. The key concept here is *values congruence,* which refers to how similar a person's values hierarchy is to the values hierarchy of another entity, such as the employee's team or organization. An employee's values congruence with team members increases the team's cohesion and performance. Congruence with the organization's values tends to increase the employee's job satisfaction, loyalty, and organizational citizenship as well as lower stress and turnover. Employees are also more likely to make decisions that are compatible with organizational expectations.[64]

Are organizations the most successful when every employee's personal values align with the company's values? Not at all! While a large degree of values congruence is necessary for the reasons just noted, organizations also benefit from some level of incongruence. Employees with diverse values offer different perspectives, which potentially lead to better decision making. Also, too much congruence can create a "corporate cult" that potentially undermines creativity, organizational flexibility, and business ethics.

Ethical Values and Behavior

2-5

When 1,000 CEOs and other top-level executives around the world were recently asked to list the most important attributes of effective leaders, the most frequently mentioned characteristic was *integrity*—the leader's ethical standards. In employee surveys, honesty/ethics is also ranked as one of the most important characteristics of effective corporate leaders.[65] *Ethics* refers to the study of moral principles or values that determine whether actions are right or wrong and outcomes are good or bad (see Chapter 1). People rely on their ethical values to determine "the right thing to do."

THREE ETHICAL PRINCIPLES

To better understand business ethics, we need to consider three distinct types of ethical principles: utilitarianism, individual rights, and distributive justice.[66] Your personal values might sway you more toward one principle than the others, but all three should be actively considered to put important ethical issues to the test.

- *Utilitarianism.* This principle says the only moral obligation is to seek the greatest good for the greatest number of people. In other words, we should choose the option that provides the highest degree of satisfaction to those affected. One problem is that utilitarianism requires a cost–benefit analysis, yet many outcomes aren't measurable. Another problem is that utilitarianism could justify actions that other principles would consider immoral because those means produce the greatest good overall.

- *Individual rights.* This principle says that everyone has the same set of natural rights, such as freedom of movement, physical security, freedom of speech, and fair trial. The individual-rights principle extends beyond legal rights to human rights that everyone is granted as a moral norm of society. One problem with this principle is that some individual rights may conflict with others. The shareholders' right to be informed about corporate activities may ultimately conflict with an executive's right to privacy, for example.

- *Distributive justice.* This principle says that the benefits and burdens of similar individuals should be the same; otherwise they should be proportional. For example, employees who contribute equally in their work should receive similar rewards, whereas those who make a lesser contribution should receive less. A variation of this principle says that inequalities are acceptable when they benefit the least well off in society. The main problem with the distributive justice principle is that it is difficult to agree on who is "similar" and what factors are "relevant." We discuss distributive justice further in Chapter 5.

MORAL INTENSITY, MORAL SENSITIVITY, AND SITUATIONAL INFLUENCES

Along with ethical principles and their underlying values, three other factors influence ethical conduct in the workplace: the moral intensity of the issue, the individual's moral sensitivity, and situational influences.[67]

Moral Intensity   **Moral intensity** is the degree to which an issue demands the application of ethical principles. Decisions with high moral intensity have strong ethical implications that usually affect many people, so the decision maker needs to carefully apply ethical principles to make the best choice. The moral intensity of a situation is higher when:[68]

a. The decision will have substantially good or bad consequences.

b. Most people view the decision outcomes as good or bad (versus diverse public opinion whether those outcomes are considered good or bad).

c. There is a high probability (rather than low probability) that the good or bad decision consequences will occur.

d. Many people will be affected by the decision and its consequences.

moral intensity
the degree to which an issue demands the application of ethical principles

moral sensitivity
a person's ability to recognize the presence of an ethical issue and determine its relative importance

Moral Sensitivity   **Moral sensitivity** (also called *ethical sensitivity*) is a characteristic of the person, namely his or her ability to detect a moral dilemma and estimate its relative importance. This awareness includes both cognitive (logical thinking) and emotional level awareness that something is or could become morally

global connections 2.3

Alcoa Executive Sets Ethical Standard in Russia

When William O'Rourke became Alcoa Russia's first CEO, he knew that bribery was a serious problem in that country, so he made his position clear to staff: "We don't condone it. We don't participate in it. We are not going to do it. Period." This ethical mandate was soon tested when local police stopped delivery of an expensive furnace and warned that delivery would resume only after Alcoa paid $25,000 to a government official. "My bonus was based in large part on making the planned investments happen on time," says O'Rourke, adding that a few Alcoa executives in the United States implied that he should do whatever it takes to keep the work on schedule. "Nonetheless, I stood my ground." The new furnace arrived three days later without any bribery payment. It took another 18 months before the bribery attempts stopped.[69]

© Mario Laporta/AFP/Getty Images

wrong.[70] People with high moral sensitivity can more quickly and accurately estimate the moral intensity of the issue. This awareness does not necessarily translate into more ethical behavior; it just means that people with higher moral sensitivity are more likely to know when unethical behavior occurs.

Several factors are associated with a person's moral sensitivity.[71] One factor is expertise or knowledge of prescriptive norms and rules. Accountants are more morally sensitive regarding specific accounting procedures than are people who lack experience in this profession. A second influence on moral sensitivity is previous experience with specific moral dilemmas. These experiences likely generate internal cues that trigger awareness of future ethical dilemmas with similar characteristics. Third, employees who are better at empathizing are more sensitive to the needs and situation of others, which makes them more aware of ethical dilemmas involving others. On average, women have higher moral sensitivity compared to men, partly because women tend to have higher empathy.

A fourth reason why some people have higher moral sensitivity than others is how they define and view themselves (i.e., their self-concept).[72] Employees who strongly define themselves by their moral character (called their *moral identity*) are more sensitive to moral dilemmas because they put more energy into maintaining ethical conduct. This active monitoring process relates to the fifth influence on moral sensitivity: **mindfulness**.[73] Mindfulness refers to a person's receptive and impartial attention to and awareness of the present situation as well as to one's own thoughts and emotions in that moment. Mindfulness increases moral sensitivity because it involves actively monitoring the environment as well as being sensitive to our responses to that environment. This vigilance requires effort as well as skill to receptively evaluate our thoughts and emotions. Unfortunately, we have a natural tendency to minimize effort, which leads to less mindfulness. For instance, employees fail to recognize many ethical violations because they don't pay attention to those who are assumed to have high ethical standards.

mindfulness
a person's receptive and impartial attention to and awareness of the present situation as well as to one's own thoughts and emotions in that moment

Situational Factors   Along with moral intensity and moral sensitivity, ethical conduct is influenced by the situation in which the conduct occurs.[74] Some employees say they regularly experience pressure from top management that motivates them to lie to customers, breach regulations, or otherwise act unethically. Fortunately, few people experience this pressure. One large-scale survey recently reported that only 8 percent of UK employees and 13 percent of Continental Europe employees felt pressure to compromise

their organization's ethical standards. Another recent survey found that only 8 percent of American and 14 percent of UK financial services and banking staff felt such pressure. However, this pressure was much higher (23 percent) among high-income finance/banking executives. Situational factors do not justify unethical conduct. Rather, we need to be aware of these factors so organizations can reduce their influence.

SUPPORTING ETHICAL BEHAVIOR

Most large and medium-sized organizations in the United States and other developed countries maintain or improve ethical conduct through systematic practices. One of the most basic steps in this direction is a code of ethical conduct—a statement about desired activities, rules of conduct, and philosophy about the organization's relationship to its stakeholders and the environment.[75] Almost all *Fortune* 500 companies in the United States and the majority of the 500 largest companies in the United Kingdom have ethics codes. These codes are supposed to motivate and guide employee behavior, signal the importance of ethical conduct, and build the firm's trustworthiness to stakeholders. However, critics suggest that they do little to reduce unethical conduct.

Another strategy to improve ethical conduct is to train and regularly evaluate employees about their knowledge of proper ethical conduct. Many large firms have annual quizzes to test employee awareness of company rules and practices on important ethical issues such as giving gifts and receiving sensitive information about competitors or governments. In some firms, employees participate in elaborate games that present increasingly challenging and complex moral dilemmas. An increasingly popular practice to improve ethical conduct is an ethics telephone hotline and website, typically operated by an independent organization, where employees can anonymously report suspicious behavior. A few very large businesses also employ ombudspersons who receive information confidentially from employees and proactively investigate possible wrongdoing. Ethics audits are also conducted in some organizations but are more common for evaluation of corporate social responsibility practices.[76]

Training, hotlines, audits, and related activities improve ethical conduct to some extent, but the most powerful foundation is a set of shared values that reinforces ethical conduct. As we describe in Chapter 14 (organizational culture), an ethical culture is supported by the conduct and vigilance of corporate leaders. By acting with the highest moral standards, leaders not only gain support and trust from followers; they role-model the ethical standards that employees are more likely to follow.[77]

Values across Cultures

2-6

As the only Westerner in a 50-employee winery in China, Emilie Bourgois noticed that Chinese managers seemed to be more sensitive than European or American bosses about maintaining their authority over employees. "I was surprised to see that taking the initiative most of the time was seen as rude and as a failure to respect the executives' authority," says Bourgois, a public relations professional from Bordeaux, France. "At work, everyone had to perform well in their own tasks, but permission was required for anything other than what was expected." The power relationship was also apparent in how Chinese managers interacted with staff. "Western-style bosses tend to develop a closer relationship with employees," Bourgois suggests. "The hierarchy is much more clearly divided in Chinese-dominant companies than it is in foreign ones."[78]

Emilie Bourgois experienced the often-subtle fact that expectations and values differ around the world. Over the next few pages, we introduce five values that have cross-cultural significance: individualism, collectivism, power distance, uncertainty avoidance, and achievement-nurturing orientation. Exhibit 2.7 summarizes these values and lists countries that have high, medium, or low emphasis on these values.

EXHIBIT 2.7   Five Cross-Cultural Values

VALUE	SAMPLE COUNTRIES	REPRESENTATIVE BELIEFS/BEHAVIORS IN "HIGH" CULTURES
Individualism	High: United States, Chile, Canada, South Africa Medium: Japan, Denmark Low: Taiwan, Venezuela	Defines self more by one's uniqueness; personal goals have priority; decisions have low consideration of effect on others; relationships are viewed as more instrumental and fluid.
Collectivism	High: Israel, Taiwan Medium: India, Denmark Low: United States, Germany, Japan	Defines self more by one's in-group membership; goals of self-sacrifice and harmony have priority; behavior regulated by in-group norms; in-group memberships are viewed as stable with a strong differentiation with out-groups.
Power distance	High: India, Malaysia Medium: United States, Japan Low: Denmark, Israel	Reluctant to disagree with or contradict the boss; managers are expected and preferred decision makers; perception of dependence on (versus interdependence with) the boss.
Uncertainty avoidance	High: Belgium, Greece Medium: United States, Norway Low: Denmark, Singapore	Prefer predictable situations; value stable employment, strict laws, and low conflict; dislike deviations from normal behavior.
Achievement orientation	High: Austria, Japan Medium: United States, Brazil Low: Sweden, Netherlands	Focus on outcomes (versus relationships); decisions based on contribution (equity versus equality); low empathy or showing emotions (versus strong empathy and caring).

Sources: Individualism and collectivism descriptions and results are from the meta-analysis reported in D. Oyserman, H.M. Coon, and M. Kemmelmeier, "Rethinking Individualism and Collectivism: Evaluation of Theoretical Assumptions and Meta-Analyses," *Psychological Bulletin*, 128 (2002): 3–72. The other information is from G. Hofstede, *Culture's Consequences,* 2nd ed. (Thousand Oaks, CA: Sage, 2001).

INDIVIDUALISM AND COLLECTIVISM

Two seemingly inseparable cross-cultural values are individualism and collectivism. **Individualism** is the extent to which we value independence and personal uniqueness. Highly individualist people value personal freedom, self-sufficiency, control over their own lives, and appreciation of the unique qualities that distinguish them from others. Americans, Chileans, Canadians, and South Africans generally exhibit high individualism, whereas Taiwan and Venezuela are countries with low individualism.[79] **Collectivism** is the extent to which we value our duty to groups to which we belong and to group harmony. Highly collectivist people define themselves by their group memberships, emphasize their personal connection to others in their in-groups, and value the goals and well-being of people within those groups.[80] Low collectivism countries include the United States, Japan, and Germany, whereas Israel and Taiwan have relatively high collectivism.

Contrary to popular belief, individualism is not the opposite of collectivism. In fact, the two concepts are typically uncorrelated.[81] For example, cultures that highly value duty to one's group do not necessarily give a low priority to personal freedom and uniqueness. Generally, people across all cultures define themselves by both their uniqueness and their relationship to others. It is an inherent characteristic of everyone's self-concept, which we discuss in the next chapter. Some cultures clearly emphasize either personal uniqueness or group obligations, but both have a place in a person's values and self-concept.

Also note that people in Japan have relatively low collectivism. This is contrary to many cross-cultural books, a few of which claim that Japan is one of the most collectivist countries on the planet! There are several

individualism
a cross-cultural value describing the degree to which people in a culture emphasize independence and personal uniqueness

collectivism
a cross-cultural value describing the degree to which people in a culture emphasize duty to groups to which they belong and to group harmony

global connections 2.4

Cross-Cultural Hiccups at Beam Suntory

Suntory Holdings Ltd. still has a few cross-cultural hiccups two years after the Japanese alcoholic beverage company acquired Jim Beam, which makes bourbon in Kentucky. "We have to overcome the huge differences in the Japanese mentality and the American mentality," Suntory CEO Takeshi Niinami advised soon after the acquisition. "It creates misunderstandings." Niinami (in photo) says he prefers the "blunt but honest" American approach, but that style may conflict with the Japanese preference for modesty, detail, and consensus. Japanese and American employees also have different career aspirations and reward systems. "Beam and Suntory definitely have differences," Niinami recently acknowledged. "This is not an easy task. But I'm ready for it."[82]

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explanations for the historical misinterpretation, ranging from problems defining and measuring collectivism to erroneous reporting of early cross-cultural research. Whatever the reasons, studies consistently report that people in Japan tend to have relatively low collectivism and moderate individualism (as indicated in Exhibit 2.7).[83]

connect

SELF-ASSESSMENT 2.6: How Much Do You Value Individualism and Collectivism?

Cross-cultural values have become an important part of organizational life due to globalization and an increasingly multicultural workforce. Two of the most commonly studied cross-cultural values are individualism and collectivism. You can discover your level of individualism and collectivism by locating this self-assessment in Connect if it is assigned by your instructor.

POWER DISTANCE

power distance
a cross-cultural value describing the degree to which people in a culture accept unequal distribution of power in a society

Power distance refers to the extent to which people accept unequal distribution of power in a society.[84] Those with high power distance value unequal power. Those in higher positions expect obedience to authority; those in lower positions are comfortable receiving commands from their superiors without consultation or debate. People with high power distance also prefer to resolve differences through formal procedures rather than direct informal discussion. In contrast, people with low power distance expect relatively equal power sharing. They view the relationship with their boss as one of interdependence, not dependence; that is, they believe their boss is also dependent on them, so they expect power sharing and consultation before decisions affecting them are made. People in India and Malaysia tend to have high power distance, whereas people in Denmark and Israel generally have low power distance. Americans collectively have medium-low power distance.

UNCERTAINTY AVOIDANCE

Uncertainty avoidance is the degree to which people tolerate ambiguity (low uncertainty avoidance) or feel threatened by ambiguity and uncertainty (high uncertainty avoidance). Employees with high uncertainty avoidance value structured situations in which rules of conduct and decision making are clearly documented. They usually prefer direct rather than indirect or ambiguous communications. Uncertainty avoidance tends to be high in Belgium and Greece and very high in Japan. It is generally low in Denmark and Singapore. Americans collectively have medium-low uncertainty avoidance.

ACHIEVEMENT-NURTURING ORIENTATION

Achievement-nurturing orientation reflects a competitive versus cooperative view of relations with other people.[85] People with a high achievement orientation value assertiveness, competitiveness, and materialism. They appreciate people who are tough, and they favor the acquisition of money and material goods. In contrast, people in nurturing-oriented cultures emphasize relationships and the well-being of others. They focus on human interaction and caring rather than competition and personal success. People in Sweden, Norway, and the Netherlands have very low achievement orientation (i.e., they have a high nurturing orientation). In contrast, very high achievement orientation scores have been reported in Japan and Austria. The United States is located a little above the middle of the range on achievement-nurturing orientation.

CAVEATS ABOUT CROSS-CULTURAL KNOWLEDGE

Cross-cultural organizational research has gained considerable attention over the past two decades, likely due to increased globalization and cultural diversity within organizations. Our knowledge of cross-cultural dynamics has blossomed, and many of these findings will be discussed throughout this book, particularly regarding leadership, conflict handling, and influence tactics. However, we also need to raise a few warning flags about cross-cultural knowledge. One problem is that too many studies have relied on small, convenient samples (such as students attending one university) to represent an entire culture.[86] The result is that many cross-cultural studies draw conclusions that might not generalize to the cultures they intended to represent.

A second problem is that cross-cultural studies often assume that each country has one culture.[87] In reality, the United States and many other countries have become culturally diverse. As more countries embrace globalization and multiculturalism, it becomes even less appropriate to assume that an entire country has one unified culture. A third concern is that cross-cultural research and writing continues to rely on a major study conducted almost four decades ago of 116,000 IBM employees across dozens of countries. That study helped ignite subsequent cross-cultural research, but its findings are becoming out-of-date as values in some cultures have shifted over the years.[88]

uncertainty avoidance
a cross-cultural value describing the degree to which people in a culture tolerate ambiguity (low uncertainty avoidance) or feel threatened by ambiguity and uncertainty (high uncertainty avoidance)

achievement-nurturing orientation
cross-cultural value describing the degree to which people in a culture emphasize competitive versus cooperative relations with other people

CULTURAL DIVERSITY IN THE UNITED STATES

The United States is widely recognized for its cultural diversity. But even Americans may be surprised to know the degree of deep-level diversity across this country.[89] One form of deep-level diversity is cultural values across ethnic groups. A major review of past studies reported that, on average, African Americans have significantly higher individualism than European and Hispanic Americans, whereas Asian Americans have the lowest individualism among these demographic groups.[90]

Americans also differ from each other across regions.[91] Some research identifies significant cultural differences between the northern and southern states. Other research has found variations in collectivism across the country. Collectivism is highest across the southern states, California, and Hawaii and lowest in the Mountain, Northwest, and Great Plains states. Other studies report that regions vary in personality profiles. The New England, Middle Atlantic, and Pacific regions have high openness to experience, whereas people living in the Great Plains and midwestern and southeastern states have the lowest scores. Neuroticism scores are highest in the Northeast and Southeast and lowest in the Midwest and West.[92] One study found that Americans have fairly accurate stereotypes of these regional differences.

Why do Americans vary in their values and personalities across regions?[93] One explanation is that regional institutions—such as local governments, educational systems, and dominant religious groups—have a greater influence than do national institutions on socialization practices and resulting personal values. For instance, research suggests that the number of rules and social controls (called *cultural tightness*) within each state explains differences in personality and values across the country.[94]

Some experts suggest that a person's values are influenced by the physical environment (flat versus mountainous), climatic conditions (temperate versus tropical), and socioeconomic conditions (low income versus relatively wealthy). For instance, research has found that residents of mountainous U.S. states are, on average, more introverted than residents who live near the ocean. However, the physical environment probably has a limited effect on individual traits and values. Instead, evidence suggests that people migrate to places that are more compatible with their values and self-views.[95]

chapter summary

2-1   Describe the four factors that directly influence individual behavior and performance.

Four variables—motivation, ability, role perceptions, and situational factors—which are represented by the acronym MARS, directly influence individual behavior and performance. Motivation represents the forces within a person that affect his or her direction, intensity, and persistence of voluntary behavior; ability includes both the natural aptitudes and the learned capabilities required to successfully complete a task; role perceptions are the extent to which people understand the job duties (roles) assigned to them or expected of them; and situational factors include conditions beyond the employee's immediate control that constrain or facilitate behavior and performance.

2-2   Summarize the five types of individual behavior in organizations.

There are five main types of workplace behavior. Task performance refers to goal-directed behaviors under the individual's

control that support organizational objectives. It includes proficiency, adaptivity, and proactivity. Organizational citizenship behaviors consist of various forms of cooperation and helpfulness to others that support the organization's social and psychological context. Counterproductive work behaviors are voluntary behaviors that have the potential to directly or indirectly harm the organization. Joining and staying with the organization refers to agreeing to become an organizational member and remaining with the organization. Maintaining work attendance includes minimizing absenteeism when capable of working and avoiding scheduled work when not fit (i.e., low presenteeism).

2-3   Describe personality and discuss how the "Big Five" personality dimensions and four MBTI types relate to individual behavior in organizations.

Personality refers to the relatively enduring pattern of thoughts, emotions, and behaviors that characterize a person, along with the psychological processes behind those character-

istics. Personality is formed through hereditary (nature) as well as socialization (nurture). The "Big Five" personality dimensions include conscientiousness, agreeableness, neuroticism, openness to experience, and extroversion. Conscientiousness and extraversion are the best overall predictors of job performance in most job groups. Extraversion and openness to experience are the best predictors of adaptive and proactive performance. Emotional stability (low neuroticism) is also associated with better adaptivity. Conscientiousness and agreeableness are the two best personality predictors of organizational citizenship and (negatively) with counterproductive work behaviors.

Based on Jungian personality theory, the Myers-Briggs Type Indicator (MBTI) identifies competing orientations for getting energy (extraversion versus introversion), perceiving information (sensing versus intuiting), processing information and making decisions (thinking versus feeling), and orienting to the external world (judging versus perceiving). The MBTI improves self-awareness for career development and mutual understanding but is more popular than valid.

2-4 **Summarize Schwartz's model of individual values and discuss the conditions where values influence behavior.**

Values are stable, evaluative beliefs that guide our preferences for outcomes or courses of action in a variety of situations. Compared to personality traits, values are evaluative (rather than descriptive), more likely to conflict, and formed more from socialization than heredity. Schwartz's model organizes 57 values into a circumplex of 10 dimensions along two bipolar dimensions: openness to change to conservation and self-enhancement to self-transcendence. Values influence behavior in three ways: (1) shaping the attractiveness of choices, (2) framing perceptions of reality, and (3) aligning behavior with self-concept and self-presentation. However, the effect of values on behavior also depends on whether the situation supports or prevents that behavior and on how actively we think about them and understand their relevance to the situation. Values congruence refers to how similar a person's values hierarchy is to the values hierarchy of another source (organization, team, etc.).

2-5 **Describe three ethical principles and discuss three factors that influence ethical behavior.**

Ethics refers to the study of moral principles or values that determine whether actions are right or wrong and outcomes are good or bad. Three ethical principles are utilitarianism (greatest good for the greatest number), individual rights (upholding natural rights), and distributive justice (same or proportional benefits and burdens). Ethical behavior is influenced by the degree to which an issue demands the application of ethical principles (moral intensity), the individual's ability to recognize the presence and relative importance of an ethical issue (moral sensitivity), and situational forces. Ethical conduct at work is supported by codes of ethical conduct, mechanisms for communicating ethical violations, the organization's culture, and the leader's behavior.

2-6 **Describe five values commonly studied across cultures.**

Five values often studied across cultures are individualism (valuing independence and personal uniqueness); collectivism (valuing duty to in-groups and group harmony); power distance (valuing unequal distribution of power); uncertainty avoidance (tolerating or feeling threatened by ambiguity and uncertainty); and achievement-nurturing orientation (valuing competition versus cooperation).

key terms

ability, p. 33

achievement-nurturing orientation, p. 54

agreeableness, p. 40

collectivism, p. 52

conscientiousness, p. 39

counterproductive work behaviors (CWBs), p. 37

extraversion, p. 40

five-factor (Big Five) model (FFM), p. 39

individualism, p. 52

mindfulness, p. 50

moral intensity, p. 49

moral sensitivity, p. 49

motivation, p. 32

Myers-Briggs Type Indicator (MBTI), p. 42

neuroticism, p. 40

openness to experience, p. 40

organizational citizenship behaviors (OCBs), p. 36

personality, p. 38

power distance, p. 53

role perceptions, p. 34

task performance, p. 36

uncertainty avoidance, p. 54

critical thinking questions

1. A federal government department has high levels of absenteeism among the office staff. The head of office administration argues that employees are misusing the company's sick leave benefits. However, some of the mostly female staff members have explained that family responsibilities interfere with work. Using the MARS model, as well as your knowledge of absenteeism behavior, discuss some of the possible reasons for absenteeism here and how it might be reduced.

2. It has been said that all employees are motivated. Do you agree with this statement?

3. Studies report that heredity has a strong influence on an individual's personality. What are the implications of this influence in organizational settings?

4. All candidates applying for a management trainee position are given a personality test that measures the five dimensions in the five-factor model. Which personality traits would you consider most important for this type of job? Explain your answer.

5. Compare and contrast personality with personal values, and identify values categories in Schwartz's values circumplex that likely relate to one or more personality dimensions in the five-factor personality model.

6. This chapter discussed values congruence mostly in the context of an employee's personal values versus the organization's values. But values congruence also relates to the juxtaposition of other pairs of value systems. Explain how values congruence is relevant with respect to organizational versus professional values (i.e., values of a professional occupation, such as physician, accountant, pharmacist).

7. "All decisions are ethical decisions." Comment on this statement, particularly by referring to the concepts of moral intensity and moral sensitivity.

8. The organization for which you have been working for five years is suffering from a global recession. In response, it changes your compensation structure. Discuss the role of moral intensity, moral sensitivity, and situational influences in this context.

9. People in a particular South American country have high power distance and high collectivism. What does this mean, and what are the implications of this information when you (a senior executive) visit employees working for your company in that country?

📖 CASE STUDY: SNC-LAVALIN GROUP INC.

By Steven L. McShane, Curtin University (Australia) and University of Victoria (Canada)

Bribery of foreign public officials, conspiracy to commit fraud and forgery, money laundering, possessing property obtained by crime, and attempts to secretly smuggle the son of a former dictator into safer countries. Sounds like the plot of a twisted crime novel. Yet these are the charges laid against former executives at SNC-Lavalin (SNCL), one of Canada's largest engineering and construction firms.

The Royal Canadian Mounted Police allege that over the past decade SNCL funneled CAD $118 million through offshore bank accounts as bribes to secure contracts in Libya. Separately, the World Bank, the African Development Bank, Swiss police, and other entities have uncovered evidence that SNCL bribed or attempted to bribe government staff and leaders to win contracts in Africa and Asia. SNCL is also being investigated for unethical activities in contract bidding on a major Canadian project involving a Montreal superhospital. Almost a dozen former SNCL executives, most of whom held senior positions, either face charges of criminal activity or are under investigation. The company and its 100 subsidiaries have been banned for a decade from bidding on World Bank–funded contracts.

The World Bank and other investigators report that in several contracts SNCL processed bribes through an expense line called "project consultancy cost" or PCC. For example, SNCL recently settled a corruption case filed by the African Development Bank, which had discovered project consultancy cost items representing 7.5 percent of the total contract value of two SNCL road projects in Uganda and Mozambique. The engineering firm recently acknowledged that none of these expenses were legitimate. "Everybody used this term, and all know what that means," admits SNCL's former director of international projects. "Sometimes it was 'project consultancy cost,' sometimes 'project commercial cost,' but [the] real fact is the intention is [a] bribe."

SNCL paid the PCC bribes indirectly through employees. One SNCL engineer in Nigeria said he was told to use his personal funds to pay a Nigerian official for a "soils investigation." The official had selected the engineering firm for a contract. The engineer was subsequently reimbursed by SNCL through a fictitious company. When asked why he participated in the kickback scheme, the engineer (who now works in India for another company) replied: "When the boss asks, in that part of the world . . . what would you do if you were put in my shoes if you were in a remote area of Nigeria?"

Another way that SNCL executives apparently bribed officials was through "agent fees." Retaining a local agent is common and sometimes required for foreign contracts bids to arrange permits, imports, and other activities. However, investigators uncovered numerous questionable transfers of large funds from SNCL to banks in Switzerland, the Bahamas and other countries.

The most prominent "agent" transfers involving more than CAD $110 million occurred over 10 years to a Swiss bank account controlled by an SNCL executive vice-president working in North Africa and later at headquarters in Montreal. The executive, who was recently convicted in Switzerland for corruption and money laundering, admitted in court that he used these funds to bribe Saadi Gaddafi, a son of Libya's dictator at that time, which helped the engineering firm win five major contracts in that country. In addition to receiving performance bonuses for these contracts, the executive pocketed some of the bribery funds. The executive also allegedly initiated a failed attempt to smuggle Saadi Gaddafi and his family into Mexico. A former SNCL contractor spent 18 months in a Mexican prison in relation to that mission.

One of the key questions is whether the wrongdoing was known at the highest levels in the company. The senior executive convicted in Switzerland claims that the top brass (below the board level) knew how the funds were used, whereas SNCL is suing the executive for embezzlement and recovery of those funds, saying the funds were intended as legitimate agent fees. SNCL's CEO at the time had authorized undocumented payments to unknown "agents" in Libya and Tunisia, even though the chief financial officer and head of the international division opposed those payments. The CEO resigned when an internal review revealed these actions to the board. The board granted the CEO the usual payout, however, because it considered his actions reasonable (i.e., the payments avoided litigation, even though to unknown parties). Several months after he quit, the CEO was charged with fraud relating to contract activities with a major Canadian contract.

Another SNCL vice-president now facing several charges also admits to engaging in bribery and related crimes. He explained that SNC-Lavalin had "a corporate culture where it was common practice to do all that was necessary, including the payment of 'commissions' and other benefits to obtain contracts, including in Libya." The second executive also argued that he was under pressure to engage in these illegal activities because the executive above him said "that he had to follow their orders to satisfy their expectations." In fact, a few former SNCL executives have since tried to sue the company for wrongful dismissal on the grounds that their illegal activities were required by the company to keep their jobs.

Even SNCL's board seems to have downplayed personal responsibility. Very early in the RCMP investigation, SNCL's board received an anonymous internal letter describing the bribery activities, yet the board later acknowledged that it only "took note" of the allegations, pointing out that they have "received anonymous letters before that have no credibility." And when the extent of wrongdoing at SNCL eventually became public, the board chair said: "Clearly, our board of directors can't govern something that they don't know about, or prevent something they are not aware of."

Discussion Questions

1. Use the MARS model to discuss the main direct predictors of wrongdoing at SNC-Lavalin.

2. Explain how moral sensitivity and moral intensity apply to the unethical behavior among several SNC-Lavalin executives and other staff.

3. What steps should SNC-Lavalin and other companies in this situation take to minimize these types of corporate wrongdoing?

Sources: J. Castaldo, "SNC Lavalin's Missing Millions Mess: Is Ben Aïssa Responsible?," *Canadian Business*, July 9, 2012; T. McMahon and C. Sorensen, "Boardroom Blunders at SNC-Lavalin," *Maclean's*, December 5, 2012, 24; D. Seglins, "SNC-Lavalin International Used Secret Code for 'Bribery' Payments," *CBC News*, May 15, 2013; "SNC-Lavalin Says Former Executive's Illegal Actions Justify Firing," *Maclean's*, May 17, 2013; J. Nicol and D. Seglins, "RCMP Moving to Freeze Assets in Widening SNC-Lavalin Probe," *CBC News*, May 23, 2013; B. Hutchinson, "The 'Clandestine World' of SNC's Fallen Star," *National Post* (Toronto), March 19, 2015, FP1; R. Marowits, "SNC-Lavalin Settles Corruption Case Brought by African Development Bank," *Canadian Press*, October 2, 2015; "SNC-Lavalin Executive Claims He Was Scapegoat in Gadhafi Bribery Scheme," *Global Construction Review* (London), September 14, 2015; R. Marowits, "SNC-Lavalin Still Hoping to Resolve Criminal Charges as Hearing Set for 2018," *Canadian Press*, February 27, 2016.

CLASS EXERCISE: TEST YOUR KNOWLEDGE OF PERSONALITY

PURPOSE This exercise is designed to help you think about and understand the effects of the Big Five personality dimensions on individual preferences and outcomes.

INSTRUCTIONS (LARGE CLASS) In the following text are several questions relating to the Big Five personality dimensions and various preferences or outcomes. Answer each of these questions, relying on your personal experience or best guess. Later, your instructor will show you answers based on scholarly results. You will *not* be graded on this exercise. Instead, it illustrates the many ways that personality influences human behavior and preferences.

INSTRUCTIONS (SMALL CLASS)

1. The instructor will organize students into teams. Members of each team work together to answer each of the questions in the following text relating to the Big Five personality dimensions and various preferences or outcomes.

2. The instructor will reveal the answers based on scholarly results. (*Note:* The instructor might create a competition to see which team has the most answers correct.)

Personality and Preferences Questions You have been asked to select job applicants for a nine-month over-winter assignment working in an Antarctic research station with a dozen other people. Assuming that all candidates have equal skills, experience, and health, identify which level of each personality dimension would be best for people working in these remote, confined, and isolated conditions.

PERSONALITY DIMENSION	LOW	BELOW AVERAGE	AVERAGE	ABOVE AVERAGE	HIGH
Conscientiousness	☐	☐	☐	☐	☐
Agreeableness	☐	☐	☐	☐	☐
Neuroticism	☐	☐	☐	☐	☐
Openness to experience	☐	☐	☐	☐	☐
Extraversion	☐	☐	☐	☐	☐

Listed below are several jobs. Please check no more than two personality dimensions that you believe are positively associated with preferences for each occupation.

JOB	EXTROVERSION	CONSCIENTIOUSNESS	AGREEABLENESS	NEUROTICISM	OPENNESS TO EXPERIENCE
Budget analyst	☐	☐	☐	☐	☐
Corporate executive	☐	☐	☐	☐	☐
Engineer	☐	☐	☐	☐	☐
Journalist	☐	☐	☐	☐	☐
Life insurance agent	☐	☐	☐	☐	☐
Nurse	☐	☐	☐	☐	☐
Physician	☐	☐	☐	☐	☐
Production supervisor	☐	☐	☐	☐	☐
Public relations director	☐	☐	☐	☐	☐
Research analyst	☐	☐	☐	☐	☐
Schoolteacher	☐	☐	☐	☐	☐
Sculptor	☐	☐	☐	☐	☐

On which two personality dimensions should team members have the highest scores, on average, to produce the best team performance?

☐ Conscientiousness
☐ Agreeableness
☐ Neuroticism
☐ Openness to experience
☐ Extroversion

Rank order (1 = highest, 5 = lowest) the Big Five personality dimensions in terms of how much you think they predict a person's degree of life satisfaction. (*Note:* Personality dimensions are ranked by their absolute effect, so ignore the negative or positive direction of association.)

_____ Conscientiousness
_____ Agreeableness
_____ Neuroticism
_____ Openness to experience
_____ Extroversion

Which two Big Five personality dimensions are positively associated with enjoyment of workplace humor?

☐ Conscientiousness
☐ Agreeableness
☐ Neuroticism
☐ Openness to experience
☐ Extroversion

CLASS EXERCISE: PERSONAL VALUES EXERCISE

PURPOSE This exercise is designed to help you understand Schwartz's values model and relate its elements to your personal values and the values held by others in your class.

INSTRUCTIONS Your instructor will distribute a sheet with 44 words and phrases representing different personal values. Read these words and phrases carefully, then follow these steps:

1. Pick THREE (3) of these words/phrases that represent the MOST important values to you personally. Print each of the three values on the three yellow-colored sticky notes provided by your instructor (i.e., print one value on each note).

2. From the remaining 41 values on the sheet provided by your instructor, pick THREE (3) of these that represent the LEAST important values to you personally. Print each of the three values on three sticky notes of the second color provided by your instructor (i.e., print one value on each note).

3. The instructor will advise you what to do with the six sticky notes on which you wrote your most and least important values.

4. The class will engage in a debriefing, using the information created in the third step of this activity.

TEAM EXERCISE: ETHICS DILEMMA VIGNETTES

PURPOSE This exercise is designed to make you aware of the ethical dilemmas people face in various business situations, as well as the competing principles and values that operate in these situations.

INSTRUCTIONS (SMALL CLASS) The instructor will form teams of four or five students. Team members will read each of the following cases and discuss the extent to which the company's action in each case was ethical. Teams should be prepared to justify their evaluation using ethics principles and the perceived moral intensity of each incident.

INSTRUCTIONS (LARGE CLASS) Working alone, read each of the following cases and determine the extent to which the company's action in each case was ethical. The instructor will use a show of hands to determine the extent to which students believe the case represents an ethical dilemma (high or low moral intensity) and the extent to which the main people or company in each incident acted ethically.

Case One A large European bank requires all employees to open a bank account with that bank. The bank deposits employee paychecks to those accounts. The bank explains that this is a formal policy, which all employees agree to at the time of hire. Furthermore, failure to have an account with the bank shows disloyalty, which could limit the employee's career advancement opportunities with the bank. Until recently, the bank has reluctantly agreed to deposit paychecks to accounts at other banks for a small percentage of employees. Now, bank executives want to reinforce the policy. They announced that employees have three months to open an account with the bank or face disciplinary action.

Case Two A 16-year-old hired as an office administrator at a small import services company started posting her thoughts about the job on her Facebook site. After her first day, she wrote: "first day at work. omg!! So dull!!" Two days later, she complained "all i do is shred holepunch n scan paper!!! omg!" Two weeks later she added "im so totally bord!!!" These comments were intermixed with the other usual banter about her life. Her Facebook site did not mention the name of the company where she worked. Three weeks after being hired, the employee was called into the owner's office, where he fired her for the comments on Facebook, then had her escorted from the building. The owner argues that these comments put the company in a bad light, and her "display of disrespect and dissatisfaction undermined the relationship and made it untenable."

Case Three Computer printer manufacturers usually sell printers at a low margin over cost and generate much more income from subsequent sales of the high-margin ink cartridges required for each printer. One global printer manufacturer now designs its printers so that they work only with ink cartridges made in the same region. Ink cartridges purchased in the United States will not work with the same printer model sold in Europe, for example. This "region coding" of ink cartridges does not improve performance. Rather, it prevents consumers and gray marketers from buying the product at a lower price in another region. The company says this policy allows it to maintain stable prices within a region rather than continually changing prices due to currency fluctuations.

Case Four A large multinational grocery chain that emphasizes healthy lifestyles is recognized as one of the

nation's "greenest" companies and is perennially rated as one of the best places to work. Full-time and longer-service part-time staff receive health insurance coverage. Most employees receive a 20 percent discount on company products. Employees who participate in the company's voluntary "Healthy Discount Incentive Program" receive up to another 10 percent discount on their purchases (i.e., up to a total 30 percent discount). These additional discounts are calculated from employees' blood pressure, total cholesterol (or LDL) levels, Body Mass Index (BMI), and nicotine-free lifestyle. For example, the full additional 10 percent discount is awarded to those who do not use nicotine products, have 110/70 or lower blood pressure, have cholesterol levels under 150, and have a BMI of less than 24. Employees do not receive the additional discount if they use nicotine products, or have any one of the following: blood pressure above 140/90, cholesterol of 195 or higher, or BMI of 30 or higher. In his letter to employees when announcing the plan, the CEO explained that these incentives "encourage our Team Members to be healthier and to lower our healthcare costs."

Case Five For the past few years, the design department of a small (40-employee) company has been using a particular software program, but the three employees who use the software have been complaining for more than a year that the software is out of date and is slowing down their performance. The department agreed to switch to a competing software program, costing several thousand dollars. However, the next version won't be released for six months, and buying the current version will not allow much discount on the next version. The company has put in advance orders for the next version. Meanwhile, one employee was able to get a copy of the current version of the software from a friend in the industry. The company has allowed the three employees to use this current version of the software, even though they did not pay for it.

Perceiving Ourselves and Others in Organizations

Julia Nguyen was enthusiastic after being accepted into the computer science program at the University of Waterloo in Canada. "I thought it was kind of empowering." But her self-confidence withered during her first year in classes with mostly guys. "They didn't treat me as an equal," recalls Nguyen, who is now in the final year of the program. "I felt like whenever they would have technical conversations, they would kind of dumb it down for me, or they assumed I wouldn't know what they were talking about."

Women represent only 17 percent of information technology graduates, much lower than a couple of decades ago. One reason is the nonconscious bias that Julia Nguyen and other women in this field experience, which is founded on distorted stereotypes. "It's worrying to see just how deeply engrained gender stereotypes still are," says Ann Pickering, HR director of digital communications company O2. "Working in the tech sector, I see the impact that stereotyping has on our industry every day."

Women also avoid information technology because it doesn't fit their self-view. "The industry has an image problem," acknowledges Gillian Arnold, an IT consultant and executive with the British Computer Society. "Every film you see has some overweight, sweaty bloke who is a computer geek—and girls don't identify with that." Miral Kotb, founder of iLuminate, a New York firm that combines lighting technology with dance, agrees: "There's a lot of negative stigma with female computer-science developers. But there shouldn't be—it's not nerdy or isolating or hard in the way people think."

Several organizations have taken up the fight against these self-doubts and negative stereotypes. For example, Google launched "Made with Code," a series of workshops in which young girls gain confidence in coding software apps, and learn how software can be a positive force in society. "Ours is a perception campaign," says Made with Code program manager Kate Parker.[1]

Companies face two challenges in attracting and keeping women in information technology jobs: (1) the self-concept women have about themselves as IT staff and (2) the perceptions they and others have about IT and of women in these roles. We discuss both of these related topics in this chapter. First, we examine how people perceive themselves—their self-concept—and how that self-perception affects their decisions and behavior. Next, we focus on perceptions in organizational settings, beginning with how we select, organize, and interpret information. We also review several specific perceptual processes such as

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Women are significantly underrepresented in information technology, computer science, and related fields. One reason is that women tend to have an image of people in these fields that is incompatible with their ideal self-concept. The other reason is that gender stereotyping discourages women from entering or remaining in these fields.

stereotyping, attribution, and self-fulfilling prophecy. This is followed by discussion of potentially effective ways to improve perceptions. The final section of this chapter reviews the main elements of global mindset, a largely perceptual process valued in this increasingly globalized world.

Self-Concept: How We Perceive Ourselves

3-1

self-concept
an individual's self-beliefs and self-evaluations

Why do so few women enter information technology in the United States and most other countries? As the opening case study to this chapter suggests, many women have an image of IT that is incompatible with their self-view. They also have a lower self-evaluation of their ability to perform well in that field of work. In fact, one recent study found that 14-year-old girls significantly underestimated their performance on science and technology tests whereas boys slightly overrated themselves, even though average scores are about the same for both genders.[2] These barriers to women entering IT are core elements of self-concept. **Self-concept** refers to an individual's self-beliefs and self-evaluations.[3] It is the "Who am I?" and "How do I feel about myself?" that people ask themselves and that guide their decisions and actions.

Whether contemplating a career in information technology or any other occupation, we compare our images of that job with our current (perceived self) and desired (ideal self) images of ourselves. We also evaluate our current and desired abilities to determine whether there is a good fit with that type of work. Our self-concept is defined at three levels: individual, relational, and collective. Specifically, we view ourselves in terms of our personal traits (individual self), connections to friends and coworkers (relational self), and membership in teams, organizations, social groups, and other entities (collective self).[4]

SELF-CONCEPT COMPLEXITY, CONSISTENCY, AND CLARITY

An individual's self-concept can be described by three characteristics: complexity, consistency, and clarity (see Exhibit 3.1). *Complexity* refers to the number of distinct and important roles or identities that people perceive about themselves.[5] Everyone has multiple selves; that is, each person views himself or herself in different roles at various times (student, friend, daughter, sports fan, etc.). People are generally motivated to

EXHIBIT 3.1

Self-Concept Characteristics and Processes
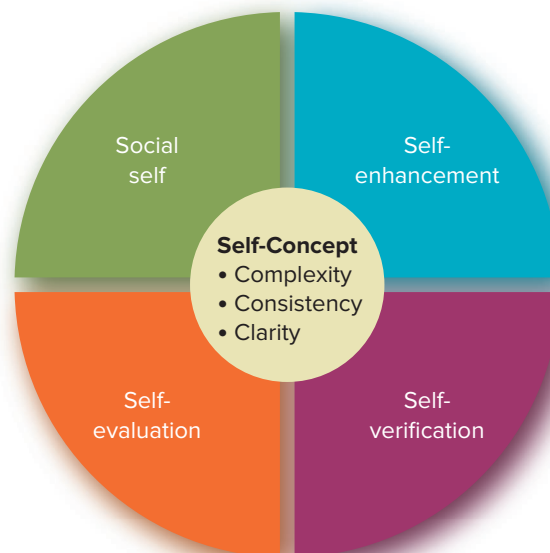
increase their complexity (called *self-expansion*) as they seek out new opportunities and social connections. A person's self-concept becomes more complex, for example, as he or she moves from being an accountant to a manager because the person has acquired additional roles.

Self-concept complexity isn't just how many identities a person considers; it is also the separation of those identities. An individual may have many identities, but his or her self-concept has low complexity when those identities are highly interconnected, such as when they are all work related (manager, engineer, family income earner). Complexity is higher when the multiple identities are linked to fairly distinct spheres of life.

Although everyone has multiple selves, only some of those identities dominate their attention at one time.[6] A person's various selves are usually domain specific, meaning that a particular self-view (parent, manager, etc.) is more likely to be activated in some settings than in others. People shift their self-concept more easily when the activated self-view is important and compatible with the situation. For instance, as people travel from home to work, they can usually shift their self-view from being a parent to being an executive because each role is important and fits into the home and work contexts, respectively. In contrast, some employees struggle to focus on their occupational self-concept when working from home (telecommuting).

Consistency is the second characteristic of an individual's self-concept. High consistency exists when the individual's identities require similar personality traits, values, and other attributes. Low consistency occurs when some self-views require personal characteristics that conflict with attributes required for other self-views. Low consistency exists, for example, in a safety-conscious engineer who also defines himself or herself as a risk-oriented acrobatic snowboarder. Self-concept consistency also depends on how closely the person's identities require personal attributes that are similar to his or her actual attributes. Low consistency exists when an individual's personality and values clash with the type of person he or she tries to become.

Clarity, the third characteristic of self-concept, refers to the degree to which a person's self-concept is clear, confidently defined, and stable.[7] Clarity occurs when we are confident about "who we are," can describe our important identities to others, and provide the same description of ourselves across time. Self-concept clarity increases with age because personality and values become relatively stable by adulthood and people develop better self-awareness through life experiences. Self-concept is also clearer when a person's multiple selves have higher consistency. This makes sense because low consistency produces ambiguity about a person's underlying characteristics (e.g., cautious engineer or risk-oriented snowboarder).[8]

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SELF-ASSESSMENT 3.1: How Much Does Work Define Your Self-Concept?

Work is part of our lives. Some people view it as central to their identity as individuals, whereas others consider work to be secondary to other life interests. You can discover the extent to which work is central to your self-concept by locating this self-assessment in Connect if it is assigned by your instructor.

Effects of Self-Concept Characteristics on Well-Being and Behavior

People tend to have better psychological well-being when they have fairly distinct multiple selves (complexity) that are well established (clarity) and require similar personal attributes that are compatible with the individual's character (consistency).[9] Self-concept complexity protects our self-esteem when some roles are threatened or damaged. A complex self is rather like a ship with several compartments that can be sealed off from one another. If one compartment is damaged, the other compartments (other identities)

Hélène Joy appeared on several popular television programs, but the lack of job security as an actor motivated her to join her mother's real estate business. "It lasted a week," Joy recalls of her short-lived real estate career. "I realized that acting is what I do, and who I am." The experience helped Joy form a clearer self-concept, which provided a new determination to achieve her ideal self. "I guess I was never really committed till then, and once I did commit, I haven't stopped working." Today, Joy is a lead actor in the popular television series *Murdoch Mysteries* and has received several awards for her acting talent.[14]
Courtesy of Academy.ca/G. Pimentel Photography

remain intact so the ship remains afloat. In contrast, people with low complexity, including those whose multiple selves are highly interconnected, suffer severe loss when they experience failure because these events affect a large part of themselves.

People also tend to have better well-being when their multiple selves are in harmony with each other and with the individual's personality and values (consistency).[10] Self-concept complexity helps people adapt, but too much variation causes internal tension and conflict. Well-being also tends to increase with self-concept clarity. People who are unsure of their self-views are more easily influenced by others, experience more stress when making decisions, and feel more threatened by social forces that undermine their self-confidence and self-esteem.[11]

Self-concept complexity has opposing effects on individual behavior and performance.[12] Employees with complex identities tend to have more adaptive decision making and performance. This likely occurs because multiple selves generate more diverse experiences and role patterns, so these employees can more easily alter their thinking and behavior to suit new tasks and work environments. A second benefit is that self-concept complexity often produces more diverse social networks, and this network diversity gives employees access to more resources and social support to perform their jobs.

Against these benefits is the problem that highly complex self-concepts require more effort to maintain and juggle, which can be stressful. In contrast, low complexity has the advantage of requiring less effort and resources to develop those few identities. For example, people who define themselves mainly by their work (low complexity) often have better performance due to more investment in skill development, longer hours, and more concentration on work. They also have lower absenteeism and turnover.

Self-concept clarity tends to improve performance and is considered vital for leadership roles.[13] Clarity also provides a clearer path forward, which enables people to direct their effort more efficiently toward career objectives. Another benefit is that people with high self-concept clarity feel less threatened by interpersonal conflict, so they use more constructive problem-solving behaviors to resolve the conflict. However, those with very high clarity may have role inflexibility, with the result that they cannot adapt to changing job duties or environmental conditions.

Along with the three self-concept characteristics, Exhibit 3.1 illustrates four processes that shape self-concept and motivate a person's decisions and behavior. Let's look at each of these four "selves": self-enhancement, self-verification, self-evaluation, and social self (social identity).

self-enhancement
a person's inherent motivation to have a positive self-concept (and to have others perceive him or her favorably), such as being competent, attractive, lucky, ethical, and important

SELF-ENHANCEMENT

A century ago, educational philosopher John Dewey said that "the deepest urge in human nature is the desire to be important."[15] Dewey recognized that people are inherently motivated to perceive themselves (and to be perceived by others) as competent, attractive, lucky, ethical, and valuable.[16] This phenomenon, called **self-enhancement,** is observed in many ways. Individuals tend to rate themselves above average, believe that

SELF-ENHANCEMENT MAKES MOST OF US ABOVE AVERAGE[17]

69% of U.S. federal government workers rated their performance as above average, compared with coworkers in their unit (only 1 percent rated their performance below average).

94% of university professors rated their teaching as above average compared with others at their university.

77% of Polish drivers rate themselves as more skillful than the average driver.

70% of college students recently said they have above-average academic ability (64% of college students in 1966 said they were above average).

74% of investment fund managers said they were above average at their jobs.

62% of recent college students said they have above-average leadership ability (only 41 percent of college students in 1966 claimed to be above average).

37% of Swedish student drivers overestimated their driving competence (13 percent underestimated their driving competence).

36.9% of consumers in a large U.S. survey panel overestimated their actual credit rating (only 4.6 percent underestimated their credit rating).

Note: Some of these studies are not representative of the entire population. The survey of professor teaching skills is not recent.

Photo: © Aldo Murillo/E+/Getty Images

they have a better than average probability of success, and attribute their successes to personal motivation or ability while blaming the situation for their mistakes. People don't believe they are above average in all circumstances, only for things that are important to them and are relatively common rather than rare.[18]

Self-enhancement has both positive and negative consequences in organizational settings.[19] On the positive side, individuals tend to experience better mental and physical health when they amplify their self-concept. Overconfidence also generates a "can-do" attitude (which we discuss later) that motivates persistence in difficult or risky tasks. On the negative side, self-enhancement causes people to overestimate future returns in investment decisions and engage in unsafe behavior (such as dangerous driving). It also is responsible for executives repeating poor decisions (because they ignore negative feedback), launch misguided corporate diversification strategies, and acquire excessive corporate debt. Generally, though, successful companies strive to help employees feel valued, which generates some degree of self-enhancement.

SELF-VERIFICATION

self-verification
a person's inherent motivation to confirm and maintain his or her existing self-concept

Individuals try to confirm and maintain their existing self-concept.[20] This process, called **self-verification,** stabilizes an individual's self-view, which in turn provides an important anchor that guides his or her thoughts and actions. Employees actively communicate their self-concept so coworkers understand it and provide verifying feedback. For example, you might let coworkers know that you are a very organized person; later, they compliment you on occasions where you have indeed been very organized. Unlike self-enhancement, self-verification includes seeking feedback that is not necessarily flattering (e.g., "I'm a numbers person, not a people person"). Experts continue to debate whether and under what conditions people prefer information that supports self-enhancement or self-verification.[21] In other words, do we prefer compliments rather than accurate critique about weaknesses that we readily acknowledge? The answer is likely an emotional tug-of-war; we enjoy compliments, but less so if they are significantly contrary to our self-view.

Self-verification is associated with several OB topics.[22] First, it affects the perceptual process because employees are more likely to remember information that is consistent with their self-concept and nonconsciously screen out information (particularly negative information) that seems inconsistent with it. Second, people with high self-concept clarity will consciously dismiss feedback that contradicts their self-concept. Third, employees are motivated to interact with others who affirm their self-views, and this affects how well they get along with their boss and team members. For instance, new employees are

more satisfied and perform better when the socialization process allows them to affirm their authentic self—they can demonstrate and receive support for "who they are"— rather than when the socialization process mainly steers them into the company's image of an ideal employee.[23]

SELF-EVALUATION

Almost everyone strives to have a positive self-concept, but some people have a more positive evaluation of themselves than do others. This *self-evaluation* is mostly defined by three elements: self-esteem, self-efficacy, and locus of control.[24]

Self-Esteem   Self-esteem—the extent to which people like, respect, and are satisfied with themselves—represents a global self-evaluation. People have degrees of self-esteem for each of their various roles, such as being a good student, a good driver, and a good parent. From these multiple self-appraisals, people form an overall evaluation of themselves, known as their global self-esteem. People with high self-esteem are less influenced by others, tend to persist in spite of failure, and have a higher propensity to think logically.[25]

Self-Efficacy   **Self-efficacy** refers to a person's belief about successfully completing a task.[26] Those with high self-efficacy have a "can-do" attitude. They believe they possess the energy (motivation), ability, clear expectations (role perceptions), and resources (situational factors) to perform the task. In other words, self-efficacy is an individual's perception regarding the MARS model in a specific situation. Self-efficacy is often task specific, but it can also be more generalized. People have a general self-efficacy when they believe they can be successful across a variety of situations.[27] People with higher general self-efficacy have a more positive overall self-evaluation.

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SELF-ASSESSMENT 3.2: How Much General Self-Efficacy Do You Have?

Self-efficacy refers to a person's belief that he or she has the ability, motivation, and resources to complete a task successfully. Although self-efficacy is often situation-specific, people also develop a more general self-efficacy if they perform tasks in a variety of situations. You can discover your level of general self-efficacy by locating this self-assessment in Connect if it is assigned by your instructor.

Locus of Control   **Locus of control** is defined as a person's general beliefs about the amount of control he or she has over personal life events.[28] Individuals with an internal locus of control believe that life events are caused mainly by their personal characteristics (i.e., motivation and abilities). Those with an external locus of control believe events are due mainly to fate, luck, or conditions in the external environment. Locus of control is a generalized belief, but this belief varies to some extent with the situation.

People with an external locus of control generally believe that life's outcomes are beyond their control, but they also believe they have control over the results of tasks they perform often. The individual's general locus of control would be most apparent in new situations, where their ability to control events is uncertain.

People with an internal locus of control have a more positive self-evaluation. They also tend to perform better in most employment situations, are more successful in

self-efficacy
a person's belief that he or she has the ability, motivation, correct role perceptions, and favorable situation to complete a task successfully

locus of control
a person's general belief about the amount of control he or she has over personal life events

their careers, earn more money, and are better suited for leadership positions. Internals are also more satisfied with their jobs, cope better in stressful situations, and are more motivated by performance-based reward systems.[29]

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SELF-ASSESSMENT 3.3: What Is Your Locus of Control?

Locus of control is one component of self-evaluation, which is part of an individual's self-concept. It is a person's general belief about the amount of control he or she has over personal life events. You can discover your general locus of control orientation by locating this self-assessment in Connect if it is assigned by your instructor.

THE SOCIAL SELF

We began this topic by stating that an individual's self-concept exists at three levels: individual, relational, and collective. These three levels recognize two opposing human motives that influence how people view themselves.[30] One motivation is to be distinctive and different from other people. The opposing need is for inclusion and assimilation with other people. The individual self, called *personal identity* or *internal self-concept,* fulfills the need for distinctiveness because it involves defining ourselves by our personality, values, abilities, qualifications, achievements and other personal attributes. Everyone has a unique combination of personal characteristics, and we embrace this uniqueness to some degree. For instance, an unusual skill or accomplishment that distinguishes you from coworkers is part of your personal identity.

The opposing need for inclusion and assimilation with other people is fulfilled through our relational and collective self-concepts.[31] Human beings are social animals; they have an inherent drive to be associated with others and to be recognized as part of social communities. Thus, everyone defines themselves to some degree by their interpersonal and collective relationships.[32] *Social identity* (also called *external self-concept*) is the central theme of **social identity theory,** which says that people define themselves by the groups to which they belong or have an emotional attachment. For instance, someone might have a social identity as an American citizen, a University of Oregon alumnus, and an employee at Boston Consulting Group (see Exhibit 3.2).

social identity theory
a theory stating that people define themselves by the groups to which they belong or have an emotional attachment

EXHIBIT 3.2

Social Identity Theory Example
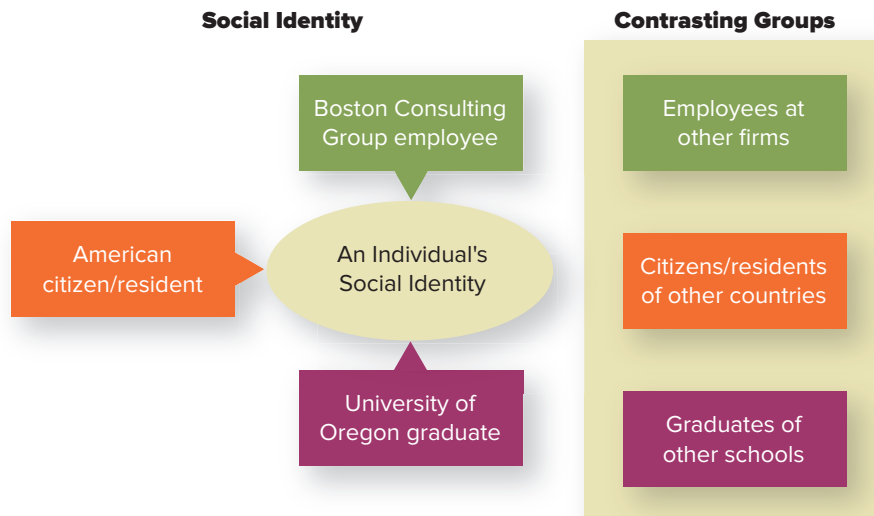
DeWalt is more than an enjoyable team-oriented place to work. For most employees, the industrial power tool company is also an important part of their social identity—how they define themselves. "Our employees are proud to tell people who they work for, what they do, and that they make products for the American worker right here in the United States," says an executive at DeWalt's parent company, Stanley Black & Decker. DeWalt has seven manufacturing facilities across the United States and its employees are brand ambassadors for its products.[34]

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Social identity is a complex combination of many memberships arranged in a hierarchy of importance. One factor that determines importance is how easily you are identified as a member of the reference group, such as by your gender, age, and ethnicity. A second factor is your minority status in a group. It is difficult to ignore your gender in a class where most other students are the opposite gender, for example. In that context, gender tends to become a stronger defining feature of your social identity than it is in social settings where there are many people of the same gender.

The group's status is another important social identity factor because association with the group makes us feel better about ourselves (i.e., self-enhancement). Medical doctors usually define themselves by their profession because of its high status. Some people describe themselves by where they work ("I work at Google") because their employer has a good reputation. Others never mention where they work because their employer is noted for poor relations with employees or has a poor reputation in the community.[33]

All of us try to balance our personal and social identities, but the priority for uniqueness (personal identities) versus belongingness (social identities) differs from one person to the next. People whose self-concepts are heavily defined by social rather than personal identities are more motivated to abide by team norms and more easily influenced by peer pressure. Those who place more emphasis on personal identities, on the other hand, speak out more frequently against the majority and are less motivated to follow the team's wishes. Furthermore, expressing disagreement with others is a sign of distinctiveness and can help employees form a clearer self-concept, particularly when that disagreement is based on differences in personal values.[35]

SELF-CONCEPT AND ORGANIZATIONAL BEHAVIOR

Self-concept has become a hot topic in the social sciences and is starting to bloom in organizational behavior research.[36] This section briefly noted that self-concept influences human perceptions, decision making, motivation, stress, team dynamics, leadership development, and several other OB topics. Therefore, you will read about self-concept throughout this book, including later parts of this chapter.

Perceiving the World around Us

3-2

perception
the process of receiving information about and making sense of the world around us

We spend considerable time perceiving ourselves, but most of our perceptual energy is directed toward the outer world. Whether as an information technology specialist, forensic accountant, or senior executive, we need to make sense of our surroundings and to manage the conditions that challenge the accuracy of those perceptions. **Perception** is the process of receiving information about and making sense of the world around us. It includes determining which information to notice, as well as how to categorize and interpret it within the framework of our existing knowledge.

The perceptual process generally follows the steps shown in Exhibit 3.3. Perception begins when environmental stimuli are received through our senses. Most stimuli that bombard our senses are screened out; the rest are organized and interpreted. The process of attending to some information received by our senses and ignoring other

EXHIBIT 3.3

Model of the Perceptual Process
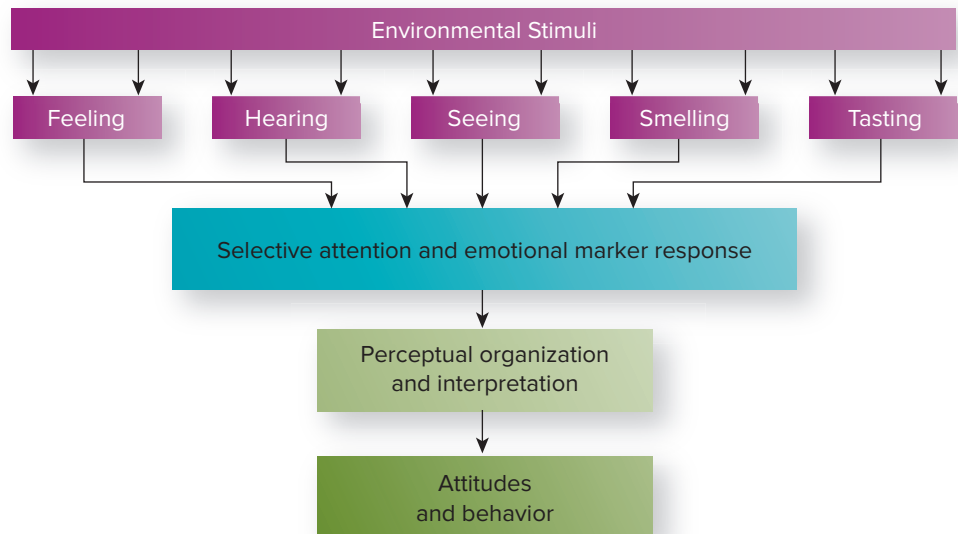
information is called **selective attention.** Selective attention is influenced by characteristics of the person or object being perceived, particularly size, intensity, motion, repetition, and novelty. For example, a small, flashing red light on a nurses' workstation console is immediately noticed because it is bright (intensity), flashing (motion), a rare event (novelty), and has symbolic meaning that a patient's vital signs are failing. Notice that selective attention is also influenced by the context in which the target is perceived. For instance, selective attention is triggered by things or people who might be out of context, such as someone with a foreign accent in a setting where most people have an American accent.

Characteristics of the perceiver also influence selective attention, usually without the perceiver's awareness.[37] When information is received through the senses, our brain quickly and nonconsciously assesses whether it is relevant or irrelevant to us and then attaches emotional markers (worry, happiness, boredom) to the retained information.[38] Emotional markers help us store information in memory; those emotions are later reproduced when recalling the perceived information. The selective attention process is far from perfect, however. The Greek philosopher Plato acknowledged this imperfection long ago when he wrote that we see reality only as shadows reflecting against the rough wall of a cave.[39]

One selective attention bias is the effect of our assumptions and expectations about future events. You are more likely to notice a particular coworker's email among the daily avalanche of messages when you expect to receive that email (even more so if it is important). Unfortunately, expectations and assumptions also cause us to screen out useful information. In one study, students were asked to watch a 30-second video clip in which several people passed around two basketballs. Students who were instructed to watch only the video clip easily noticed someone dressed in a gorilla suit walking among the players for nine seconds and stopping to thump his or her chest. But only half of the students who were asked to count the number of times one basketball was passed around noticed the intruding gorilla.[40]

Another selective attention problem, called **confirmation bias,** is the nonconscious tendency for people to screen out information that is contrary to their decisions, beliefs, values, and assumptions, whereas confirming information is more readily accepted through the perceptual process.[41] When we make important decisions, such as investing in a costly project, we tend to pay attention to information that supports that decision, ignore information that questions the wisdom of the decision, and more easily recall the supportive than the opposing information. Confirmation bias occurred, for example, in an

selective attention
the process of attending to some information received by our senses and ignoring other information

confirmation bias
the processing of screening out information that is contrary to our values and assumptions, and to more readily accept confirming information

global connections 3.1

Confirmation Bias Leads to False Arrests

"It is a capital mistake to theorize before you have all the evidence," warned the mythical detective Sherlock Holmes in *A Study in Scarlet*. "It biases the judgment." Law enforcement investigators try to follow this advice, but confirmation bias remains a common perceptual flaw when gathering and reviewing evidence. One recent example may have been the false arrest of Frank Cara for the murder of his father in Oshawa, Canada.

Frank Cara lived with his father, but was visiting family members elsewhere on the morning of his father's death. Yet police quickly concluded that he killed his father before leaving or after returning from the visit. Several months later, Frank was charged with second-degree murder and spent 10 months in jail awaiting trial. The charges were dropped when Frank's lawyer discovered police analysis of the father's pacemaker. The pacemaker data, which the police had inexplicably ignored, indicated that the father's death occurred during mid-morning,

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when Frank was visiting family. "It's difficult to come to any sort of conclusion here other than this was tunnel vision," says Frank's lawyer, pointing out that police were "ignoring a key piece in the whole puzzle that meant the other evidence was completely inadequate."[42]

exercise where student pilots became unsure of their location. The study found that the pilots tried to find their true location by relying on less reliable information that was consistent with their assumptions than on more accurate information that was contrary to those assumptions. Confirmation bias is also a well-known perceptual problem when police detectives and other forensic experts form theories too early in the investigation.[43]

PERCEPTUAL ORGANIZATION AND INTERPRETATION

We pay attention to a tiny fraction of the stimuli received by the senses. Even so, the human brain further reduces the huge volume and complexity of the information received through various perceptual grouping strategies. Perceptual grouping occurs mostly without our awareness, yet it is the foundation for making sense of things and fulfilling our need for cognitive closure. The most common and far-reaching perceptual grouping process is **categorical thinking**—the mostly nonconscious process of organizing people and objects into preconceived categories that are stored in our long-term memory.[44] People are usually grouped together based on their observable similarity, such as gender, age, race, clothing style, and so forth. We discuss this categorization process in the next section on stereotyping. People are also grouped together based on their proximity to each other. If you notice a group of employees working in the same area and know that some of them are marketing staff, you will likely assume that the others in that group are also marketing staff.

categorical thinking
organizing people and objects into preconceived categories that are stored in our long-term memory

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SELF-ASSESSMENT 3.4: How Much Perceptual Structure do You Need?

Some people have a greater need than do others to quickly or completely "make sense" of things around them. This personal need for perceptual structure relates to selective attention as well as perceptual organization and interpretation. You can discover your need for perceptual structure by locating this self-assessment in Connect if it is assigned by your instructor.

Another form of perceptual grouping involves filling in missing information. This occurs when you are unable to attend a meeting. When listening to others discuss what happened at that meeting, your mind fills in unstated details, such as who else attended and where it was held. Perceptual grouping also occurs when we think we see trends in otherwise ambiguous information. Several studies have found that people have a natural tendency to see patterns that, in fact, are random events. For example, people incorrectly believe that a sports player or gambler with a string of wins is more likely to win next time as well.[45]

Along with perceptual grouping, making sense of the world around us involves interpreting information. This happens as quickly as selecting and organizing because the previously mentioned emotional markers are tagged to incoming stimuli, which are essentially quick judgments about whether that information is good or bad for us. How much time does it take to make these quick judgments? Recent studies estimate that we make reliable judgments about another individual's trustworthiness after viewing a facial image for as little as 50 milliseconds (1/20th of a second). In fact, whether we see a face for a minute or for just 200 milliseconds, our opinion of whether we like or trust that person is about the same.[46] Collectively, these studies reveal that selective attention, perceptual organization, and interpretation operate very quickly and to a large extent without our awareness.

Mental Models   To achieve our goals with some degree of predictability and sanity, we need road maps of the environments in which we live. These road maps, called **mental models,** are knowledge structures that we develop to describe, explain, and predict the world around us.[47] They consist of visual or relational images in our mind, such as what the classroom looks like or what happens when we submit an assignment late. Mental models partly rely on the process of perceptual grouping to make sense of things; they fill in the missing pieces, including the causal connection among events. For example, you have a mental model about attending a class lecture or seminar, including assumptions or expectations about where the instructor and students arrange themselves in the room, how they ask and answer questions, and so forth. In other words, we create a mental image of a class in progress.

Mental models are important for sense making, yet they also make it difficult to see the world in different ways. For example, accounting professionals tend to see corporate problems from an accounting perspective, whereas marketing professionals see the same problems from a marketing perspective. Mental models also block our recognition of new opportunities. How do we change mental models? That's a tough challenge. After all, we developed these knowledge structures from several years of experience and reinforcement. The most important way to minimize the perceptual problems with mental models is to be aware of and frequently question them. We need to ask ourselves about the assumptions we make. Working with people from diverse backgrounds is another way to break out of existing mental models. Colleagues from different cultures and areas of expertise tend to have different mental models, so working with them makes our own assumptions more obvious.

mental models
knowledge structures that we develop to describe, explain, and predict the world around us

Specific Perceptual Processes and Problems

3-3

Within the general perceptual process are specific subprocesses and associated perceptual errors. In this section of the chapter, we examine several of these perceptual processes and biases as well as their implications for organizational behavior, beginning with the most widely known one: stereotyping.

STEREOTYPING IN ORGANIZATIONS

One reason why there are few women in science and technology occupations (other than biology and medicine) is that they, along with family and friends, tend to hold an

Not long ago, 100 people congregated along a block of Broadway and started dancing to the beat of "Party Rock Anthem." Flash mobs aren't unusual in this section of midtown Manhattan, but the group surprised many watchers because they were accountants from New Jersey. "Most people are like, 'I can't believe these are a bunch of accountants,'" recalls Withum partner Jim Bourke, where the flash mob participants are employed. Along with celebrating a recent merger, the event chipped away at old stereotypes by showing that accountants know how to have fun. "We play hard, and we work hard as well," said Christina Fessler, a 28-year-old CPA at Withum. "It really can be fun. And I think the era of the suit and tie at work every day is over."[48]
© Withum

stereotyping
the process of assigning traits to people based on their membership in a social category

unflattering stereotype of people in this field. Research indicates that both women and men tend to stereotype computer scientists as intellectual geniuses who are socially inept, in relatively poor health, loners, and fanatically addicted to their computers as well as to science fiction and video games.[49] Although most stereotypes typically have a few kernels of truth, the opening case study pointed out that the IT stereotype seems to be far removed from reality. In other words, people have a stereotype of IT professionals that is neither accurate nor desirable for most women.

Stereotyping is the perceptual process in which we assign characteristics to an identifiable group and then automatically transfer those features to anyone we believe is a member of that group.[50] The assigned characteristics tend to be difficult to observe, such as personality traits and abilities, but they can also include physical characteristics and a host of other qualities. Stereotypes are formed to some extent from personal experience, but they are mainly provided to us through media images (e.g., movie characters) and other cultural prototypes. Consequently, stereotypes are shared beliefs across an entire society and sometimes across several cultures, rather than beliefs that differ from one person to the next.

Stereotyping involves assigning a group's perceived attributes to individuals known or believed to be members of that group. If we learn that someone is a professor, for example, we implicitly assume the person is probably also intelligent, absent-minded, and socially challenged. Historically, stereotypes were defined as exaggerations or falsehoods. This is frequently true, but some features of the stereotype are more likely to exist among its group members than in the general population.[51] Still, stereotypes tend to embellish or distort the kernels of truth and include other features that are false.

Why People Stereotype   Stereotyping occurs because, as a form of categorical thinking, it is a usually nonconscious "energy-saving" process that simplifies our understanding of the world. It is easier to remember features of a stereotype than the constellation of characteristics unique to everyone we meet. A second reason for stereotyping is that we have an innate need to understand and anticipate how others will behave. We don't have much information when first meeting someone, so we rely on stereotypes to fill in the missing pieces. The higher the perceiver's need for cognitive closure, the higher the reliance on stereotypes.[52]

A third explanation for stereotyping is that it is motivated by the observer's need for social identity and self-enhancement. Earlier in this chapter we explained that people define themselves by the groups to which they belong or have an emotional attachment. They are also motivated to maintain a positive self-concept. This combination of social

identity and self-enhancement leads to the process of categorization, homogenization, and differentiation:[53]

- *Categorization.* Social identity is a comparative process, and the comparison begins by categorizing people into distinct groups. By viewing someone (including yourself) as a Texan, for example, you remove that person's individuality and, instead, see him or her as a prototypical representative of the group called Texans. This categorization then allows you to distinguish Texans from people who live in, say, California or Maine.

- *Homogenization.* To simplify the comparison process, we tend to think that people within each group are very similar to each other. For instance, we think Texans collectively have similar attitudes and characteristics, whereas Californians collectively have their own set of characteristics. Of course, every individual is unique, but we often lose sight of this fact when thinking about our social identity and how we compare to people in other social groups.

- *Differentiation.* Along with categorizing and homogenizing people, we tend to assign more favorable characteristics to people in our groups than to people in other groups.[54] This differentiation is motivated by self-enhancement because being in a "better" group produces higher self-esteem. Differentiation is often subtle, but it can escalate into a "good guy–bad guy" contrast when groups engage in overt conflict with each other. In other words, when out-group members threaten our self-concept, we are particularly motivated (often without our awareness) to assign negative stereotypes to them. Some research suggests that men have stronger differentiation biases than do women, but we all differentiate to some extent.

Problems with Stereotyping   Everyone engages in stereotyping, but this process distorts perceptions in various ways. One distortion is that stereotypes do not accurately describe every person in a social category. The traditional accountant stereotype (boring, cautious, calculating) perhaps describes a few accountants, but it is certainly not characteristic of all, or even most, people in this profession. Nevertheless, once we categorize someone as an accountant, the stereotypic nonobservable features of accountants are transferred to that person, even though we have no evidence that the person actually has those characteristics.

stereotype threat
an individual's concern about confirming a negative stereotype about his or her group

A second problem with stereotyping is **stereotype threat,** a phenomenon whereby members of a stereotyped group are concerned that they might exhibit a negative feature of the stereotype. This concern and preoccupation adversely affects their behavior and performance, which often results in displaying the stereotype trait they are trying to avoid.[55] For example, women perform worse on math and science tests when sensitized to the generally false but widely held belief that women perform worse than men in these subjects. Test scores among women are lower even when they are a small minority with men in the class. Women achieve much higher scores when the gender stereotype or their minority status is not apparent, such as when taking the test with many women in the class.

Almost anyone can be affected by stereotype threat, but studies have particularly observed it in African Americans and other minority groups as well as older people. Stereotype threat occurs because members of a stereotyped group anxiously try to avoid confirming the undesirable trait and try to push the negative image from their mind. These two cognitive activities divert energy and attention, which makes it more difficult to perform the task well. The negative stereotype can also weaken self-efficacy; it is difficult to be confident in your ability when your group's stereotype suggests otherwise.

A third problem with stereotyping is that it lays the foundation for discriminatory attitudes and behavior. Most of this perceptual bias occurs as *unintentional (systemic) discrimination*, whereby decision makers rely on stereotypes to establish notions of the "ideal" person in specific roles. A person who doesn't fit the ideal has to work harder to get the same evaluation as someone who is compatible with the occupational stereotype.

global connections 3.2

Perceptual Barriers to Women on Corporate Boards[56]

Women represent more than one-third of the workforce and upwards of 20 percent of middle managers in many countries, yet they comprise less than 12 percent of corporate board members worldwide. Some say the problem is mainly systemic discrimination, such as non-consciously relying on a male prototype of the ideal board member when selecting candidates for this role. Others suggest the lack of women in the boardroom is due to more explicit prejudice. Female corporate board members are rarest in some Middle Eastern countries (1 percent or less) and Japan (3.1 percent). They have the highest percentage of board seats in Norway (40 percent), Sweden and France (34 percent), and Finland (34 percent). Women occupy between 15 and 20 percent of boardroom positions in the United States, Canada, and the United Kingdom.

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Systemic discrimination may partly explain why women are more likely than men to leave information technology careers. "Coming up through the technical ranks I have always felt that I had to work twice as hard to get equal recognition as my male counterparts," says Andrea Walker, an information security specialist at the BBC in London. Walker points out that her male colleagues treat her as an equal. But their mistakes are usually quickly forgotten, whereas her errors receive more attention because they affirm the (false) stereotype that IT is more difficult for women.[57]

Unintentional systemic discrimination also affects employment opportunities and salaries. Consider the following example: Science faculty from several research intensive universities were given the application materials of an undergraduate student who was purportedly applying for a science laboratory manager job. Half of the faculty reviewed materials from a male applicant; the other half looked at materials from a female applicant. The male and female applicant materials were identical except for the name, yet the male applicant received significantly higher ratings than a female applicant on competence and hireability. Furthermore, faculty members recommended an average salary of of $30,238 for the male applicant but only $26,507 for the female applicant. Female faculty exhibited as much gender bias as the male faculty.[58]

Worse than systemic discrimination is *intentional discrimination* or *prejudice,* in which people hold unfounded negative attitudes toward people belonging to a particular stereotyped group.[59] Systemic discrimination is implicit, automatic, and unintentional, whereas intentional discrimination deliberately puts the target person at an unfair disadvantage. It would be nice to believe that prejudice is disappearing, but unfortunately it still exists. For instance, the U.S. Department of Labor recently found preliminary evidence that a popular Manhattan photo and electronics retailer forced Hispanic warehouse workers to use an unsanitary bathroom whereas white coworkers had better facilities. The company also allegedly paid many Hispanic employees significantly less than their white counterparts and was biased against hiring female, African American, and Asian applicants.[60]

If stereotyping is such a problem, shouldn't we try to avoid this process altogether? Unfortunately, it's not that simple. Most experts agree that categorical thinking

(including stereotyping) is an automatic and nonconscious process. Specialized training programs can minimize stereotype activation to some extent, but for the most part the process is hardwired in our brain cells.[61] Also remember that stereotyping helps us in several valuable (although fallible) ways described earlier: minimizing mental effort, filling in missing information, and supporting our social identity. The good news is that while it is very difficult to prevent the *activation* of stereotypes, we can minimize the *application* of stereotypic information. In other words, although we automatically categorize people and assign stereotypic traits to them, we can consciously minimize the extent to which we rely on that stereotypic information. Later in this chapter, we identify ways to minimize stereotyping and other perceptual biases.

ATTRIBUTION THEORY

attribution process
the perceptual process of deciding whether an observed behavior or event is caused largely by internal or external factors

Another widely discussed perceptual phenomenon in organizational settings is the **attribution process.**[62] Attribution involves forming beliefs about the causes of behavior or events. Generally, we perceive whether an observed behavior or event is caused mainly by characteristics of the person (internal factors) or by the environment (external factors). Internal factors include the person's ability or motivation, whereas external factors include resources, coworker support, or luck. If someone doesn't show up for an important meeting, for instance, we infer either internal attributions (the coworker is forgetful, lacks motivation, etc.) or external attributions (traffic, a family emergency, etc.) to make sense of the person's absence.

People rely on the three attribution rules—consistency, distinctiveness, and consensus—to decide whether someone's behavior and performance are mainly caused by their personal characteristics or environmental influences (see Exhibit 3.4).[63] To illustrate how these three attribution rules operate, imagine a situation where an employee is

EXHIBIT 3.4

Attribution Theory Rules

Internal Attribution
Behavior is attributed to personal factors

Yes (high consistency)	Yes (low distinctiveness)	No (low consensus)
Consistency	**Distinctiveness**	**Consensus**
Did this person act this way in this situation in the past?	Does this person act this way in other situations?	Do other people act this way in this situation?
Yes (high consistency)	No (high distinctiveness)	Yes (high consensus)

External Attribution
Behavior is attributed to situational factors

making poor-quality products on a particular machine. We would probably conclude that the employee lacks skill or motivation (an internal attribution) if the employee consistently makes poor-quality products on this machine (high consistency), the employee makes poor-quality products on other machines (low distinctiveness), and other employees make good-quality products on this machine (low consensus).

In contrast, we would decide that there is something wrong with the machine (an external attribution) if the employee consistently makes poor-quality products on this machine (high consistency), the employee makes good-quality products on other machines (high distinctiveness), and other employees make poor-quality products on this machine (high consensus). Notice that consistency is high for both internal and external attributions. This occurs because low consistency (the person's output quality on this machine is sometimes good and sometimes poor) weakens our confidence about whether the source of the problem is the person or the machine.

The attribution process is important because understanding cause–effect relationships enables us to work more effectively with others and to assign praise or blame to them.[64] Suppose a coworker didn't complete his or her task on a team project. You would approach this situation differently if you believed the coworker was lazy or lacked sufficient skill (an internal attribution) than if you believed the poor performance was due to lack of time or resources available to the coworker (an external attribution). Similarly, our respect for a leader depends on whether we believe his or her actions are due to personal characteristics or the situation. We also react differently to attributions of our own behavior and performance. Students who make internal attributions about their poor grades, for instance, are more likely to drop out of their programs than if they make external attributions about those grades.[65]

Attribution Errors   We are strongly motivated to assign internal or external attributions to someone's behavior, but this perceptual process is also susceptible to errors. One such error is **self-serving bias**—the tendency to attribute our failures to external causes more than internal causes, while successes are due more to internal than external factors.[66] Simply put, we take credit for our successes and blame others or the situation for our mistakes. In annual reports, for example, executives mainly refer to their personal qualities as reasons for the company's successes and to competitors, unexpected legislation, and other external factors as reasons for the company's failures. Similarly, entrepreneurs in one recent study overwhelmingly cited situational causes for their business failure (funding, economy), whereas they understated personal causes such as lack of vision and poor social skills.[67]

Why do people engage in self-serving bias? Fictional New York crime investigator Philo Vance gave us the answer nearly a century ago when he quipped: "Bad luck is merely a defensive and self-consoling synonym for inefficiency."[68] In other words, self-serving bias is associated with the self-enhancement process described earlier in this chapter. By pointing to external causes of their own failures (e.g., bad luck) and internal causes of their successes, people generate a more positive (and self-consoling) self-concept.

Another widely studied attribution error is **fundamental attribution error** (also called *correspondence bias*), which is the tendency to overemphasize internal causes of another person's behavior and to discount or ignore external causes of their behavior.[69] According to this perceptual error, we are more likely to attribute a coworker's late arrival for work to lack of motivation rather than to situational constraints (such as traffic congestion). The explanation for fundamental attribution error is that observers can't easily see the external factors that constrain another person's behavior. Also, people like to think that human beings (not the situation) are the prime sources of their behavior. However, fundamental attribution error might not be as common or severe as was previously

self-serving bias
the tendency to attribute our favorable outcomes to internal factors and our failures to external factors

fundamental attribution error
the tendency to see the person rather than the situation as the main cause of that person's behavior

**The Self-Fulfilling
Prophecy Cycle**

```
        ┌─────────────────────────┐
        │ 1. Supervisor forms     │
        │    expectations about   │
        │    the employee         │
        └─────────────────────────┘

┌──────────────────────┐        ┌──────────────────────┐
│ 4. Employee's behavior│        │ 2. Supervisor's       │
│ becomes more consistent│       │ expectations affect   │
│ with the supervisor's │        │ his/her behavior toward│
│ initial expectations  │        │ the employee          │
└──────────────────────┘        └──────────────────────┘

        ┌─────────────────────────┐
        │ 3. Supervisor's behavior│
        │    affects the employee's│
        │    ability and motivation│
        │    (self-confidence)    │
        └─────────────────────────┘
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thought. There is evidence that people from Asian countries are less likely to engage in this bias because those cultures emphasize the context of behavior more than do Western cultures.[70] But a recent review of past studies suggests that fundamental attribution error isn't very noticeable in any society.[71]

SELF-FULFILLING PROPHECY

self-fulfilling prophecy
the perceptual process in which our expectations about another person cause that person to act more consistently with those expectations

Self-fulfilling prophecy occurs when our expectations about another person cause that person to act in a way that is consistent with those expectations. In other words, our perceptions can influence reality. Exhibit 3.5 illustrates the four steps in the self-fulfilling prophecy process using the example of a supervisor and a subordinate.[72] The process begins when the supervisor forms expectations about the employee's future behavior and performance. These expectations are sometimes inaccurate, because first impressions are usually formed from limited information. The supervisor's expectations influence his or her behavior toward employees. In particular, high-expectancy employees (those expected to do well) receive more emotional support through nonverbal cues (e.g., more smiling and eye contact), more frequent and valuable feedback and reinforcement, more challenging goals, better training, and more opportunities to demonstrate good performance.[73]

The third step in self-fulfilling prophecy includes two effects of the supervisor's behavior on the employee. First, through better training and more practice opportunities, a high-expectancy employee learns more skills and knowledge than a low-expectancy employee. Second, the employee becomes more self-confident, which results in higher motivation and willingness to set more challenging goals.[74] In the final step, high-expectancy employees have higher motivation and better skills, resulting in better performance, while the opposite is true of low-expectancy employees.

Self-fulfilling prophecy has been observed in many contexts. In one study, four Israeli Defense Force combat command course instructors were told that one-third of the incoming trainees had high command potential, one-third had normal potential, and the rest had unknown potential. The trainees had been randomly placed into these categories by the researchers, but the instructors were led to believe that the information they received was accurate. Consistent with self-fulfilling prophecy, high-expectancy soldiers performed significantly better by the end of the course than did trainees in the other groups. They also had more favorable attitudes toward the course and the instructor's leadership effectiveness. Other studies have reported that the initial expectations managers and teachers have of their employees and students tend to influence the self-perceptions (particularly self-efficacy) of those followers and can lead to higher or lower performance. An analysis of dozens of leader intervention studies over the years found that self-fulfilling prophecy is one of the most powerful leadership effects on follower behavior and performance.[75]

Contingencies of Self-Fulfilling Prophecy   The self-fulfilling prophecy effect is stronger in some situations than in others. It has a stronger effect at the beginning of a relationship, such as when employees are first hired. It is also stronger when several people (rather than just one person) hold the same expectations of the individual. In other words, we might be able to ignore one person's doubts about our potential but not the collective doubts of several people. The self-fulfilling prophecy effect is also stronger among people with a history of low achievement. These people tend to have lower self-esteem, so they are more easily influenced by others' opinions of them.[76]

The main lesson from the self-fulfilling prophecy literature is that leaders need to develop and maintain a positive, yet realistic, expectation toward all employees. This recommendation is consistent with the emerging philosophy of **positive organizational behavior,** which suggests that focusing on the positive rather than negative aspects of life will improve organizational success and individual well-being. Communicating hope and optimism is so important that it is identified as one of the critical success factors for physicians and surgeons. Training programs that make leaders aware of the power of positive expectations seem to have minimal effect, however. Instead, generating positive expectations and hope depends on a corporate culture of support and learning. Hiring supervisors who are inherently optimistic toward their staff is another way of increasing the incidence of positive self-fulfilling prophecies.

OTHER PERCEPTUAL EFFECTS

Self-fulfilling prophecy, attribution, and stereotyping are among the most common perceptual processes and biases in organizational settings, but there are many others. Four additional biases that have received attention in organizational settings are briefly described below.

Halo Effect   The **halo effect** occurs when our general impression of a person, usually based on one prominent characteristic, distorts our perception of other characteristics of that person.[77] If a supervisor who values punctuality notices that an employee is sometimes late for work, the supervisor might form a negative image of the employee and evaluate that person's other traits unfavorably as well. The halo effect is most likely to occur when important information about the perceived target is missing or we are not sufficiently motivated to search for it. Instead, we use our general impression of the person to fill in the missing information.

False-Consensus Effect   The **false-consensus effect** (also called *similar-to-me effect*) occurs when people overestimate the extent to which others have similar beliefs or behaviors to our own.[78] Employees who are thinking of quitting their jobs overestimate the percentage of coworkers who are also thinking about quitting, for example. There are several explanations for false-consensus effect. One is that we are comforted believing that others are similar to us, particularly regarding less acceptable or divisive behavior. Put differently, we perceive "everyone does it" to reinforce our self-concept regarding behaviors that do not have a positive image (quitting our job, parking illegally, etc.).

A second explanation for false-consensus effect is that we interact more with people who have similar views and behaviors. This frequent interaction causes us to overestimate how common those views/behaviors are in the entire organization or society.

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positive organizational behavior
a perspective of organizational behavior that focuses on building positive qualities and traits within individuals or institutions as opposed to focusing on what is wrong with them

halo effect
a perceptual error whereby our general impression of a person, usually based on one prominent characteristic, colors our perception of other characteristics of that person

false-consensus effect
a perceptual error in which we overestimate the extent to which others have beliefs and characteristics similar to our own

Third, as noted earlier in this chapter, we are more likely to remember information that is consistent with our own views and selectively screen out information that is contrary to our beliefs. Fourth, our social identity process homogenizes people within groups, so we tend to think that everyone in that group has similar opinions and behavior, including the false-consensus attitude or behavior.

Primacy Effect   The **primacy effect** is our tendency to rely on the first information we receive about people to quick form an opinion of people of them.[79] It is the notion that first impressions are lasting impressions. This rapid perceptual organization and interpretation occurs because we need to make sense of the situation and, in particular, to trust others. The problem is that first impressions—particularly negative first impressions—are difficult to change. After categorizing someone, we tend to select subsequent information that supports our first impression and screen out information that opposes that impression.

Recency Effect   The **recency effect** occurs when the most recent information dominates our perceptions.[80] This perceptual bias is most common when people (especially those with limited experience) make a decision involving complex information. For instance, auditors must digest large volumes of information in their judgments about financial documents, and the most recent information received prior to the decision tends to get weighted more heavily than information received at the beginning of the audit. Similarly, when supervisors evaluate the performance of employees over the previous year, the most recent performance information dominates the evaluation because it is the most easily recalled.

Improving Perceptions

3-4

We can't bypass the perceptual process, but we should try to minimize perceptual biases and distortions. Three potentially effective ways to improve perceptions include awareness of perceptual biases, self-awareness, and meaningful interaction.

AWARENESS OF PERCEPTUAL BIASES

One of the most obvious and widely practiced ways to reduce perceptual biases is by knowing that they exist. For example, diversity awareness training tries to minimize discrimination by making people aware of systemic discrimination as well as prejudices that occur through stereotyping. This training also attempts to dispel myths about people from various cultural and demographic groups. Awareness of perceptual biases can reduce these biases to some extent by making people more mindful of their thoughts and actions. However, awareness training has only a limited effect.[81] One problem is that teaching people to reject incorrect stereotypes has the unintended effect of reinforcing rather than reducing reliance on those stereotypes. Another problem is that diversity training is ineffective for people with deeply held prejudices against those groups.

IMPROVING SELF-AWARENESS

A more successful way to minimize perceptual biases is by increasing self-awareness.[82] We need to become more aware of our beliefs, values, and attitudes and, from that insight, gain a better understanding of biases in our own decisions and behavior. This self-awareness tends to reduce perceptual biases by making people more open-minded and nonjudgmental toward others. Self-awareness is equally important in other ways. The emerging concept of authentic leadership emphasizes self-awareness as the first step in a person's ability to effectively lead others (see Chapter 12). Essentially, we

primacy effect
a perceptual error in which we quickly form an opinion of people based on the first information we receive about them

recency effect
a perceptual error in which the most recent information dominates our perception of others

debating point

DO DIVERSITY PROGRAMS ACTUALLY REDUCE PERCEPTUAL BIASES?[83]

Diversity training programs are well-entrenched bastions in the battle against workplace discrimination. In most programs, participants are reminded to respect cultural and gender differences. They also learn about common assumptions and biases that people make about other demographic groups. When companies lose discrimination cases, one of the first requirements is that they introduce diversity training to remedy the problem.

In spite of the good intentions, diversity training might not be as useful as one would hope. One concern is that most sessions are mandatory, so employees aren't really committed to their content. Biases and prejudices are deeply anchored, so a half-day lecture and group chat on diversity won't change employee perceptions and behavior. Even if these programs motivate employees to be more tolerant of others and to avoid stereotypes, these good intentions evaporate quickly in companies that lack a diversity culture.

Perversely, the mere presence of diversity training may have the opposite effect to its good intentions. There is some evidence that discussing demographic and cultural differences increases rather than decreases stereotyping. Students in one study showed more bias against elderly people after watching a video encouraging them to be less biased against older people! Diversity training programs might also produce defensive or stressful emotions among participants. One program for incoming students at the University of Delaware was canceled after white students complained it made them feel racist, and gay students felt pressured to reveal their sexual orientation.

Studies also report that diversity awareness programs create an illusion of fairness. Disadvantaged employees in companies with these programs are more likely to believe their employer doesn't engage in unfair discrimination. However, this perception of fairness makes employees less aware of incidents where the company does engage in unfair discrimination.

need to understand our own values, strengths, and biases as a foundation for building a vision and leading others toward that vision.[84]

But how do we become more self-aware? One approach is to complete formal tests that indicate any implicit biases we might have toward others. The Implicit Association Test (IAT) is one such instrument. Although the accuracy of the IAT is being hotly debated by scholars, it attempts to detect subtle racial, age, gender, disability, and other forms of bias by associating positive and negative words with specific groups of people.[85] For example, one recent study reported that most of the 176,935 people completing the IAT test had a strong science-is-male stereotype, even in subdisciplines where women represent a large percentage of the profession. Most people completing that test associate science with men. Many people are much more cautious about their stereotypes and prejudices after discovering that their test results show a personal bias against older people or individuals from different ethnic backgrounds.[86]

Another way to reduce perceptual biases through increased self-awareness is by applying the **Johari Window.**[87] Developed by Joseph Luft and Harry Ingram (hence the name "Johari"), this model of self-awareness and mutual understanding divides information about you into four "windows"—open, blind, hidden, and unknown—based on whether your own values, beliefs, and experiences are known to you and to others (see Exhibit 3.6). The *open area* includes information about you that is known both to you and to others. The *blind area* refers to information that is known to others but not to you. For example, your colleagues might notice that you are self-conscious and awkward when meeting the company's chief executive officer, but you are unaware of this fact. Information known to you but unknown to others is found in the *hidden area.* Finally, the *unknown area* includes your values, beliefs, and experiences that are buried so deeply that neither you nor others are aware of them.

The main objective of the Johari Window is to increase the size of the open area so that both you and your colleagues are aware of your perceptual limitations. This objective is partly accomplished by reducing the hidden area through *disclosure*—informing others of your beliefs, feelings, and experiences that may influence the work relationship. The open area also increases through *feedback* from others about your behavior. Feedback reduces your blind area because, according to recent studies, people near you

Johari Window

a model of mutual understanding that encourages disclosure and feedback to increase our own open area and reduce the blind, hidden, and unknown areas

EXHIBIT 3.6

Johari Window Model of Self-Awareness and Mutual Understanding

Source: Based on J. Luft, *Of Human Interaction* (Palo Alto, CA: National Press Books, 1969).

Feedback from others →

	Known to self	Unknown to self
Known to others	Open area	Blind area
Unknown to others	Hidden area	Unknown area

Disclosure to others ↓
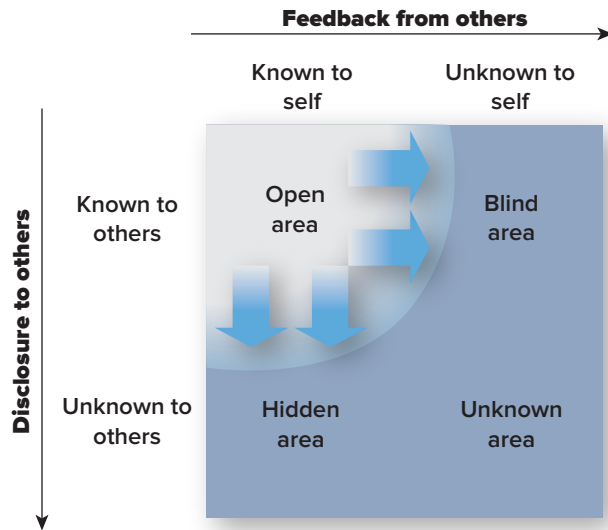
are good sources of information about many (but not all) of your traits and behaviors.[88] Finally, the combination of disclosure and feedback occasionally produces revelations about you in the unknown area.

MEANINGFUL INTERACTION

The Johari Window relies on direct conversations about ourselves and others, whereas *meaningful interaction* is a more indirect, yet potentially powerful, approach to improving self-awareness and mutual understanding.[89] Meaningful interaction is any activity in which people engage in valued (meaningful, not trivial) activities. The activities might be work related, such as when senior executives work alongside frontline staff. Or the activities might occur outside the workplace, such as when sales staff from several countries participate in outdoor challenges.

Meaningful interaction is founded on the **contact hypothesis,** which states that, under certain conditions, people who interact with each other will be less perceptually biased because they have a more personal understanding of the other person and their group.[90] Simply spending time with members of other groups can improve this understanding to some extent. However, meaningful interaction is strongest when people work closely and frequently with each other on a shared goal that requires mutual cooperation and reliance. Furthermore, everyone should have equal status in that context, should be engaged in a meaningful task, and should have positive experiences with each other in those interactions.

contact hypothesis
a theory stating that the more we interact with someone, the less prejudiced or perceptually biased we will be against that person

Rick Forman developed a newfound appreciation for the work and personal lives of his employees when he recently worked in disguise as a checkout cashier, washroom cleaner, and distribution center forklift operator. The founder and CEO of Forman Mills, a New Jersey–based discount clothing chain, had several frustrating experiences with outdated equipment and misguided work processes, which he later changed. Heartfelt conversations with coworkers (who didn't know he was the CEO) also gave Forman a reality check about how his 2,900 employees live and work. "It made me realize what people are going through," says Forman. "You are actually talking to real people and you can empathize with their lives."[91]
© Tom Gralish/Philadelphia Inquirer/YGS Group

Meaningful interaction reduces dependence on stereotypes because we gain better knowledge about individuals and experience their unique attributes in action. Meaningful interaction also potentially improves empathy toward others. **Empathy** refers to understanding and being sensitive to the feelings, thoughts, and situations of others.[92] People empathize when they visualize themselves in the other person's place as if they are the other person. This perceptual experience is cognitive, emotional, and experiential. In other words, empathy occurs when we understand the other person's situation, feel his or her emotions in that context, and to some degree react to those thoughts and feelings as the other person does. Empathizing reduces attribution errors by improving our sensitivity to the external causes of another person's performance and behavior. A supervisor who imagines what it's like to be a single mother, for example, would become more sensitive to the external causes of lateness and other events among such employees. However, trying to empathize with others without spending time with them might actually increase rather than reduce stereotyping and other perceptual biases.[93]

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connect

SELF-ASSESSMENT 3.5: How Strong Is Your Perspective Taking (Cognitive Empathy)?

Empathy refers to a person's understanding of and sensitivity to the feelings, thoughts, and situation of others. The "understanding" part of empathy is called perspective taking or cognitive empathy. It refers to a rational understanding of another person's circumstances. You can discover your level of cognitive empathy by locating this self-assessment in Connect if it is assigned by your instructor.

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connect

SELF-ASSESSMENT 3.6: How Strong Is Your Emotional Empathy?

Empathy refers to a person's understanding of and sensitivity to the feelings, thoughts, and situation of others. The "sensitivity" part of empathy is called emotional empathy. It refers to experiencing the feelings of the other person. You can discover your level of emotional empathy by locating this self-assessment in Connect if it is assigned by your instructor.

Global Mindset: Developing Perceptions across Borders

3-5

Rakuten Inc. is Japan's most popular e-commerce website and one of the 10 largest Internet companies in the world. The Tokyo-based firm is rapidly expanding beyond Japanese borders, which demands a more global focus. "In the online business, which easily crosses national boundaries, domestic companies are not our sole rivals," explains Rakuten CEO Hiroshi Mikitani. Therefore, Mikitani recently made English the company's official in-house language. Even more important, Rakuten is seeking out job applicants with international experience and a mindset to match. "Since we declared our intention to make English our official language, we've had more applicants that clearly have a global mindset," says Mikitani.[94]

Global mindset has become an important attribute of job applicants at Rakuten and other companies with international operations. A **global mindset** refers to an individual's ability to perceive, know about, and process

empathy
a person's understanding of and sensitivity to the feelings, thoughts, and situations of others

global mindset
an individual's ability to perceive, appreciate, and empathize with people from other cultures, and to process complex cross-cultural information

global connections 3.3

Encouraging a Global Mindset in a Global Business[95]

Global mindset is so important at Keppel Offshore & Marine that it is one of the core values at the Singapore-based offshore rig designer and builder. "Our goal is to develop well-rounded and committed people with integrity and a global mindset to drive value for the company and our stakeholders," says Keppel's recruiting literature. Keppel employees develop a global mindset by visiting and working at the company's worldwide operations and attending sessions where coworkers have returned from international visits. "I think that overseas exposure can help to develop a person professionally and personally," says a Keppel executive.

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information across cultures. It includes (a) an awareness of, openness to, and respect for other views and practices in the world; (b) the capacity to empathize and act effectively across cultures; (c) the ability to process complex information about novel environments; and (d) the ability to comprehend and reconcile intercultural matters with multiple levels of thinking.[96]

Let's look at each of these features. First, global mindset occurs as people develop more of a global than local/parochial frame of reference about their business and its environment. They also have more knowledge and appreciation of many cultures and do not judge the competence of others by their national or ethnic origins. Second, global mindset includes understanding the mental models held by colleagues from other cultures as well as their emotional experiences in a given situation. Furthermore, this empathy translates into effective use of words and behaviors that are compatible with the local culture. Third, people with a strong global mindset are able to process and analyze large volumes of information in new and diverse situations. Finally, global mindset involves the capacity to quickly develop useful mental models of situations, particularly at both a local and global level of analysis.

A global mindset offers tremendous value to organizations as well as to the employee's career opportunities.[97] People who develop a global mindset form better relationships across cultures by understanding and showing respect to distant colleagues and partners. They can sift through huge volumes of ambiguous and novel information transmitted in multinational relationships. They have a capacity to form networks and exchange resources more rapidly across borders. They also develop greater sensitivity and respond more quickly to emerging global opportunities.

DEVELOPING A GLOBAL MINDSET

Developing a global mindset involves improving one's perceptions, so the practices described earlier on awareness, self-awareness, and meaningful interaction are relevant. As with most perceptual capabilities, a global mindset begins with self-awareness—understanding one's own beliefs, values, and attitudes. Through self-awareness, people are more open-minded and nonjudgmental when receiving and processing complex information for decision making. In addition, companies develop a global mindset by giving employees opportunities to compare their own mental models with those of coworkers or partners from other regions of the world. For example, employees might participate in online forums about how well the product's design or marketing strategy is received in

the United States versus India or Chile. When companies engage in regular discussions about global competitors, suppliers, and other stakeholders, they eventually move the employee's sphere of awareness more toward that global level.

A global mindset develops through better knowledge of people and cultures. Some of that knowledge is acquired through formal programs, such as expatriate and diversity training, but deeper absorption results from immersion in those cultures. Just as executives need to experience frontline jobs to better understand their customers and employees, employees also need to have meaningful interaction with colleagues from other cultures in those settings. The more people immerse themselves in the local environment (such as following local practices, eating local food, and using the local language), the more they tend to understand the perspectives and attitudes of their colleagues in those cultures. "We need people with a global mindset, and what better way to develop a global mindset, and what more realistic way, than for somebody to have an immersion experience with just enough safety net," says an Ernst & Young senior executive.[98]

chapter summary

3-1   Describe the elements of self-concept and explain how each affects an individual's behavior and well-being.

Self-concept includes an individual's self-beliefs and self-evaluations. It has three structural characteristics—complexity, consistency, and clarity—all of which influence employee well-being, behavior, and performance. People are inherently motivated to promote and protect their self-concept (self-enhancement) and to verify and maintain their existing self-concept (self-verification). Self-evaluation consists of self-esteem, self-efficacy, and locus of control. Self-concept also consists of both personal identity and social identity. Social identity theory explains how people define themselves by the groups to which they belong or have an emotional attachment.

3-2   Outline the perceptual process and discuss the effects of categorical thinking and mental models in that process.

Perception involves selecting, organizing, and interpreting information to make sense of the world around us. Perceptual organization applies categorical thinking—the mostly nonconscious process of organizing people and objects into preconceived categories that are stored in our long-term memory. Mental models—knowledge structures that we develop to describe, explain, and predict the world around us—also help us make sense of incoming stimuli.

3-3   Discuss how stereotyping, attribution, self-fulfilling prophecy, halo, false consensus, primacy, and recency effects influence the perceptual process.

Stereotyping occurs when people assign traits to others based on their membership in a social category. This assignment economizes mental effort, fills in missing information, and enhances our self-concept, but it also lays the foundation for stereotype threat as well as systemic and intentional discrimination. The attribution process involves deciding whether an observed behavior or event is caused mainly by the person (internal factors) or the environment (external factors). Attributions are decided by the perceived consistency, distinctiveness, and consensus of the behavior. This process is subject to self-serving bias and fundamental attribution error. A self-fulfilling prophecy occurs when our expectations about another person cause that person to act in a way that is consistent with those expectations. This effect is stronger when employees first join the work unit, when several people hold these expectations, and when the employee has a history of low achievement. Four other perceptual errors commonly noted in organizations are the halo effect, false-consensus effect, primacy effect, and recency effect.

3-4   Discuss three ways to improve perceptions, with specific application to organizational situations.

One way to minimize perceptual biases is to become more aware of their existence. Awareness of these biases makes people more mindful of their thoughts and actions, but this training sometimes reinforces rather than reduces reliance on stereotypes and tends to be ineffective for people with deeply held prejudices. A second strategy is to become more aware of biases in our own decisions and behavior. Self-awareness increases through formal tests such as the Implicit Association Test (IAT) and by applying the Johari Window, which is a process in which others provide feedback to you about your behavior, and you offer disclosure to them about yourself. The third strategy is meaningful interaction, which applies the contact hypothesis that people who interact will be less prejudiced or perceptually biased toward one another. Meaningful interaction is strongest when people work closely and frequently with relatively equal status on a shared meaningful task that requires cooperation and reliance on one another. Meaningful interaction helps improve empathy, which is a person's understanding and sensitivity to the feelings, thoughts, and situations of others.

3-5 **Outline the main features of a global mindset and justify its usefulness to employees and organizations.**

A global mindset refers to an individual's ability to perceive, know about, and process information across cultures. This includes (1) an awareness of, openness to, and respect for other views and practices in the world; (2) the capacity to empathize and act effectively across cultures; (3) an ability to process complex information about novel environments; and (4) the ability to comprehend and reconcile intercultural matters with multiple levels of thinking. A global mindset enables people to develop better cross-cultural relationships, to digest huge volumes of cross-cultural information, and to identify and respond more quickly to emerging global opportunities. Employees develop a global mindset through self-awareness, opportunities to compare their own mental models with people from other cultures, formal cross-cultural training, and immersion in other cultures.

key terms

critical thinking questions

1. You are manager of a district that has just hired several recent university and college graduates. Most of these people are starting their first full-time job, though most of them have held part-time and summer positions in the past. They have general knowledge of their particular skill area (accounting, engineering, marketing, etc.) but know relatively little about specific business practices and developments. Explain how you would nurture the self-concepts in these new hires to strengthen their performance and maintain their psychological well-being. Also explain how you might reconcile the tendency for self-enhancement while preventing the new employees from forming a negative self-evaluation.

2. Do you define yourself in terms of the university you attend? Why or why not? What are the implications of your answer for your university or college?

3. Imagine a situation of conflict between you and your boss. Discuss how understanding the elements of self-concept, its complexity, consistency, and clarity may be useful in such a situation.

4. Several years ago, senior executives at energy company CanOil wanted to acquire an exploration company (HBOG) that was owned by another energy company, AmOil. Rather than face a hostile takeover and unfavorable tax implications, CanOil's two top executives met with the CEO of AmOil to discuss a friendly exchange of stock to carry out the transaction. AmOil's chief executive was previously unaware of CanOil's plans, and as the meeting began, the AmOil executive warned that he was there merely to listen. The CanOil executives were confident that AmOil wanted to sell HBOG because energy legislation at the time made HBOG a poor investment for AmOil. AmOil's CEO remained silent for most of the meeting, which CanOil executives interpreted as an implied agreement to proceed to buy AmOil stock on the market. But when CanOil launched the stock purchase a month later, AmOil's CEO was both surprised and outraged. He thought he had given the CanOil executives the cold shoulder, remaining silent to show his disinterest in the deal. The misunderstanding nearly bankrupted CanOil because AmOil reacted by protecting its stock. What perceptual problem(s) likely occurred that led to this misunderstanding?

5. What mental models do you have about attending a college or university lecture? Are these mental models helpful? Could any of these mental models hold you back from achieving the full benefit of the lecture?

6. During a diversity management session, a manager suggests that stereotypes are a necessary part of working with others. "I have to make assumptions about what's in the other person's head, and stereotypes help me do that," she explains. "It's better to rely on stereotypes than to enter a working relationship with someone from another culture without any idea of what they believe in!" Discuss the merits of and problems with the manager's statement.

7. Describe how a manager or coach could use the process of self-fulfilling prophecy to enhance an individual's performance.

8. Self-awareness is increasingly recognized as an important ingredient for effective leadership. Suppose that you are responsible for creating a leadership development program in a government organization. What activities or processes would you introduce to help participants in this program constructively develop a better self-awareness of their personality, values, and personal biases?

9. Almost everyone in a college or university business program has developed some degree of a global mindset. What events or activities in your life have helped nurture the global mindset you have developed so far? What actions can you take now, while still attending school, to further develop your global mindset?

📖 CASE STUDY: HY DAIRIES, INC.

Syd Gilman read the latest sales figures with a great deal of satisfaction. The vice president of marketing at Hy Dairies, Inc., a large midwestern milk products manufacturer, was pleased to see that the marketing campaign to improve sagging sales of Hy's gourmet ice cream brand was working. Sales volume and market share of the product had increased significantly over the past two quarters compared with the previous year.

The improved sales of Hy's gourmet ice cream could be credited to Rochelle Beauport, who was assigned to the gourmet ice cream brand last year. Beauport had joined Hy Dairies less than two years ago as an assistant brand manager after leaving a similar job at a food products firm. She was one of the few women of color in marketing management at Hy Dairies and had a promising career with the company. Gilman was pleased with Beauport's work and tried to let her know this in annual performance reviews. He now had an excellent opportunity to reward her by offering her the recently vacated position of market research coordinator. Although technically only a lateral transfer with a modest salary increase, the marketing research coordinator job would give Beauport broader experience in some high-profile work, which would enhance her career with Hy Dairies. Few people were aware that Gilman's own career had been boosted by working as marketing research coordinator at Hy several years before.

Rochelle Beauport had also seen the latest sales figures on Hy's gourmet ice cream and was expecting Gilman's call to meet with her that morning. Gilman began the conversation by briefly mentioning the favorable sales figures, and then explained that he wanted Beauport to take the marketing research coordinator job. Beauport was shocked by the news. She enjoyed brand management and particularly the challenge involved with controlling a product that directly affected the company's profitability. Marketing research coordinator was a technical support position—a "back room" job—far removed from the company's bottom-line activities. Marketing research was not the route to top management in most organizations, Beauport thought. She had been sidelined.

After a long silence, Beauport managed a weak, "Thank you, Mr. Gilman." She was too bewildered to protest. She wanted to collect her thoughts and reflect on what she had done wrong. Also, she did not know her boss well enough to be openly critical.

Gilman recognized Beauport's surprise, which he assumed was her positive response to hearing of this wonderful career opportunity. He, too, had been delighted several years earlier about his temporary transfer to marketing research to round out his marketing experience. "This move will be good for both you and Hy Dairies," said Gilman as he escorted Beauport from his office.

Beauport was preoccupied with several tasks that afternoon but was able to consider the day's events that evening. She was one of the top women and few minorities in brand management at Hy Dairies and feared that she was being sidelined because the company didn't want women or people of color in top management. Her previous employer had made it quite clear that women "couldn't take the heat" in marketing management and tended to place women in technical support positions after a brief term in lower brand management jobs. Obviously Syd Gilman and Hy Dairies were following the same game plan. Gilman's comments that the coordinator job would be good for her was just a nice way of saying that Beauport couldn't go any further in brand management at Hy Dairies.

Beauport now faced the difficult decision of whether to confront Gilman and try to change Hy Dairies' sexist and possibly racist practices or to leave the company.

Discussion Questions

1. Apply your knowledge of stereotyping and social identity theory to explain what went wrong here.
2. What other perceptual errors are apparent in this case study?
3. What can organizations do to minimize misperceptions in these types of situations?

WEB EXERCISE: DIVERSITY AND STEREOTYPING ON DISPLAY IN CORPORATE WEBSITES

PURPOSE This exercise is designed to help you diagnose evidence of diversity and stereotyping in corporate websites.

MATERIALS Students need to complete their research for this activity prior to class, including selecting one or more large or medium-sized public or private organizations and retrieving sample images of people from the organization's website.

INSTRUCTIONS The instructor may have students work alone or in groups for this activity. Students will select one or more medium-large sized public or private organizations. Students will closely examine images in the selected company's website in terms of how women, visible minorities, people with disabilities, Native peoples, and older employees and clients are portrayed. Specifically, students should be prepared to discuss and provide details in class regarding:

1. The percentage of images showing (i.e., visual representations of) women, visible minorities, people with disabilities, Native peoples, and older employees and clients. Students should also be sensitive to the size and placement of these images in the website or documents therein.

2. The roles in which women, visible minorities, people with disabilities, Native peoples, and older employees and clients are depicted. For example, are women shown more in traditional or nontraditional occupations and roles in these websites?

3. Pick one or more of the best examples of diversity on display and one stereotypic image you can find from the website to show in class, either in printed form, or as a web link that can be displayed in class.

TEAM EXERCISE: PERSONAL AND ORGANIZATIONAL STRATEGIES FOR DEVELOPING A GLOBAL MINDSET

PURPOSE This exercise is designed to help you understand and discover ways to improve your global mindset.

MATERIALS None.

INSTRUCTIONS

Step 1: Students are organized into teams, in which the following questions will be discussed. Teams will prepare a list of global mindset–enhancing activities organized around two categories: (1) organizationally generated activities and (2) personal development activities.

- Organizationally generated activities: What organizational practices—interventions or conditions created deliberately by the organization—have you experienced or know that others have experienced that develop a person's global mindset? Be specific in your description of each activity and, where possible, identify the element (elements) of global mindset that improves through that activity.

- Personal development activities: Suppose someone asked you what personal steps they could take to develop a global mindset. What would you recommend? Think about ways that you have personally developed your (or have good knowledge of someone else who has developed their) global mindset. Your suggestions should say what specific elements of global mindset are improved through each activity.

Step 2: The class debriefs, where teams are asked to describe specific personal or organizational activity to others in the class. Look for common themes, as well as challenges people might face while trying to develop a global mindset.

Workplace Emotions, Attitudes, and Stress

I n less than a dozen years, Workday, Inc. has become a leader in enterprise cloud applications for finance and human resources. The Pleasanton, California, company is also rated as one of the best places to work in the San Francisco Bay Area and in America. Workday has won so many of these awards because its founders truly recognize that the company's success depends on how much employees enjoy working there.

The company strongly believes that happy employees equal happy customers. "If you love what you're doing, you end up doing more work, not less, and, importantly, you have a positive effect on those around you," says cofounder and chair Dave Duffield. One recent independent survey reported that almost all (97 percent) of Workday's more than 4,200 U.S. employees say they are proud to tell others they work at Workday and that they are willing to give extra to get the job done.

Workday employees tackle challenging projects, yet 95 percent of them describe Workday as a fun place. The company hosts numerous events as well as sports and cultural activities that generate positive emotions. It has even rented an entire fairground

in past years for its annual picnic, complete with free carnival rides. The company has unlimited paid leave (with the supervisor's OK), and offers wellness programs for healthy living. Workday actively cultivates employee strengths through career development, including opportunities to try out different jobs. "Hard work is recognized and fun is encouraged," says a Workday employee.

Many Workday locations have an assortment of game tables where employees take a quick break to de-stress and build camaraderie. The company also outfits most offices with free snacks, breakfast foods, and beverages. "I've never been somewhere where there is so much care and emphasis put on enjoying and liking where you work," says a Workday employee.[1]

Workday, Inc. and other organizations are paying closer attention these days to employee emotions and attitudes. That's because emotions and attitudes affect individual performance and well-being. This chapter presents current knowledge and practices about workplace emotions and attitudes. We begin by describing emotions and explaining how they influence attitudes and behavior. Next, we consider the dynamics of emotional labor, followed by the popular topic of emotional intelligence. The specific work attitudes of job satisfaction and organizational commitment are then discussed, including their association with various employee behaviors and work performance. The final section looks at work-related stress, including the stress experience, four prominent stressors, individual differences in stress, and ways to combat excessive stress.

© Workday, Inc.

Workday, Inc. has become a successful developer of enterprise-strength cloud applications for finance and human resources by embracing the view that the company's success depends on how much employees enjoy working there.

Emotions in the Workplace

4-1

emotions
physiological, behavioral, and psychological episodes experienced toward an object, person, or event that create a state of readiness

Emotions influence almost everything we do in the workplace. This is a strong statement, and one that you would rarely find a dozen years ago among organizational behavior experts. Most OB theories still assume that a person's thoughts and actions are governed primarily or exclusively by logical thinking (called *cognition*).[2] Yet groundbreaking neuroscience discoveries have revealed that our perceptions, attitudes, decisions, and behavior are influenced by emotions as well as cognitions.[3] In fact, emotions may have a greater influence because they often occur before cognitive processes and, consequently, influence the latter. By ignoring emotionality, many theories have overlooked a large piece of the puzzle about human behavior in the workplace.

Emotions are physiological, behavioral, and psychological episodes experienced toward an object, person, or event that create a state of readiness.[4] These "episodes" are very brief events that typically subside or occur in waves lasting from milliseconds to a few minutes. Emotions are directed toward someone or something. For example, we experience joy, fear, anger, and other emotional episodes toward tasks, customers, or a software program we are using. This differs from *moods,* which are not directed toward anything in particular and tend to be longer-term emotional states.

Emotions are experiences. They represent changes in our physiological state (e.g., blood pressure, heart rate), psychological state (e.g., thought process), and behavior (e.g., facial expression).[5] Most of these emotional reactions are subtle; they occur without our awareness. This is an important point because the topic of emotions often conjures up images of people "getting emotional." In reality, most emotions are fleeting, low-intensity events that influence our behavior without conscious awareness.[6] Finally, emotions put us in a state of readiness. When we get worried, for example, our heart rate and blood pressure increase to make our body better prepared to engage in fight or flight. Strong emotions trigger our conscious awareness of a threat or opportunity in the external environment.

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"Biosensors. The whole company knows instantly when I'm displeased."
© Ted Goff

connect

SELF-ASSESSMENT 4.1: What Is Your Emotional Personality?

Emotions are influenced by the situation, but also by the individual's own personality. In particular, people tend to have a dispositional mood, that is, the level and valence of emotion that they naturally experience due to their personality. You can discover your perceived dispositional mood by locating this self-assessment in Connect if it is assigned by your instructor.

TYPES OF EMOTIONS

People experience many emotions and various combinations of emotions, but all of them have two common features, illustrated in Exhibit 4.1.[7] One feature is that all emotions have an associated valence (called *core affect*) signaling that the perceived object or event should be approached or avoided. In other words, all emotions evaluate environmental conditions as good or bad, helpful or harmful, positive or negative, and so forth. Negative emotions tend to generate stronger levels of activation than do positive emotions.[8] Fear

EXHIBIT 4.1

Circumplex Model of Emotions

Sources: Adapted from J.A. Russell, "Core Affect and the Psychological Construction of Emotion," *Psychological Review* 110, no. 1 (2003): 145–72; M. Yik, J.A. Russell, and J.H. Steiger, "A 12-Point Circumplex Structure of Core Affect," *Emotion* 11, no. 4 (2011): 705–31.
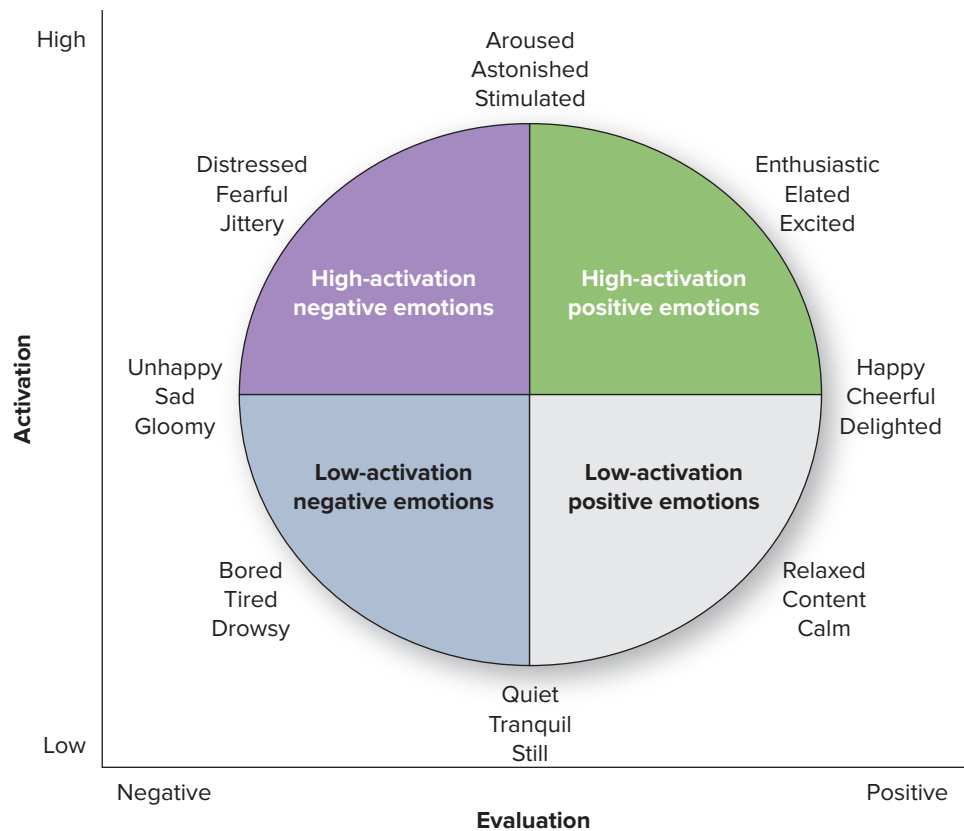
and anger, for instance, are more intense experiences than are joy and delight, so they have a stronger effect on our actions. This valence asymmetry likely occurs because negative emotions protect us from harm and are therefore more critical for our survival.

The second feature of all emotions is their level of activation. By definition, emotions put us in a state of readiness and, as we discuss in the next chapter, are the primary source of individual motivation. Some emotional experiences, such as when we are suddenly surprised, are strong enough to consciously motivate us to act without careful thought. Most emotional experiences are subtler, but even emotions with the least stimulus make us more aware of our environment.

EMOTIONS, ATTITUDES, AND BEHAVIOR

attitudes
the cluster of beliefs, assessed feelings, and behavioral intentions toward a person, object, or event (called an attitude object)

To understand how emotions influence our thoughts and behavior in the workplace, we first need to know about attitudes. **Attitudes** represent the cluster of beliefs, assessed feelings, and behavioral intentions toward a person, object, or event (called an *attitude object*).[9] Attitudes are *judgments,* whereas emotions are *experiences.* In other words, attitudes involve evaluations of an attitude object, whereas emotions operate as events, usually without our awareness. Attitudes might also operate nonconsciously, but we are usually aware of and consciously think about those evaluations. Another distinction is that we experience most emotions very briefly, whereas our attitude toward someone or something is more stable over time.[10]

Until recently, experts believed that attitudes could be understood just by the three cognitive components illustrated on the left side of Exhibit 4.2: beliefs, feelings, and behavioral intentions. Now evidence suggests that a parallel emotional process is also at work, shown on the right side of the exhibit.[11] Using attitude toward mergers as an example, let's look more closely at this model, beginning with the traditional cognitive perspective of attitudes.
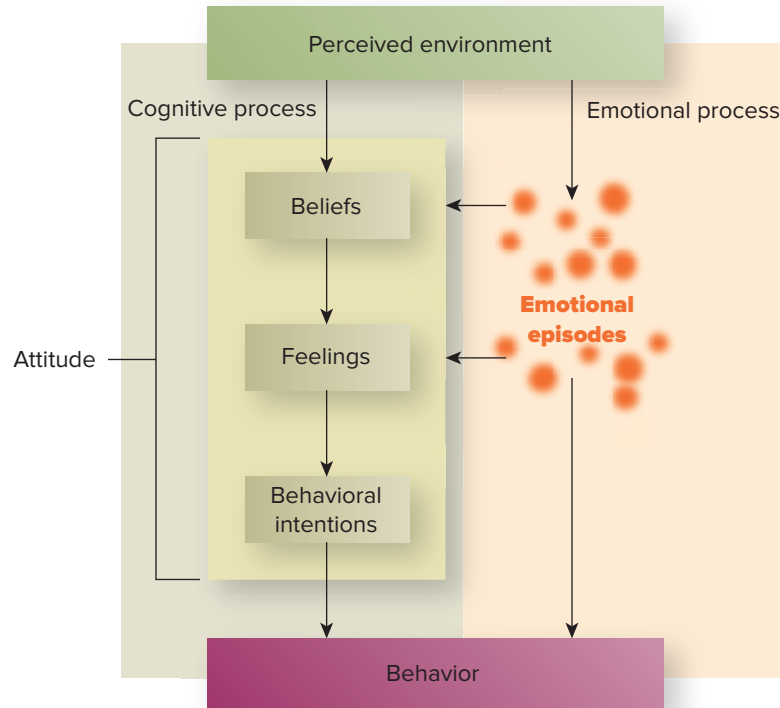
Beliefs   These are your established perceptions about the attitude object—what you believe to be true. For example, you might believe that mergers reduce job security for employees in the merged firms, or that mergers increase the company's competitiveness in this era of globalization. These beliefs are perceived facts that you acquire from experience and other forms of learning. Each of these beliefs also has a valence; that is, you have a positive or negative feeling about each belief (e.g., better job security is good).

Feelings   Feelings represent your conscious positive or negative evaluations of the attitude object. Some people think mergers are good; others think they are bad. Your like or dislike of mergers represents your assessed feelings. According to the traditional cognitive perspective of attitudes (left side of the model), feelings are calculated from your beliefs about mergers and the associated feelings about those beliefs. Consider the example of your attitude toward mergers. If you believe that mergers typically have negative consequences such as layoffs and organizational politics, then you will form negative feelings toward mergers in general or about a specific planned merger in your organization.

　　Most of the time your beliefs about something or someone affect your feelings, but the reverse sometimes occurs. Specifically, your feelings about something can cause you to change your feelings about specific beliefs regarding that target.[12] For example, you might normally enjoy the challenge of hard work, but if you dislike your boss and he or she is known for making people work hard, then your feelings about hard work might become more negative. This effect maintains attitude consistency, which we discuss toward the end of this section.

Behavioral Intentions   Behavioral intentions represent your motivation to engage in a particular behavior regarding the attitude object.[13] Upon hearing that the company will merge with another organization, you might become motivated to look for a job elsewhere or possibly to complain to management about the merger decision. Your feelings toward mergers motivate your behavioral intentions, and which actions you choose depends on your past experience, personality, and social norms of appropriate behavior.

Attitude–Behavior Contingencies The cognitive model of attitudes (beliefs–feelings–intentions) gives the impression that we can predict behavior from each element of the individual's attitude. This is potentially true, but several contingencies at each stage in the model usually weaken that relationship. Let's begin with the beliefs–feelings link. People with the same beliefs might form quite different feelings toward the attitude object because they have different valences for those beliefs. Two employees who work for the same boss have the same belief that their boss makes them work hard. Yet one employee dislikes the boss because of a negative valence toward hard work whereas the other employee likes the boss because of a positive valence toward hard work.

The effect of feelings on behavioral intentions also depends on contingencies. Two employees might equally dislike their boss, but it isn't easy to predict their behavioral intentions from those feelings. One employee is motivated to complain to the union or upper management while the other employee is motivated to find a job elsewhere. People with the same feelings toward the attitude object often develop different behavioral intentions because of their unique experiences, personal values, self-concept, and other individual differences. Later in this chapter we describe the four main responses to dissatisfaction and other negative attitudes.

Finally, the model indicates that behavioral intentions are the best predictors of a person's behavior. However, the strength of this link also depends on other factors, such as the person's ability, situational factors, and possibly role ambiguity (see the MARS model in Chapter 2). For example, two people might intend to quit because they dislike their boss, but only one does so because the other employee can't find another job.

How Emotions Influence Attitudes and Behavior The cognitive model describes to some extent how employees form and change their attitudes, but emotions also have a central role in this process.[14] The right side of Exhibit 4.2 illustrates this process, which (like the cognitive process) also begins with perceptions of the world around us. Our brain tags incoming sensory information with emotional markers based on a quick and imprecise evaluation of whether that information supports or threatens our innate drives. These markers are not calculated feelings; they are automatic and nonconscious emotional responses based on very thin slices of sensory information.[15] The experienced emotions then influence our feelings about the attitude object.

To explain this process in more detail, consider once again your attitude toward mergers. You might experience worry, nervousness, or relief upon learning that your company intends to merge with a competitor. The fuzzy dots on the right side of Exhibit 4.2 illustrate the numerous emotional episodes you experience upon hearing the merger announcement, subsequently thinking about the merger, discussing the merger with coworkers, and so on. These emotions are transmitted to the reasoning process, where they are logically analyzed along with other information about the attitude object.[16] Thus, while you are consciously evaluating whether the merger is good or bad, your emotions are already sending core affect (good–bad) signals, and those emotional signals sway your conscious evaluation. In fact, we often deliberately "listen in" on our emotions to help us consciously decide whether to support or oppose something.[17]

The influence of both cognitive reasoning and emotions on attitudes is most apparent when they disagree with each other. People occasionally experience this mental tug-of-war, sensing that something isn't right even though they can't think of any logical reason to be concerned. This conflicting experience indicates that the person's logical analysis of the situation (left side of Exhibit 4.2) generates feelings that differ from the emotional reaction (right side of Exhibit 4.2).[18] Should we pay attention to our emotional response or our logical analysis? This question is not easy to answer, but some studies indicate that while executives tend to make quick decisions based on their gut feelings (emotional response), the best decisions tend to occur when executives spend time logically evaluating the situation.[19] Thus, we should pay attention to both the cognitive and emotional sides of the attitude model, and hope they agree with each other most of the time!

Quicken Loans is America's second-largest mortgage lender, yet it has the vibe of a fun-oriented high-tech start-up company. Its headquarters in downtown Detroit is a riot of brightly colored walls and graffiti-painted concrete floors. Employees get free breakfast, snacks, and drinks. They zoom around on scooters and take breaks to play ping-pong, basketball, and spontaneous Nerf Gun battles. "Quicken Loans was a very fun upbeat place to be," says a former employee. "Some days I felt like I was not working because we had fun. We worked very hard and played even harder." Summer intern Peter Cornillie agrees. "I never thought that a mortgage lending company could be so fun," says the university student, who witnessed a Nerf Gun fight as he entered the workplace on the first day.[20]
© Quicken Loans

Generating Positive Emotions at Work   Some companies seem to be well aware of the dual cognitive–emotional attitude process because they try to inject more positive experiences in the workplace.[21] Google Inc. is famous for its superb perks, including in-house coffee bars, gourmet cafeterias, conversation areas that look like vintage subway cars, personal development courses, game rooms, free haircuts, and slides to descend to the floor below. Admiral Group, rated the best company to work for in the United Kingdom, has a "Ministry of Fun" committee that introduces plenty of positive emotions through Nintendo Wii competitions, interdepartmental Olympics, and other fun activities.[22]

Some critics might argue that the organization's main focus should be to create positive emotions through the job itself as well as natural everyday occurrences such as polite customers and supportive coworkers. Still, most people perform work that produces some negative emotions, and research has found that humor and fun at work—whether natural or contrived—can potentially counteract the negative experiences.[23] Overall, corporate leaders need to keep in mind that emotions shape employee attitudes and, as we will discuss later, attitudes influence various forms of work-related behavior.

One last comment about Exhibit 4.2: Notice the arrow from the emotional episodes to behavior. It indicates that emotions directly influence a person's behavior without conscious thought. This occurs when we jump suddenly if someone sneaks up on us. It also occurs in everyday situations because even low-intensity emotions automatically change our facial expressions. These actions are not carefully thought out. They are automatic emotional responses that are learned or hardwired by heredity for particular situations.[24]

COGNITIVE DISSONANCE

Imagine that you have just signed a contract for new electronic whiteboards to be installed throughout the company's meeting rooms. The deal was expensive but, after consulting several staff, you felt that the technology would be valuable in this electronic age. Yet, you felt a twinge of regret soon after signing the contract. This emotional experience is **cognitive dissonance,** which occurs when people perceive that their beliefs, feelings, and behavior are incongruent with each other.[25] This inconsistency generates emotions (such as feeling hypocritical) that motivate the person to create more consistency by changing one or more of these elements.

Why did you experience cognitive dissonance after purchasing the electronic whiteboards? Perhaps you remembered that some staff wanted flexibility, whereas the whiteboards require special markers and computer software. Or maybe you had a fleeting

cognitive dissonance
an emotional experience caused by a perception that our beliefs, feelings, and behavior are incongruent with one another

debating point

IS HAVING FUN AT WORK REALLY A GOOD IDEA?

"Fun at work" has become such a hot business fad that companies without a "fun" committee are considered insensitive task masters. Having fun at work can improve employee attitudes in many situations, but are special fun events really necessary or beneficial?

Some critics vote "No"! They argue that contrived fun events at work can backfire.[26] Some types of fun aren't fun at all to specific groups of people. In fact, employees might be offended by the silliness of some activities contrived by management or a few staff. Others resent having fun forced on them. One expert warns: "Once the idea of fun is formally institutionalized from above, it can lead to employees becoming resentful. They feel patronized and condescended, and it breeds anger and frustration."

The meaning and value of fun at work might also vary across generations; what works for Millennials could backfire for Baby Boomers, and vice versa. Another concern is that fun-focused companies might take their eye off the bottom line. "At the end of the day, you have to make money to stay here," says Mike Pitcher, CEO of LeasePlan USA (which does have a "fun" committee). "If work was [all] fun, they'd call it fun."[27]

realization that buying electronic whiteboards costing several times more than traditional whiteboards is inconsistent with your personal values and company culture of thriftiness. Whatever the reason, the dissonance occurs because your attitude (it's good to be cost conscious) is inconsistent with your behavior (buying expensive whiteboards). Most people like to think of themselves—and be viewed by others—as rational and logical. You experience dissonance because this purchase decision is contrary to the logic of having a positive attitude about frugality and maximizing value.

How do we reduce cognitive dissonance?[28] Reversing the behavior might work, but few behaviors can be undone. In any event, dissonance still exists because others know about the behavior and that you performed it voluntarily. It would be too expensive to remove the electronic whiteboards after they have been installed and, in any event, coworkers already know that you made this purchase and did so willingly.

More often, people reduce cognitive dissonance by changing their beliefs and feelings. One dissonance-reducing strategy is to develop more favorable attitudes toward specific features of the decision, such as forming a more positive opinion about the whiteboards' capacity to store whatever is written on them. People are also motivated to discover positive features of the decision they didn't notice earlier (e.g., the boards can change handwriting into typed text) and to discover subsequent problems with the alternatives they didn't choose (e.g., traditional boards can't be used as projection screens). A third strategy is more indirect; rather than try to overlook the high price of the electronic whiteboards, you reduce dissonance by emphasizing how your other decisions have been frugal. This framing compensates for your expensive whiteboard fling and thereby maintains your self-concept as a thrifty decision maker. Each of these mental acrobatics maintains some degree of consistency between the person's behavior (buying expensive whiteboards) and attitudes (being thrifty).

EMOTIONS AND PERSONALITY

Our coverage of the dynamics of workplace emotions wouldn't be complete unless we mentioned that emotions are also partly determined by a person's personality, not just workplace experiences.[29] Some people experience positive emotions as a natural trait. People with more positive emotions typically have higher emotional stability and are extroverted (see Chapter 2). Those who experience more negative emotions tend to have higher neuroticism (lower emotional stability) and are introverted. Positive and negative emotional traits affect a person's attendance, turnover, and long-term work attitudes. Although positive and negative personality traits have some effect, other research concludes that the actual situation in which people work has a noticeably stronger influence on their attitudes and behavior.[30]

Managing Emotions at Work

4-2

People are expected to manage their emotions in the workplace. They must conceal their frustration when serving an irritating customer, display compassion to an ill patient, and hide their boredom in a long meeting with other executives. These are all forms of **emotional labor**—the effort, planning, and control needed to express organizationally desired emotions during interpersonal transactions.[31] Almost everyone is expected to abide by *display rules*—norms or explicit rules requiring us within our role to display specific emotions and to hide other emotions. Emotional labor demands are higher in jobs requiring a variety of emotions (e.g., anger as well as joy) and more intense emotions (e.g., showing delight rather than smiling weakly), as well as in jobs where interaction with clients is frequent and longer. Emotional labor also increases when employees must precisely rather than casually abide by the display rules.[32] This work requirement is most common in service industries, where employees have frequent face-to-face interaction with clients.

EMOTIONAL DISPLAY NORMS ACROSS CULTURES

Norms about displaying or hiding your true emotions vary considerably across cultures.[33] One major study points to Ethiopia, Japan, and Austria (among others) as cultures that discourage emotional expression. Instead, people are expected to be subdued, have relatively monotonic voice intonation, and avoid physical movement and touching that display emotions. In contrast, cultures such as Kuwait, Egypt, Spain, and Russia allow or encourage more vivid display of emotions and expect people to act more consistently with their true emotions. In these cultures, people are expected to more honestly reveal their thoughts and feelings, be dramatic in their conversational tones, and be animated in their use of nonverbal behaviors. For example, 81 percent of Ethiopians and 74 percent of Japanese agreed that it is considered unprofessional to express emotions overtly in their culture, whereas 43 percent of Americans, 33 percent of Italians, and only 19 percent of Spaniards, Cubans, and Egyptians agreed with this statement.[34]

EMOTIONAL DISSONANCE

Most jobs expect employees to engage in some level of emotional labor, such as displaying courtesy to unruly passengers or maintaining civility to coworkers. Often, employees are supposed to show emotions that are quite different from the emotions they actually experience at that moment. This incongruence produces an emotional tension called **emotional dissonance.** Employees often handle these discrepancies by engaging in *surface acting*; they pretend that they feel the expected emotion even though they actually experience a different emotion.

One problem with surface acting is that it can lead to higher stress and burnout.[35] By definition, emotional labor requires effort and attention, both of which consume personal energy. Emotional labor may also require employees to act contrary to their self-view, which can lead to psychological separation from self. These problems are greater when employees need to frequently display emotions that oppose their genuine emotions. A second problem with surface acting is that pretending to feel particular emotions can be challenging. A genuine emotion automatically activates a complex set of facial muscles and body positions, all of which are difficult to replicate when pretending to have these emotions. Meanwhile, our true emotions tend to reveal themselves as subtle gestures, usually without our awareness. More often than not, observers see when we are faking and sense that we feel a different emotion.[36]

Employees can somewhat reduce psychological damage caused by surface acting by viewing their act as a

emotional labor
the effort, planning, and control needed to express organizationally desired emotions during interpersonal transactions

emotional dissonance
the psychological tension experienced when the emotions people are required to display are quite different from the emotions they actually experience at that moment

global connections 4.1

Learning to Express Positive Emotions at Aeroflot

Russian culture isn't known for friendly customer service. Yet Aeroflot's service ratings are now the highest among eastern European airlines and exceed those of several North American airlines. The Russian firm accomplished this by training flight attendants to show positive emotions through polite communication as well as smiling and other nonverbal behavior. An Aeroflot instructor gently reminds recruits that they must not provide "the silent service of Soviet times. You need to talk to [the passenger]. And you need to smile and smile and smile." The program also encourages trainees to develop a positive attitude through deep acting. This involves "teaching people to be happy, to enjoy what they are doing and to have a positive outlook," explains one Aeroflot trainee.[37]

© Simon Dawson/Bloomberg/Getty Images

natural part of their role. Flight attendants can remain pleasant to unruly passengers more easily when they define themselves by their customer service skill. By adopting this view, their faking is not deprivation of personal self-worth. Instead, it is demonstration of their skill and professionalism. The dissonant interactions are accomplishments rather than dreaded chores.[38] Another strategy is to engage in *deep acting* rather than surface acting.[39] Deep acting involves visualizing reality differently, which then produces emotions more consistent with the required emotions. Faced with an angry passenger, a flight attendant might replace hostile emotions with compassion by viewing the passenger's behavior as a sign of his or her discomfort or anxiety. Deep acting requires considerable emotional intelligence, which we discuss next.

Emotional Intelligence

The University of South Florida (USF) College of Medicine discovered from surveys that its graduates required emotional intelligence training to perform their jobs better. "We've created a lot of doctors that are like House," says USF's medical college dean, referring to the fictional TV physician with the caustic interpersonal style. Now, some USF students are assigned to one of America's top hospitals, where coaching and role modeling by hospital staff helps them develop their ability to understand and manage emotions. "You have to have an emotionally intelligent, collaborative, interdisciplinary team practicing if you want young trainees to adopt that as their model," explains the hospital CEO.[40]

USF's College of Medicine and many other organizations have embraced the idea that **emotional intelligence (EI)** improves performance in many types of jobs. Emotional intelligence includes a set of *abilities* that enable us to recognize and regulate our own emotions as well as the emotions of other people. This definition refers to the four main dimensions shown in Exhibit 4.3.[41]

emotional intelligence (EI)
a set of abilities to perceive and express emotion, assimilate emotion in thought, understand and reason with emotion, and regulate emotion in oneself and others

- *Awareness of our own emotions.* This is the ability to perceive and understand the meaning of our own emotions. People with higher emotional intelligence have better awareness of their emotions and are better able to make sense of them. They can eavesdrop on their emotional responses to specific situations and use this awareness as conscious information.[42]

	Yourself	Others
Recognition of emotions	**Awareness of own emotions**	**Awareness of others' emotions**
Regulation of emotions	**Management of own emotions**	**Management of others' emotions**

Abilities

- *Management of our own emotions.* Emotional intelligence includes the ability to manage our own emotions, something that we all do to some extent. We keep disruptive impulses in check. We try not to feel angry or frustrated when events go against us. We try to feel and express joy and happiness toward others when the occasion calls for these emotional displays. We re-energize ourselves later in the workday. Notice that management of our own emotions goes beyond enacting desired emotions in a particular situation. It also includes generating or suppressing emotions. In other words, the deep acting described earlier requires high levels of the self-regulation component of emotional intelligence.

- *Awareness of others' emotions.* This is the ability to perceive and understand the emotions of other people.[43] It relates to *empathy*—having an understanding of and sensitivity to the feelings, thoughts, and situations of others (see Chapter 3). It includes understanding the other person's situation, experiencing his or her emotions, and knowing his or her needs, even when unstated. Awareness of others' emotions also includes being organizationally aware, such as sensing office politics and the existence of informal social networks.

- *Management of others' emotions.* This dimension of EI refers to managing other people's emotions. It includes consoling people who feel sad, emotionally inspiring team members to complete a class project on time, getting strangers to feel comfortable working with you, and dissipating coworker stress and other dysfunctional emotions that they experience.

The four dimensions of emotional intelligence form a hierarchy.[44] Awareness of your own emotions is lowest because you need awareness to engage in the higher levels of emotional intelligence. You can't manage your own emotions if you don't know what

■■ connect

SELF-ASSESSMENT 4.2: How Well Do You Recognize and Regulate Emotions?

Emotional intelligence is an important concept that potentially enables us to be more effective with others in the workplace and other social settings. Emotional intelligence is best measured as an ability test. However, you can estimate your level of emotional intelligence to some extent by reflecting on events that required your awareness and management of emotions. You can discover your perceived level of emotional intelligence by locating this self-assessment in Connect if it is assigned by your instructor.

they are (i.e., low self-awareness). Managing other people's emotions is the highest level of EI because this ability requires awareness of your own and others' emotions. To diffuse an angry conflict between two employees, for example, you need to understand the emotions they are experiencing and manage your emotions (and display of emotions). To manage your own emotions, you also need to be aware of your current emotions.

EMOTIONAL INTELLIGENCE OUTCOMES AND DEVELOPMENT

Does emotional intelligence improve employee performance and well-being? A few OB experts question the usefulness of the emotional intelligence concept, claiming that there is a lack of agreement on its definition and that existing concepts such as personality and general intelligence can be used instead.[45] However, a consensus is slowly emerging around the meaning of EI, and there is considerable research suggesting that this concept does seem to predict behavior and performance in social settings.

Most jobs involve social interaction with coworkers or external stakeholders, so employees need emotional intelligence to work effectively.[46] Studies suggest that people with high EI are more effective team members, perform better in jobs requiring emotional labor, make better decisions involving other people, and maintain a more positive mindset for creative work. EI is also associated with effective leadership because leaders engage in emotional labor (e.g., showing patience to employees even when they might feel frustrated) as well as regulating the emotions of others (e.g., helping staff members feel optimism for the future even though they just lost an important contract). However, emotional intelligence does not improve some forms of performance, such as tasks that require minimal social interaction.[47]

Given the potential value of emotional intelligence, it's not surprising that some organizations try to measure this ability in job applicants. For instance, the United States Air Force (USAF) considers the emotional intelligence of applicants into its elite pararescue jumper training program because high EI trainees are more than twice as likely to complete the program.[48] Several organizations have also introduced training programs to improve employees' emotional intelligence.[49] These programs usually teach participants about the concept, test their EI when the program begins, and provide ongoing feedback about how well they understand and manage others' emotions. Emotional intelligence also increases with age; it is part of the process called maturity.

Police officers are learning how to reduce the incidence of violent encounters by de-escalating the conflict. A critical skill in the de-escalation process is emotional intelligence. San Diego police recently introduced Effective Interactions, a course in which officers develop emotional intelligence and effective communication. Baltimore police attend a Cognitive Command course (shown in this photo), which also includes learning to manage emotions. "If you describe how a good officer anywhere does their job, you're describing what we've come to recognize as emotional intelligence," explains San Diego police psychologist Dan Blumberg. "It's someone who understands himself or herself and can understand emotions evoked during the job and manage their emotions effectively. They understand the emotions of others and are able to use emotions to create positive encounters."[50]
© Algerina Perna/Baltimore Sun/Getty Images

So far, this chapter has introduced the model of emotions and attitudes, as well as emotional intelligence, as the means by which we manage emotions in the workplace. The next two sections look at two specific attitudes: job satisfaction and organizational commitment. These two attitudes are so important in our understanding of workplace behavior that some experts suggest the two combined should be called "overall job attitude."[51]

Job Satisfaction

4-3

Probably the most studied attitude in organizational behavior is **job satisfaction,** a person's evaluation of his or her job and work context.[52] It is an *appraisal* of the perceived job characteristics, work environment, and emotional experiences at work. Satisfied employees have a favorable evaluation of their jobs, based on their observations and emotional experiences. Job satisfaction is best viewed as a collection of attitudes about different aspects of the job and work context. You might like your coworkers but be less satisfied with your workload, for instance.

How satisfied are employees at work? The answer depends on the person, the workplace, and the country. Global surveys, such as the one shown in Exhibit 4.4, indicate with some consistency that job satisfaction tends to be highest in India, the United States, and some Nordic countries (such as Norway and Denmark). The lowest levels of overall job satisfaction are usually recorded in Hungary and several Asian countries (e.g., Japan, Hong Kong).[53]

Can we conclude from these surveys that most employees in Norway and India are happy at work? Possibly, but their overall job satisfaction probably isn't as high as these statistics suggest. One problem is that surveys often use a single direct question, such as "How satisfied are you with your job?" Many dissatisfied employees are reluctant to reveal their feelings in a direct question because this is tantamount to admitting that they made a poor job choice and are not enjoying life. This inflated result is evidenced by the

job satisfaction
a person's evaluation of his or her job and work context

EXHIBIT 4.4   Job Satisfaction in Selected Countries[54]
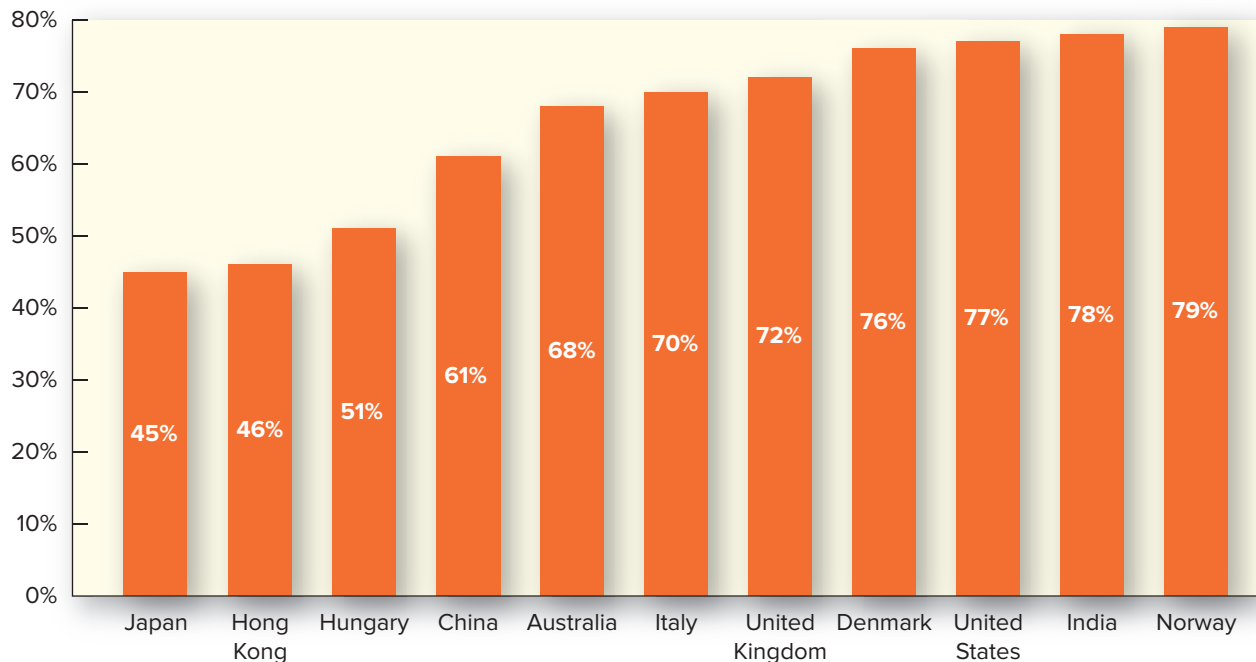
Note: Percentage of employees in each country who said they are, in general, satisfied or very satisfied working for their current employer. Survey data were collected in 2015 for Randstad Holdings nv, with a minimum of 400 employees in each country.

fact that employees tend to report much less satisfaction with specific aspects of their work. Furthermore, studies report that many employees plan to look for work within the next year or would leave their current employer if the right opportunity came along.[55]

A second problem is that cultural values make it difficult to compare job satisfaction across countries. People in China and Japan tend to subdue their emotions in public, and there is evidence that they also avoid extreme survey ratings such as "very satisfied." A third problem is that job satisfaction changes with economic conditions. Employees with the highest job satisfaction in current surveys tend to be in countries where the economies are chugging along quite well.[56]

JOB SATISFACTION AND WORK BEHAVIOR

One of the most important organizational behavior questions is to what degree job satisfaction influences behavior in the workplace. The general answer is that job satisfaction has a considerable effect on employee behavior.[57] However, a more precise answer is that the effect of job satisfaction and dissatisfaction on individual behavior depends on the person and the situation. A useful template for organizing and understanding the consequences of job dissatisfaction is the **exit–voice–loyalty–neglect (EVLN) model.** As the name suggests, the EVLN model identifies four ways that employees respond to dissatisfaction:[58]

exit–voice–loyalty–neglect (EVLN) model
the four ways, as indicated in the name, that employees respond to job dissatisfaction

- *Exit.* Exit includes leaving the organization, transferring to another work unit, or at least trying to get away from the dissatisfying situation. The traditional theory is that job dissatisfaction builds over time and is eventually strong enough to motivate employees to search for better work opportunities elsewhere. This is likely true to some extent, but the most recent opinion is that specific "shock events" quickly energize employees to think about and engage in exit behavior. For example, the emotional reaction you experience to an unfair management decision or a conflict episode with a coworker motivates you to look at job ads and speak to friends about job opportunities where they work. This begins the process of visualizing yourself working at another company and psychologically withdrawing from your current employer.[59]

- *Voice.* Voice is any attempt to change, rather than escape from, the dissatisfying situation. Voice can be a constructive response, such as recommending ways for management to improve the situation, or it can be more confrontational, such as filing formal grievances or forming a coalition to oppose a decision.[60] In the extreme, some employees might engage in counterproductive behaviors to get attention and force changes in the organization.

- *Loyalty.* In the original version of this model, loyalty was not an outcome of dissatisfaction. Rather, it predicted whether people chose exit or voice (i.e., high loyalty resulted in voice; low loyalty produced exit).[61] More recent writers describe loyalty as an outcome, but in various and somewhat unclear ways. Generally, they suggest that "loyalists" are employees who respond to dissatisfaction by patiently waiting—some say they "suffer in silence"—for the problem to work itself out or be resolved by others.[62]

- *Neglect.* Neglect includes reducing work effort, paying less attention to quality, and increasing absenteeism and lateness. It is generally considered a passive activity that has negative consequences for the organization.

How employees respond to job dissatisfaction depends on the person and situation.[63] The individual's personality, values, and self-concept are important factors. For example, people with a high-conscientiousness personality are less likely to engage in neglect and more likely to engage in voice. Past experience also influences which EVLN action is applied. Employees who were unsuccessful with voice in the past are more likely to engage in exit or neglect when experiencing job dissatisfaction in the future. Another factor is loyalty, as it was originally intended in the EVLN model. Specifically, employees are more likely to quit when they have low loyalty to the company, and they

are more likely to engage in voice when they have high loyalty. Finally, the response to dissatisfaction depends on the situation. Employees are less likely to use the exit option when there are few alternative job prospects, for example. Dissatisfied employees are more likely to use voice than the other options when they are aware that other employees are dependent on them.[64]

JOB SATISFACTION AND PERFORMANCE

Is a happy worker a more productive worker? Clive Schlee thinks so. The CEO of the British deli chain Pret a Manger believes that happy employees result in happier customers and higher sales. "The first thing I look at is whether staff are touching each other— are they smiling, reacting to each other, happy, engaged? I can almost predict sales on body language alone," he says. Secret shoppers scout Pret a Manger outlets each week. If the secret shopper is served by a positive and happy employee behind the counter, all staff members at that location receive a bonus.[65]

The "happy worker" hypothesis is generally true, according to major reviews of the research on this subject. In other words, there is a moderately positive relationship between job satisfaction and performance. Workers tend to be more productive to some extent when they have more positive attitudes toward their job and workplace.[66]

Why does job satisfaction affect employee performance only to some extent? One reason is that general attitudes (such as job satisfaction) don't predict specific behaviors very well. As the EVLN model explained, reduced performance (a form of neglect) is only one of four possible responses to dissatisfaction. A second reason is that some employees have little control over their performance because their work effort is paced by work technology or interdependence with coworkers in the production process. An assembly-line worker, for instance, installs a fixed number of windshields each hour with about the same quality of installation whether he or she has high or low job satisfaction. A third consideration is that job performance might cause job satisfaction, rather than vice versa.[67] Higher performers tend to have higher satisfaction because they receive more rewards and recognition than do low-performing employees. The connection between job satisfaction and performance isn't stronger because many organizations do not reward good performance very well.

JOB SATISFACTION AND CUSTOMER SATISFACTION

Workday cofounder and chair Dave Duffield believes that happy workers are more productive. He also suggests that "happy employees mean happy customers." His views are echoed by many executives in service industries. "We really believe that if you put the employees first, they really and truly will take better care of the customer than anybody else," says Container Store chair and CEO Kip Tindell. Research supports these beliefs. In fact, evidence suggests that job satisfaction has a stronger effect on customer service than on overall performance.

The effect of job satisfaction on customer service and company profits is detailed in the **service profit chain model,** diagrammed in Exhibit 4.5. This model shows that job satisfaction has a positive effect on customer service, which eventually benefits shareholder financial returns. The process begins with workplace practices that increase or decrease job satisfaction. Job satisfaction then influences whether employees stay (employee retention) as well as their motivation and behavior on the job. Retention, motivation, and behavior affect service quality, which influences the customer's satisfaction, perceived value of the service, and tendency to recommend the service to others (referrals). These customer activities influence the company's profitability and growth. The service profit chain model has considerable research support. However, the benefits of job satisfaction take considerable time to flow through to the organization's bottom line.[68]

service profit chain model
a theory explaining how employees' job satisfaction influences company profitability indirectly through service quality, customer loyalty, and related factors

Wegmans is America's favorite supermarket. In fact, each year it receives several thousand requests from almost every state to build stores in those areas. Wegmans clearly values its customers, but it does so by caring as much for its employees. "What's most important to us is that our employees feel that Wegmans is a great place to work," explains CEO Danny Wegman. "When our people feel cared about and respected, they turn around and make our customers feel that way too." Wegmans invests heavily in training each employee, usually promotes from within, and offers scholarships to employees. Through careful selection and leadership, the company also nurtures a family-like culture. "I have never loved a job more than I do Wegmans," enthuses a pharmacy technician near Syracuse, New York. "My coworkers are like a second family."[69]
© Wegmans Food Markets

There are two key explanations why satisfied employees tend to produce happier and more loyal customers.[70] One explanation is that job satisfaction tends to put employees in a more positive mood, and people in a good mood more naturally and frequently display friendliness and positive emotions. When employees have good feelings, their behavior "rubs off" on most (but not all) customers, so customers feel happier and consequently form a positive evaluation of the service experience (i.e., higher service quality). The effect is also mutual—happy customers make employees happier—which can lead to a virtuous cycle of positive emotions in the service experience.

The second explanation is that satisfied employees are less likely to quit their jobs, so they have more work experience (i.e., better knowledge and skills) to serve clients. Lower turnover also enables customers to have the same employees serve them, so there is more consistent service. Some evidence indicates that customers build their loyalty to specific employees, not to the organization, so keeping employee turnover low tends to build customer loyalty.

EXHIBIT 4.5   Service Profit Chain Model
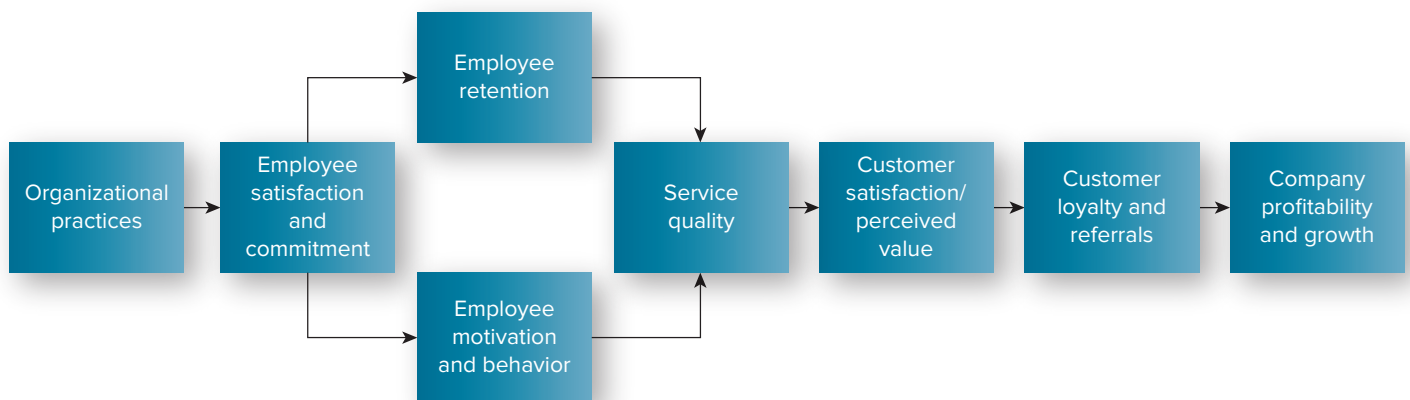
Sources: This model is based on J.I. Heskett, W.E. Sasser, and L.A. Schlesinger, *The Service Profit Chain* (New York: Free Press, 1997); A.J. Rucci, S.P. Kirn, and R.T. Quinn, "The Employee-Customer-Profit Chain at Sears," *Harvard Business Review* 76 (1998): 83–97; S.P. Brown and S.K. Lam, "A Meta-Analysis of Relationships Linking Employee Satisfaction to Customer Responses," *Journal of Retailing* 84, no. 3 (2008): 243–55.

JOB SATISFACTION AND BUSINESS ETHICS

Job satisfaction is important not only because of its effect on employee behavior. Job satisfaction is also an ethical issue that influences the organization's reputation in the community. People spend a large portion of their time working in organizations, and many societies now expect companies to provide work environments that are safe and enjoyable. Indeed, employees in several countries closely monitor ratings of the best companies to work for, an indication that employee satisfaction is a virtue worth considerable goodwill to employers. This virtue is apparent when an organization has low job satisfaction. The company tries to hide this fact, and when morale problems become public, corporate leaders are usually quick to improve the situation.

Organizational Commitment

Organizational commitment represents the other half (with job satisfaction) of what some experts call "overall job attitude." **Affective organizational commitment** is the employee's emotional attachment to, involvement in, and identification with an organization. Affective commitment is a psychological bond whereby one chooses to be dedicated to and responsible for the organization.[71]

Affective commitment differs from **continuance commitment,** which is a calculative attachment to the organization. This calculation takes two forms.[72] One form occurs where an employee has no alternative employment opportunities (e.g., "I dislike working here but there are no other jobs available"). This situation occurs where unemployment is high, employees lack sufficient skills to be attractive to other employers, or the employee's skills are so specialized that there is limited demand for them nearby. The other form of continuance commitment occurs where leaving the company would be a significant financial sacrifice (e.g., "I hate this place but can't afford to quit!"). This perceived sacrifice condition occurs when the company offers high pay, benefits, and other forms of economic exchange in the employment relationship, or where quitting forfeits a large deferred financial bonus.

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SELF-ASSESSMENT 4.3: How Committed Are You to Your School?

Organizational (affective) commitment refers to an individual's emotional attachment to, involvement in, and identification with an organization. It is mostly discussed in this book as an employee's attitude toward the company where he or she works. But affective commitment is also relevant to a student's attitude toward the college or university where he or she is taking courses. You can discover your affective commitment as a student to the school where you are attending this program by locating this self-assessment in Connect if it is assigned by your instructor.

CONSEQUENCES OF AFFECTIVE AND CONTINUANCE COMMITMENT

Affective commitment can be a significant competitive advantage.[73] Employees with a strong psychological connection with the organization are less likely to quit their jobs and be absent from work. They also have higher work motivation and organizational citizenship, as well as somewhat higher job performance. Organizational commitment also improves customer satisfaction because long-tenure employees have better knowledge of

affective organizational commitment
an individual's emotional attachment to, involvement in, and identification with an organization

continuance commitment
an individual's calculative attachment to an organization

work practices and because clients like to do business with the same employees. One problem is that employees with very high affective commitment tend to have high conformity, which results in lower creativity. Another problem is that these employees are motivated to defend the organization, even if it involves illegal activity. However, most companies suffer from too little rather than too much affective commitment.

In contrast to the benefits of affective commitment, employees with high levels of continuance commitment tend to have *lower* performance and are *less* likely to engage in organizational citizenship behaviors. Furthermore, unionized employees with high continuance commitment are more likely to use formal grievances, whereas employees with high affective commitment engage in more cooperative problem solving when employee–employer relations sour.[74] Although some level of financial connection may be necessary, employers should not rely on continuance commitment instead of affective commitment. Employers still need to win employees' hearts (affective commitment) beyond tying them financially to the organization (continuance commitment).

BUILDING ORGANIZATIONAL COMMITMENT

There are almost as many ways to build and maintain affective commitment as there are topics in this book, but the most frequently mentioned strategies are:

- *Justice and support.* Affective commitment is higher in organizations that fulfill their obligations to employees and abide by humanitarian values such as fairness, courtesy, forgiveness, and moral integrity. These values relate to the concept of organizational justice, which we discuss in the next chapter. Similarly, organizations that support employee well-being tend to cultivate higher levels of loyalty in return.[75]

- *Shared values.* The definition of affective commitment refers to a person's identification with the organization, and that identification is highest when employees believe their values are congruent with the organization's dominant values. Employees also experience more positive emotions when their personal values are aligned with corporate values and actions, which increases their motivation to stay with the organization.[76]

- *Trust.* **Trust** refers to positive expectations one person has toward another person in situations involving risk.[77] Trust means putting faith in the other person or group. It is also a reciprocal activity: To receive trust, you must demonstrate trust. Employees identify with and feel obliged to work for an organization only when they trust its leaders. This explains why layoffs are one of the greatest blows to affective commitment; by reducing job security, companies reduce the trust employees have in their employer and the employment relationship.[78]

- *Organizational comprehension.* Organizational comprehension refers to how well employees understand the organization, including its strategic direction, social dynamics, and physical layout.[79] This awareness is a necessary prerequisite to affective commitment because it is difficult to identify with or feel loyal to something that you don't know very well. Furthermore, lack of information produces uncertainty, and the resulting stress can distance employees from that source of uncertainty (i.e., the organization). The practical implication here is to ensure that employees develop a reasonably clear and complete mental model of the organization. This occurs by giving staff information and opportunities to keep up to date about organizational events, interact with coworkers, discover what goes on in different parts of the organization, and learn about the organization's history and future plans.[80]

- *Employee involvement.* Employee involvement increases affective commitment by strengthening the employee's psychological ownership and social identity with the organization.[81] Employees feel part of the organization when they participate in decisions that guide the organization's future (see Chapter 7). Employee involvement also builds loyalty because it demonstrates the company's trust in its employees.

trust
positive expectations one person has toward another person in situations involving risk

Organizational commitment and job satisfaction represent two of the most often studied and discussed attitudes in the workplace. Each is linked to emotional episodes and cognitive judgments about the workplace and relationship with the company. Emotions also play an important role in another concept that is on everyone's mind these days: stress. The final section of this chapter provides an overview of work-related stress and how it can be managed.

Work-Related Stress and Its Management

4-4

stress
an adaptive response to a situation that is perceived as challenging or threatening to the person's well-being

When asked if they often feel stressed, most employees these days say "Yes!" Not only do most people understand the concept; they claim to have plenty of personal experience with it. **Stress** is most often described as an adaptive response to a situation that is perceived as challenging or threatening to the person's well-being.[82] It is a physiological and psychological condition that prepares us to adapt to hostile or noxious environmental conditions. Our heart rate increases, muscles tighten, breathing speeds up, and perspiration increases. Our body also moves more blood to the brain, releases adrenaline and other hormones, fuels the system by releasing more glucose and fatty acids, activates systems that sharpen our senses, and conserves resources by shutting down our immune system. One school of thought suggests that stress is a negative evaluation of the external environment. However, critics of this "cognitive appraisal" perspective point out that stress is more accurately described as an emotional experience, which may occur before or after a conscious evaluation of the situation.[83]

Whether stress is a complex emotion or a cognitive evaluation of the environment, it has become a pervasive experience in the daily lives of most people. Stress is typically described as a negative experience. This is known as *distress*—the degree of physiological, psychological, and behavioral deviation from healthy functioning. However, some level and form of stress—called *eustress*—is a necessary part of life because it activates and motivates people to achieve goals, change their environments, and succeed in life's challenges.[84] Our focus is on the causes and management of distress, because it has become a chronic problem in many societies.

STRESSED OUT, BURNT OUT[85]

72% of 3,113 adult Canadians surveyed believe they experience excessive stress.

80% of 1,004 employed American adults surveyed say they are stressed out on the job.

66% of more than 900 Americans surveyed say their company/office does "nothing" to help alleviate stress in the workplace.

42% of 6,700 Americans surveyed say they have left a job due to an overly stressful environment.

46% of 7,288 American physicians surveyed report at least one of the three symptoms of professional burnout.

Photo: © donskarpo/Getty Images RF

SELF-ASSESSMENT 4.4: How Stressed Are You?

Stress is an adaptive response to a situation that is perceived as challenging or threatening to the person's well-being. It is an increasing concern in today's society. You can discover your perceived general level of stress over the past month by locating this self-assessment in Connect if it is assigned by your instructor.

GENERAL ADAPTATION SYNDROME

general adaptation syndrome
a model of the stress experience, consisting of three stages: alarm reaction, resistance, and exhaustion

The word *stress* was first used more than 500 years ago to describe the human response to harsh environmental conditions. However, it wasn't until the 1930s that researcher Hans Selye (often described as the "father" of stress research) first documented the stress experience, called the **general adaptation syndrome.** Selye determined (initially by studying rats) that people have a fairly consistent and automatic physiological response to stressful situations, which helps them cope with environmental demands.[86]

The general adaptation syndrome consists of the three stages shown in Exhibit 4.6. The *alarm reaction* stage occurs when a threat or challenge activates the physiological stress responses that were noted above. The individual's energy level and coping effectiveness decrease in response to the initial shock. The second stage, *resistance,* activates various biochemical, psychological, and behavioral mechanisms that give the individual more energy and engage coping mechanisms to overcome or remove the source of stress. To focus energy on the source of the stress, the body reduces resources to the immune system during this stage. This explains why people are more likely to catch a cold or some other illness when they experience prolonged stress. People have a limited resistance capacity, and if the source of stress persists, the individual will eventually move into the third stage, *exhaustion*. Most of us are able to remove the source of stress or remove ourselves from that source before becoming too exhausted. However, people who frequently reach exhaustion have increased risk of long-term physiological and psychological damage.[87]
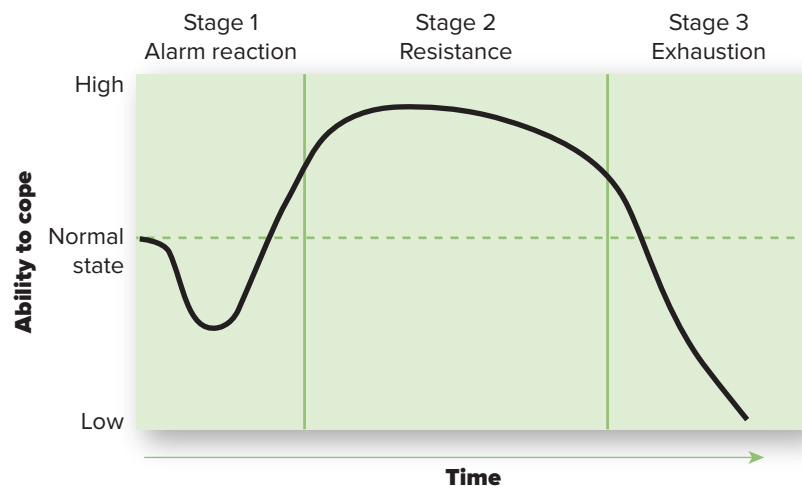
CONSEQUENCES OF DISTRESS

Stress takes its toll on the human body.[88] Many people experience tension headaches, muscle pain, and related problems mainly due to muscle contractions from the stress response. High stress levels also contribute to cardiovascular disease, including heart attacks and strokes, and may be associated with some forms of cancer. One major review

EXHIBIT 4.6

General Adaptation Syndrome

Source: Adapted from H. Selye, *The Stress of Life* (New York: McGraw-Hill, 1956).

estimated that more than 100,000 deaths annually and as much as 8 percent of health care costs in the United States are due to the consequences of work-related stress. Stress also produces various psychological consequences such as job dissatisfaction, moodiness, depression, and lower organizational commitment. Furthermore, various behavioral outcomes have been linked to high or persistent stress, including lower job performance, poor decision making, and increased workplace accidents and aggressive behavior. Most people react to stress through "fight or flight," so increased absenteeism is another outcome because it is a form of flight.[89]

A particular stress consequence, called *job burnout*, occurs when people experience emotional exhaustion, cynicism, and reduced feelings of personal accomplishment.[90] *Emotional exhaustion,* the first stage, is characterized by a lack of energy, tiredness, and a feeling that one's emotional resources are depleted. This is followed by *cynicism* (also called *depersonalization*), which is an indifferent attitude toward work, emotional detachment from clients, a cynical view of the organization, and a tendency to strictly follow rules and regulations rather than adapt to the needs of others. The final stage of burnout, called *reduced personal accomplishment,* entails feelings of diminished confidence in one's ability to perform the job well. In such situations, employees develop a sense of learned helplessness as they no longer believe that their efforts make a difference.

STRESSORS: THE CAUSES OF STRESS

stressors

any environmental conditions that place a physical or emotional demand on the person

Before identifying ways to manage work-related stress, we must first understand its causes, known as stressors. **Stressors** include any environmental conditions that place a physical or emotional demand on a person.[91] There are numerous stressors in the workplace and in life in general. We will briefly describe four of the most common work-related stressors: organizational constraints, interpersonal conflict, work overload, and low task control.[92]

Organizational Constraints   Stress research has identified organizational constraints as one of the most pervasive causes of workplace stress.[93] This stressor includes lack of equipment, supplies, budget funding, coworker support, information, and other resources necessary to complete the required work. Most employees experience stress because these constraints interfere with task performance, which indirectly threatens their rewards, status, and job security. Organizational constraints refer to situational factors, which is one of the four direct predictors of individual behavior and performance (see the MARS model in Chapter 2). It is the only direct influence on individual performance that is beyond the employee's immediate control. This lack of control is a powerful stressor because it threatens the individual's fundamental drive to influence his or her external environment.

Interpersonal Conflict   Organizations consist of groups of people working interdependently toward some purpose. But even though they share common organizational goals, employees frequently disagree with each other regarding how to achieve those goals as well as how the work and resources should be distributed along that journey. Therefore, conflict is a way of life in organizations. As we will learn in Chapter 11, specific conditions and practices enable employees to effectively resolve their differences with few negative emotions. Unfortunately, dysfunctional conflict can easily flair up and, left unchecked, escalate to a level that produces considerable stress and counterproductive work behaviors.

In organizational settings, most interpersonal conflict is caused by structural sources such as ambiguous rules, lack of resources, and conflicting goals between employees or departments. However, workplace conflict also arises when a person's

global connections 4.2

Chronic Work Overload in China

Eva Marti (not her real name) has lived in Beijing for eight years, but the Swiss-born designer still struggles with the workload expected of her. "What am I doing in here?" she asks at 2 a.m. on her fourth straight night of work. "This kind of overtime would never happen in Switzerland." The average Chinese worker puts in more than 2,000 hours each year, whereas Swiss workers average less than 1,500 hours.

Long hours due to work overload is a chronic problem for many employees in China, not just for expatriates. One survey found that 70 percent of white-collar workers in downtown Beijing show signs of overwork. Another study reported that half the anesthesiologists in China work more than 10 hours each day; nearly 80 percent of them say they feel too tired at work. Chinese newspapers frequently report death from overwork (called *guolaosi* in China) among young professionals, including a technology team leader at Tencent, a contractor engineer working on a project for Huawei, and a first-year assurance associate at PricewaterhouseCoopers in Shanghai.[94]

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psychological harassment
repeated and hostile or unwanted conduct, verbal comments, actions, or gestures that affect an employee's dignity or psychological or physical integrity and that result in a harmful work environment for the employee

actions are perceived by others as threatening. This fast-growing form of interpersonal conflict, called **psychological harassment,** includes repeated hostile or unwanted conduct, verbal comments, actions, and gestures that undermine an employee's dignity or psychological or physical integrity. It covers a broad landscape of behaviors, from threats and bullying to subtle yet persistent forms of incivility.[95] Psychological harassment exists in almost every workplace. One global survey of 16,517 employees reported that 83 percent of Europeans, 65 percent of employees in North and South America, and 55 percent of people in Asia say they have been physically or emotionally bullied.[96] *Sexual harassment* is a specific type of harassment in which a person's employment or job performance is conditional on unwanted sexual relations and/or the person experiences sexual conduct from others (such as posting pornographic material) that unreasonably interferes with work performance or creates an intimidating, hostile, or offensive working environment.[97]

Work Overload   "We just keep rushing along in a confused state of never having time to do the things that seem to be pressing upon us." Sound familiar? Most of us probably had this thought more than once over the past year. But this comment wasn't written in the past year or even in the past decade. It came from an article called "Let's Slow Down!" in a financial institution's newsletter to clients in 1949![98] The fact is, people have been struggling for more than a half century with the pace of life, including the challenges of performing too many tasks and working too many hours. Work overload is one of the most common workplace stressors. Employees are expected (or believe they are expected) to complete more work with more effort than they can provide within the allotted time.[99]

Work overload is evident when employees consume more of their personal time to get the job done. Technology and globalization also contribute to work overload because they tether employees to work for more hours of the day. People increasingly work with coworkers in distant time zones, and their communication habits of being constantly "on" make it difficult to separate work from personal life. Some employees

amplify their work overload by adopting an "ideal worker norm" in which they expect themselves and others to work longer hours. For many, toiling away far beyond the normal workweek is a badge of honor, a symbol of their superhuman capacity to perform above others.[100]

Low Task Control   Workplace stress is higher when employees lack control over how and when they perform their tasks as well as lack control over the pace of work activity. Work is potentially more stressful when it is paced by a machine, involves monitoring equipment, or the work schedule is controlled by someone else. Low task control is a stressor because employees face high workloads without the ability to adjust the pace of the load to their own energy, attention span, and other resources. Furthermore, the degree to which low task control is a stressor increases with the burden of responsibility the employee must carry.[101] Assembly-line workers have low task control, but their stress can be fairly low if their level of responsibility is also low. In contrast, sports coaches are under immense pressure to win games (high responsibility), yet they have little control over what happens on the playing field (low task control).

INDIVIDUAL DIFFERENCES IN STRESS

People exposed to the same stressor experience different levels of stress. One factor is the employee's physical health. Regular exercise and a healthy lifestyle produce a larger store of energy to cope with stress. A second individual difference is the coping strategy employees use to ward off a particular stressor.[102] People sometimes figure out ways to remove the stressor or to minimize its presence. Seeking support from others, reframing the stressor in a more positive light, blaming others for the stressor, and denying the stressor's existence are some other coping mechanisms. Specific coping strategies work better for some stressors, and a few coping strategies work well for almost all stressors.[103] Thus, someone who uses a less effective coping mechanism in a particular situation would experience more stress in response to that situation. People have a tendency to rely on one or two coping strategies, and those who rely on generally poor coping strategies (such as denying the stressor exists) are going to experience more stress.

Personality is the third and possibly the most important reason why people experience different levels of stress when faced with the same stressor.[104] Individuals with low neuroticism (high emotional stability) usually experience lower stress levels because, by definition, they are less prone to anxiety, depression, and other negative emotions. Extraverts also tend to experience lower stress than do introverts, likely because extraversion includes a degree of positive thinking and extraverts interact with others, which helps buffer the effect of stressors. People with a positive self-concept—high self-esteem, self-efficacy, and internal locus of control (see Chapter 3)—feel more confident and in control when faced with a stressor. In other words, they tend to have a stronger sense of optimism.[105]

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SELF-ASSESSMENT 4.5: Are You a Workaholic?

Some people are highly involved in work, have an inner compulsion to work at full speed, and yet don't enjoy work. People with these personal characteristics are called workaholics, and they tend to experience high levels of (dis)stress, which can produce long-term health problems. You can discover the extent to which you are a workaholic by locating this self-assessment in Connect if it is assigned by your instructor.

MANAGING WORK-RELATED STRESS

4-5

Many people deny the existence of their stress until it has more serious outcomes. This avoidance strategy creates a vicious cycle because the failure to cope with stress becomes another stressor on top of the one that created the stress in the first place. To prevent this vicious cycle, employers and employees need to apply one or more of the stress management strategies described next: remove the stressor, withdraw from the stressor, change stress perceptions, control stress consequences, and receive social support.[106]

Remove the Stressor   There are many ways to remove the stressor, but some of the more common actions involve assigning employees to jobs that match their skills and preferences, reducing excessive workplace noise, having a complaint system that takes corrective action against harassment, and giving employees more control over the work process. Another important way that companies can remove stressors is by facilitating better work–life balance. Work–life balance initiatives minimize conflict between the employee's work and nonwork demands. Five of the most common work–life balance initiatives are flexible and limited work time, job sharing, telecommuting, personal leave, and child care support.[107]

- *Flexible and limited work time.* An important way to improve work–life balance is limiting the number of hours that employees are expected to work and giving them flexibility in scheduling those hours. For example, San Jorge Children's Hospital offers a unique form of work flexibility that has dramatically reduced turnover and stress. The Puerto Rican medical center introduced a "ten month work program" in which employees can take summer months off to care for their children while out of school.[108]

- *Job sharing.* Job sharing splits a career position between two people so they experience less time-based stress between work and family. They typically work different parts of the week, with some overlapping work time in the weekly schedule to coordinate activities. This strategy gives employees the ability to work part-time in jobs that are naturally designed for full-time responsibilities.

- *Telecommuting.* Telecommuting (also called *teleworking*) involves working from home or a site close to home rather than commuting a longer distance to the office every day (see Chapter 1). It potentially improves work–life balance by reducing or eliminating commuting time and increasing flexibility to perform nonwork obligations (such as picking up the kids from school).[109] However, telecommuting may increase stress among those who do not receive enough social interaction outside of the workplace and among those who lack the space and privacy necessary to work at home.

- *Personal leave.* Employers with strong work–life values offer extended maternity, paternity, and other forms of personal leave, which gives them flexibility in managing family and other nonwork demands. Most countries provide 12 to 16 weeks of paid leave, with some offering one year or more of fully or partially paid maternity leave.[110]

- *Child care support.* Many large and medium-sized employers provide on-site or subsidized child care facilities. Child care support reduces stress because employees are less rushed to drop off children and less worried during the day about how well their children are doing.[111]

Withdraw from the Stressor   Removing the stressor may be the ideal solution, but it is often not feasible. An alternative strategy is to permanently or temporarily remove employees from the stressor. Permanent withdrawal occurs when employees are transferred to jobs that are more compatible with their abilities and values. Temporarily

HubSpot has all the features that attract Millennial employees: games room, fully stocked kitchen, camping-themed meditation room, and a hammock-equipped nap room in a beach-like setting. A nap room? Yes, the Boston-based marketing-software company encourages employees not just to take a break from their busy workday, but to recharge the brain cells by nodding off for half an hour. "Getting 20 or 30 minutes to pay back some of the sleep I lost the night before can make me so much more effective," says a HubSpot executive. One recent survey estimated that 5 percent of large American firms have private spaces or pods designed for employees to take a nap.[112]
© HubSpot

withdrawing from stressors is the most frequent way that employees manage stress. Vacations and holidays are important opportunities for employees to recover from stress and re-energize for future challenges. A small number of companies offer paid or unpaid sabbaticals.[113] Many firms also provide innovative ways for employees to withdraw from stressful work throughout the day such as game rooms, ice cream cart breaks, nap rooms, and cafeterias that include live piano recitals.

Change Stress Perceptions   The level of stress that people experience from a stressor depends on how they perceive that stressor.[114] Consider two employees who are assigned a difficult project. One employee experiences distress because he or she views the task as a hindrance to career success. The other employee feels eustress because the task is perceived as a challenge that will further develop personal competencies. There are many personal characteristics that cause employees to perceive stressors differently. One important factor is positive self-evaluation and optimism. Consequently, one way to manage stress is to help employees improve their self-concept so job challenges are not perceived as threatening. Personal goal setting and self-reinforcement can also reduce the stress that people experience when they enter new work settings. Research also suggests that some (but not all) forms of humor can improve optimism and create positive emotions by taking some psychological weight off the situation.[115]

Control Stress Consequences   Regular exercise and maintaining a healthy life-style are effective stress management strategies because they control stress consequences. Physical exercise reduces the physiological consequences of stress by helping employees moderate their breathing and heart rate, muscle tension, and stomach acidity.[116] Many companies offer Pilates, yoga, and other exercise and meditation classes during the workday. Research indicates that various forms of meditation reduce anxiety, reduce blood pressure and muscle tension, and moderate breathing and heart rate.[117] Wellness programs can also assist in controlling the consequences of stress. These programs inform employees about better nutrition and fitness, regular sleep, and other good health habits. Many large companies offer *employee assistance programs (EAPs)*—

counseling services that help employees resolve marital, financial, or work-related troubles, but some counseling also varies with the industry.

Receive Social Support   Social support occurs when coworkers, supervisors, family members, friends, and others provide emotional and/or informational support to buffer an individual's stress experience. For instance, one recent study found that employees whose managers are good at empathizing experienced fewer stress symptoms than did employees whose managers were less empathetic. Social support potentially (but not always) improves the person's optimism and self-confidence because support makes people feel valued and worthy. Social support also provides information to help the person interpret, comprehend, and possibly remove the stressor. For instance, to reduce a new employee's stress, coworkers could describe ways to handle difficult customers. Seeking social support is called a "tend and befriend" response to stress, and research suggests that women often follow this route rather than the "fight-or-flight" response mentioned earlier.[118]

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SELF-ASSESSMENT 4.6: **How Do You Cope with Stressful Situations?**

People cope with stress in several ways. The best coping strategy usually depends on the source of stress and other circumstances. However, people also have a natural preference for some types of coping strategies more than others. You can discover your preferences among four coping strategies by locating this self-assessment in Connect if it is assigned by your instructor.

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chapter summary

4-1   Explain how emotions and cognition (conscious reasoning) influence attitudes and behavior.

Emotions are physiological, behavioral, and psychological episodes experienced toward an object, person, or event that create a state of readiness. Emotions differ from attitudes, which represent a cluster of beliefs, feelings, and behavioral intentions toward a person, object, or event. Beliefs are a person's established perceptions about the attitude object. Feelings are positive or negative evaluations of the attitude object. Behavioral intentions represent a motivation to engage in a particular behavior toward the target.

Attitudes have traditionally been described as a purely rational process in which beliefs predict feelings, which predict behavioral intentions, which predict behavior. We now know that emotions have an influence on behavior that is equal to or greater than that of cognition. This dual process is apparent when we internally experience a conflict between what logically seems good or bad and what we emotionally feel is good or bad in a situation. Emotions also affect behavior directly. Behavior sometimes influences our subsequent attitudes through cognitive dissonance.

4-2   Discuss the dynamics of emotional labor and the role of emotional intelligence in the workplace.

Emotional labor consists of the effort, planning, and control needed to express organizationally desired emotions during interpersonal transactions. It is more common in jobs requiring a variety of emotions and more intense emotions, as well as in jobs in which interactions with clients are frequent and long in duration. Cultures also differ on the norms of displaying or concealing a person's true emotions. Emotional dissonance is the psychological tension experienced when the emotions people are required to display are quite different from the emotions they actually experience at that moment. Deep acting can minimize this dissonance, as can the practice of hiring people with a natural tendency to display desired emotions.

Emotional intelligence is the ability to perceive and express emotion, assimilate emotion in thought, understand and reason with emotion, and regulate emotion in oneself and others. This concept includes four components arranged in a hierarchy: awareness of one's own emotions, management of one's own emotions, awareness of others' emotions,

and management of others' emotions. Emotional intelligence can be learned to some extent, particularly through personal coaching.

4-3   Summarize the consequences of job dissatisfaction, as well as strategies to increase organizational (affective) commitment.

Job satisfaction represents a person's evaluation of his or her job and work context. Four types of job dissatisfaction consequences are quitting or otherwise getting away from the dissatisfying situation (exit), attempting to change the dissatisfying situation (voice), patiently waiting for the problem to sort itself out (loyalty), and reducing work effort and performance (neglect). Job satisfaction has a moderate relationship with job performance and with customer satisfaction. Affective organizational commitment (loyalty) is the employee's emotional attachment to, identification with, and involvement in a particular organization. This form contrasts with continuance commitment, which is a calculative bond with the organization. Companies build loyalty through justice and

support, shared values, trust, organizational comprehension, and employee involvement.

4-4   Describe the stress experience and review four major stressors.

Stress is an adaptive response to a situation that is perceived as challenging or threatening to a person's well-being. The stress experience, called the general adaptation syndrome, involves moving through three stages: alarm, resistance, and exhaustion. Stressors are the causes of stress and include any environmental conditions that place a physical or emotional demand on a person. Four of the most common workplace stressors are organizational constraints, interpersonal conflict, work overload, and low task control.

4-5   Identify five ways to manage workplace stress.

Many interventions are available to manage work-related stress, including removing the stressor, withdrawing from the stressor, changing stress perceptions, controlling stress consequences, and receiving social support.

key terms

affective organizational commitment, p. 106

attitudes, p. 93

cognitive dissonance, p. 96

continuance commitment, p. 106

emotional dissonance, p. 98

emotional intelligence (EI), p. 99

emotional labor, p. 98

emotions, p. 92

exit–voice–loyalty–neglect (EVLN) model, p. 103

general adaptation syndrome, p. 109

job satisfaction, p. 102

psychological harassment, p. 111

service profit chain model, p. 104

stress, p. 108

stressors, p. 110

trust, p. 107

critical thinking questions

1. Studies report that college instructors are frequently required to engage in emotional labor. Identify the situations in which emotional labor is required for this job. In your opinion, is emotional labor more troublesome for college instructors or for people working at emergency service call centers?

2. "Emotional intelligence is more important than cognitive intelligence in influencing an individual's success." Do you agree or disagree with this statement? Support your perspective.

3. Recall a traumatic personal event, such as losing a loved one due to an accident or illness, receiving a rejection for an important job or school application, or failing an important assignment. Based on what you have learned in this chapter, discuss what has happened to you in terms of your cognitive reasoning, your emotional reactions, and your ability to logically deal with these stressful situations.

4. It has almost become a mandatory practice for companies to ensure that employees have fun at work. Many workplaces now have fully stocked lounges, games rooms, funky painted walls, and regular social events. A few even

have a slide to travel down to the next floor. However, some experts warn that imposing fun at work can have negative consequences. "Once the idea of fun is formally institutionalized from above, it can lead to employees becoming resentful," warns one critic. "They feel patronized and condescended, and it breeds anger and frustration." Apply the attitude model to explain how fun activities might improve customer satisfaction, as well as how they might result in poorer customer satisfaction.

5. Job satisfaction leads to increased job performance. This statement has supplanted earlier thought on how job performance doesn't necessarily depend on job satisfaction. What has caused the shift in thought over the years, and do you agree with this assessment?

6. In this chapter, we highlighted work-related stressors, including organizational constraints (e.g. lack of resources), interpersonal conflict (including harassment), work overload, and low task control. Of course, there are many nonwork-related stressors that increasingly come into the discussion. Please discuss important nonwork stressors and discuss their impact on the work environment.

7. Two college graduates recently joined the same major newspaper as journalists. Both work long hours and have tight deadlines for completing their stories. They are under constant pressure to scout out new leads and be the first to report new controversies. One journalist is increasingly fatigued and despondent and has taken several days of sick leave. The other is getting the work done and seems to enjoy the challenges. Use your knowledge of stress to explain why these two journalists are reacting differently to their jobs.

8. A senior official of a labor union stated: "All stress management does is help people cope with poor management. [Employers] should really be into stress reduction." Discuss the accuracy of this statement.

CASE STUDY: DIANA'S DISAPPOINTMENT: THE PROMOTION STUMBLING BLOCK

By Rosemary Maellaro, University of Dallas

Diana Gillen had an uneasy feeling of apprehension as she arrived at the Cobb Street Grille corporate offices. Today she was meeting with her supervisor, Julie Spencer, and regional director, Tom Miner, to learn the outcome of her promotion interview for the district manager position. Diana had been employed by this casual dining restaurant chain for 12 years and had worked her way up from server to general manager. Based on her track record, she was the obvious choice for the promotion; and her friends assured her that the interview process was merely a formality. Diana was still anxious, though, and feared that the news might not be positive. She knew she was more than qualified for the job, but that didn't guarantee anything these days.

Nine months ago, when Diana interviewed for the last district manager opening, she thought her selection for the job was inevitable. She was shocked when that didn't happen. Diana was so upset about not getting promoted then that she initially decided not to apply for the current opening. She eventually changed her mind—after all, the company had just named her Restaurant Manager of the Year and entrusted her with managing its flagship location. Diana thought her chances had to be really good this time.

A multi-unit management position was a desirable move up for any general manager and was a goal to which Diana had aspired since she began working in the industry. When she had not been promoted the last time, Julie, her supervisor, explained that her people skills needed to improve. But Diana knew that explanation had little to do with why she hadn't gotten the job—the real reason was corporate politics. She heard that the person they hired was some super star from the outside—a district manager from another restaurant company who supposedly had strong multi-unit management experience and a proven track record of developing restaurant managers. Despite what she was told, she was convinced that Tom, her regional manager, had been unduly pressured to hire this person, who had been referred by the CEO.

The decision to hire the outsider may have impressed the CEO, but it enraged Diana. With her successful track record as a store manager for the Cobb Street Grille, she was much more capable, in her opinion, of overseeing multiple units than someone who was new to the operation. Besides, district managers had always been promoted internally among the store managers and she was unofficially designated as the next one to move up to a district position. Tom had hired the outside candidate as a political maneuver to put himself in a good light with management, even though it meant overlooking a loyal employee like her in the process. Diana had no patience with people who made business decisions for the wrong reasons. She worked very hard to avoid politics—and it especially irritated her when the political actions of others negatively impacted on her.

Diana was ready to be a district manager nine months ago, and thought she was even more qualified today—provided the decision was based on performance. She ran a tight ship, managing her restaurant completely by the book. She meticulously adhered to policies and procedures and rigorously controlled expenses. Her sales were growing, in spite of new competition in the market, and she received relatively few customer complaints. The only number that was a little out of line was the higher turnover among her staff.

Diana was not too concerned about the increasing number of terminations, however; there was a perfectly logical explanation for this. It was because she had high standards—for herself and her employees. Any employee who delivered less than 110 percent at all times would be better off finding a job somewhere else. Diana didn't think she should bend the rules for anyone, for whatever reason. A few months ago, for example, she had to fire three otherwise good employees who decided to try a new customer service tactic—a so-called innovation they dreamed up—rather than complying with the established process. As the general manager, it was her responsibility to make sure that the restaurant was managed strictly in accordance with the operations manual and she could not allow deviations. This by-the-book approach to managing had served her well for many years. It got her promoted in the past and she was not about to jinx that now. Losing a few employees now and then—particularly those who had

difficulty following the rules—was simply the cost of doing business.

During a recent store visit, Julie suggested that Diana might try creating a friendlier work environment because she seemed aloof and interacted with employees somewhat mechanically. Julie even told her that she overheard employees refer to Diana as the "Ice Maiden" behind her back. Diana was surprised that Julie brought this up because her boss rarely criticized her. They had an unspoken agreement: since Diana was so technically competent and always met her financial targets, Julie didn't need to give her much input. Diana was happy to be left alone to run her restaurant without needless advice.

At any rate, Diana rarely paid attention to what employees said about her. She wasn't about to let something as childish as a silly name cause her to modify a successful management strategy. What's more, even though she had recently lost more than the average number of employees due to "personality differences" or "miscommunications" over her directives, her superiors did not seem to mind when she consistently delivered strong bottom line results every month.

As she waited in the conference room for the others, Diana worried that she was not going to get this promotion. Julie had sounded different in the voicemail message she left to inform her about this meeting, but Diana couldn't put her finger on exactly what it was. She would be very angry if she was passed over again and wondered what excuse they would have this time. Then her mind wandered to how her employees would respond to her if she did not get the promotion. They all knew how much she wanted the job and she cringed at how embarrassed she would be if she didn't get it. Her eyes began to mist over at the sheer thought of having to face them if she was not promoted today.

Julie and Tom entered the room then and the meeting was under way. They told Diana, as kindly as they could, that she would not be promoted at this time; one of her colleagues would become the new district manager. She was incredulous. The individual who got promoted had been with the company only three years—and Diana had trained her! She tried to comprehend how this happened, but it did not make sense. Before any further explanation could be offered, she burst into tears and left the room. As she tried in vain to regain her composure, Diana was overcome with crushing disappointment.

Discussion Questions

1. Apply your knowledge of the four emotional intelligence dimensions to discuss the likely reasons why Diana wasn't offered a promotion.

2. What skills does Diana need to develop to be promotable in the future? What can the company do to support her developmental efforts?

CLASS EXERCISE: STRENGTHS-BASED COACHING

PURPOSE To help students practice a form of interpersonal development built on the dynamics of positive emotions.

MATERIALS None.

BACKGROUND Several chapters in this book introduce and apply the emerging philosophy of *positive organizational behavior,* which suggests that focusing on the positive rather than negative aspects of life will improve organizational success and individual well-being. An application of positive OB is strengths-based or appreciative coaching, in which the coach focuses on the person's strengths rather than weaknesses and helps realize the person's potential. As part of any coaching process, the coach listens to the employee's story and uses questions and suggestions to help that person redefine her or his self-concept and perceptions of the environment. Two important skills in effective coaching are active listening and probing for information (rather than telling the person a solution or direction). The instructions below identify specific information and issues that the coach and coachee will discuss.

INSTRUCTIONS

Step 1: Form teams of four people. One team can have six people if the class does not have multiples of four. For odd-numbered class sizes, one person may be an observer. Divide into pairs in which one person is coach and the other is the coachee. Ideally for this exercise, the coach and coachee should have little knowledge of each other.

Step 2: Coachees will describe something about themselves in which they excel and for which they like to be recognized. This competency might be work-related, but not necessarily. It would be a personal achievement or ability that is close to their self-concept (how they define themselves). The coach mostly listens but also prompts more details from the coachee using "probe" questions (e.g., "Tell me more about that." "What did you do next?" "Could you explain that further, please?" "What else can you remember about that event?"). As the coachee's story develops, the coach will guide the coachee to identify ways to leverage this strength. For example, the pair would explore situational barriers to practicing the coachee's strength, as well as aspects of this strength that require further development. The strength may also be discussed as a foundation for the coachee to develop strengths in other, related ways.

The session should end with some discussion of the coachee's goals and action plans. The first coaching session can be any length of time specified by the instructor, but 15 to 25 minutes is typical for each coaching session.

Step 3: After completing the first coaching session, re-group so that each pair consists of different partners than those in the first pair (i.e., if pairs were A–B and C–D in session 1, pairs are A–C and B–D in session 2). The coaches become coachees to their new partners in session 2.

Step 4: The class will debrief regarding the emotional experience of discussing personal strengths, the role of self-concept in emotions and attitudes, the role of managers and coworkers in building positive emotions in people, and the value and limitations of strengths-based coaching.

Note: For further information about strengths-based coaching, see Sara L. Orem, Jacqueline Binkert, and Ann L. Clancy, *Appreciative Coaching* (San Francisco: Jossey-Bass, 2007); Marcus Buckingham and C. Coffman, *First, Break All the Rules* (New York: Simon & Schuster, 1999).

TEAM EXERCISE: RANKING JOBS ON THEIR EMOTIONAL LABOR

PURPOSE This exercise is designed to help you understand the jobs in which people tend to experience higher or lower degrees of emotional labor.

INSTRUCTIONS

Step 1: Individually rank-order the extent that the jobs listed below require emotional labor. In other words, assign a "1" to the job you believe requires the most effort, planning, and control to express organizationally desired emotions during interpersonal transactions. Assign a "10" to the job you believe requires the least amount of emotional labor. Mark your rankings in column 1.

Step 2: The instructor will form teams of four or five members, and each team will rank-order the items on the basis of consensus (not simply averaging the individual rankings). These results are placed in column 2.

Step 3: The instructor will provide expert ranking information. This information should be written in column 3. Then, students calculate the differences in columns 4 and 5.

Step 4: The class will compare the results and discuss the features of jobs with high emotional labor.

Occupational Emotional Labor Scoring Sheet

OCCUPATION	(1) INDIVIDUAL RANKING	(2) TEAM RANKING	(3) EXPERT RANKING	(4) ABSOLUTE DIFFERENCE OF 1 AND 3	(5) ABSOLUTE DIFFERENCE OF 2 AND 3
Bartender					
Cashier					
Dental hygienist					
Insurance adjuster					
Lawyer					
Librarian					
Postal clerk					
Registered nurse					
Social worker					
Television announcer					
TOTAL					
				Your score	Team score

(The lower the score, the better.)

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Foundations of Employee Motivation

Frucor Beverages is the market leader of energy drinks in New Zealand and Australia. It is also one of the most energized companies in the region. "Our people are highly engaged, but they are also hungry for more success, and to be better," says Mark Callaghan, CEO of the company's New Zealand operations where most production occurs.

Frucor's 1,000 employees say the company provides plenty of learning and autonomy, which motivates them to develop their potential. "The environment is great to develop skills you would normally obtain by working at a number of different companies," says Ted Audain, a Frucor plant maintenance engineer and parts purchaser. "We are committed to providing our people with the freedom to create, push the boundaries, and 'to go for it'" says Callaghan. "From a business perspective, factors such as improved productivity, low consumer complaints, low absenteeism, and return on investment to our shareholders are by-products of an everyday fun and self-actualizing environment."

Job-relevant, challenging goals linked to the company's overall objectives is another source of employee motivation at Frucor. "It's about having a clear strategy, objectives and goals with each person's objectives related to the company's goals, which are clearly

articulated," says Callaghan. Frucor balances those challenges by ensuring that employees are valued and appreciated for their contribution. "When you value your staff as people, they value you," Callaghan explains. "Everyone takes responsibility for valuing each other—we get higher engagement from staff."

Overall, Frucor sets a high bar for employee performance, but also offers plenty of training, recognition, and support to achieve those goals. "We back people to take a risk in a highly supportive environment," Callaghan explains. "I like to think we're like a Viking but with a mother's heart."[1]

Frucor Beverages has a highly engaged workforce through goal setting, meaningful work, enriched jobs, and recognition of their value to the organization. These practices generate high levels of employee motivation. **Motivation** refers to the forces within a person that affect the direction, intensity, and persistence of voluntary behavior.[2] Motivated employees are willing to exert a particular level of effort (intensity), for a certain amount of time (persistence), toward a particular goal (direction). Motivation is one of the four essential drivers of individual behavior and performance (see Chapter 2).

motivation
the forces within a person that affect his or her direction, intensity, and persistence of voluntary behavior

The theme of this chapter is employee motivation. We begin by discussing employee engagement, an increasingly popular concept associated with motivation. Next, we explain how drives and emotions are the prime movers of employee motivation, and review associated needs-based theories. Our attention then turns to expectancy theory, a popular cognitive decision model of employee motivation. Organizational behavior modification and social cognitive theory are then introduced and linked to expectancy theory. The latter sections of this chapter outline the key components of goal setting and feedback, and organizational justice.

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Frucor beverages has a highly engaged workforce through goal setting, meaningful work, enriched jobs, and recognition of their value to the organization.

global connections 5.1

DHL Express Employees Get Engaged

Employee engagement is a key driver of business success at DHL Express, the global courier division of Germany's Deutsche Post. "We definitely see the value in having emotionally engaged and motivated employees," says Hennie Heymans, managing director of DHL Express Sub-Saharan Africa. "Engaged employees mean better revenue, profit, customer engagement, and safety."

As one of Africa's top-rated employers, DHL Express builds an engaged workforce through continuous development, such as online learning available to all staff and the Made in Africa initiative to train and mentor future leaders. "Employees should be encouraged to grow—both personally and professionally—and should be continuously motivated to broaden their horizons and fulfill their potential," says Lebo Tseladimitlwa, vice president of human resources at DHL Express Sub-Saharan Africa. The company also has employee recognition awards, competitive pay, and a Certified International Specialist

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(CIS) program, in which all DHL employees learn how the company operates and the importance of everyone's role in the business. "CIS is not a traditional training platform," says DHL Express Global CEO Ken Allen. "It was designed first and foremost as an engagement tool."[3]

Employee Engagement

5-1

employee engagement
individual emotional and cognitive motivation, particularly a focused, intense, persistent, and purposive effort toward work-related goals

When executives at Frucor Beverages and other companies discuss employee motivation these days, they are just as likely to use the phrase **employee engagement.** Although its definition is still being debated,[4] we define employee engagement as an individual's emotional and cognitive (logical) motivation, particularly a focused, intense, persistent, and purposive effort toward work-related goals. It is an emotional involvement in, commitment to, and satisfaction with the work. Employee engagement also includes a high level of absorption in the work—the experience of focusing intensely on the task with limited awareness of events beyond that work. Finally, employee engagement is often described in terms of self-efficacy—the belief that you have the ability, role clarity, and resources to get the job done (see Chapter 3).

Employee engagement is on the minds of many business leaders because of evidence that it predicts employee and work unit performance. For example, Standard Chartered Bank found that branches with higher employee engagement provide significantly higher-quality customer service, have 46 percent lower employee turnover, and produce 16 percent higher profit margin growth than branches with lower employee engagement. Another company recently reported that highly engaged teams have much more loyal customers (35 percent above average) compared to moderately engaged teams (6 percent above average loyalty). It isn't always clear from these studies whether employee engagement makes companies more successful, or whether the company's success makes employees more engaged. However, longitudinal evidence suggests that employee engagement causes the company outcomes more than vice versa.[5]

The challenge facing organizational leaders is that most employees aren't very engaged.[6] The numbers vary across studies, but recent results from a widely recognized survey estimate that only 32 percent of employees in the United States are engaged, 51 percent are not engaged, and 17 percent are actively disengaged. Actively disengaged employees tend to be disruptive at work, not just disconnected from work.[7] These numbers are better than in most countries; only 13 percent of employees globally are engaged. Employees in several Asian countries (notably Japan, China, and South Korea)

and a few European countries (notably Italy, Netherlands, and France) have the lowest levels of employee engagement, whereas the highest scores are usually found in the United States, Brazil, and India.

This leads to the question: What are the drivers of employee engagement? Goal setting, employee involvement, organizational justice, organizational comprehension (knowing what's going on in the company), employee development opportunities, sufficient resources, and an appealing company vision are some of the more commonly mentioned influences.[8] In other words, building an engaged workforce calls on most topics in this book, such as the MARS model (Chapter 2), building affective commitment (Chapter 4), motivation practices (Chapter 5), organizational-level communication (Chapter 9), and leadership (Chapter 12).

Employee Drives and Needs

5-2

To build a more engaged and motivated workforce, we first need to understand where motivation begins, that is, the motivational "forces" or "prime movers" of employee behavior.[9] Our starting point is **drives** (also called *primary needs*), which we define as hardwired characteristics of the brain that attempt to keep us in balance by correcting deficiencies. Recent neuroscience (brain) research has highlighted the central role of emotions in this process. Specifically, drives produce emotions that energize us to act on our environment.[10] There is no agreed-upon list of human drives, but research has consistently identified several, such as the drive for social interaction, for competence, to comprehend our surroundings, and to defend ourselves against physiological and psychological harm.[11]

Drives are innate and universal, which means that everyone has them and they exist from birth. Drives are the starting point of motivation because they generate emotions, which put people in a state of readiness to act on their environment. Cognition (logical thinking) plays an important role in motivation, but emotions are the real sources of energy in human behavior.[12] In fact, both words (*emotion* and *motivation*) originate from the same Latin word, *movere,* which means "to move."

Exhibit 5.1 illustrates how drives and emotions translate into felt needs and behavior. Drives, and the emotions generated by these drives, form human needs. We define **needs** as goal-directed forces that people experience. They are the motivational forces of emotions channeled toward particular goals to correct deficiencies or imbalances. As one leading neuroscientist explains: "drives express themselves directly in background emotions and we eventually become aware of their existence by means of background feelings."[13] In other words, needs are the emotions we eventually become consciously aware of.

Consider the following example: You arrive at work to discover a stranger sitting at your desk. Seeing this situation produces emotions (worry, curiosity) that motivate

drives
hardwired characteristics of the brain that correct deficiencies or maintain an internal equilibrium by producing emotions to energize individuals

needs
goal-directed forces that people experience

EXHIBIT 5.1

Drives, Needs, and Behavior

you to act. These emotions are generated from drives, such as the drive to defend and drive to comprehend. When strong enough, these emotions motivate you to do something about this situation, such as finding out who that person is and possibly seeking reassurance from coworkers that your job is still safe. In this case, you have a need to make sense of what is going on, to feel secure, and possibly to correct a sense of personal violation. Notice that your emotional reactions to seeing the stranger sitting at your desk represent the forces that move you, and that your logical thinking plays an active role in channeling those emotions toward specific goals.

INDIVIDUAL DIFFERENCES IN NEEDS

Everyone has the same drives; they are hardwired in us through evolution. However, people develop different intensities of needs in a particular situation. Exhibit 5.1 explains why this difference occurs. The left side of the model shows that the individual's self-concept (as well as personality and values), social norms, and past experience amplify or suppress emotions, thereby resulting in stronger or weaker needs.[14] People who define themselves as very sociable typically experience a stronger need for social interaction if alone for a while, whereas people who view themselves as less sociable would experience a less intense need to be with others over that time. These individual differences also explain why needs can be "learned" to some extent. Socialization and reinforcement may increase or decrease a person's need for social interaction, achievement, and so on. We will discuss learned needs later in this section of the chapter.

Individual differences—including self-concept, social norms, and past experience—influence the motivation process in a second way. They regulate a person's motivated decisions and behavior, as the right side of Exhibit 5.1 illustrates. Consider the earlier example of the stranger sitting at your desk. You probably wouldn't walk up to the person and demand that he or she leave; such blunt behavior is contrary to social norms in most cultures. Employees who view themselves as forthright might approach the stranger directly, whereas those who have a different personality and self-view are more likely to first gather information from coworkers before approaching the intruder. In short, your drives (drive to comprehend, to defend, to socialize with others, etc.) and resulting emotions energize you to act, and your self-concept, social norms, and past experience direct that energy toward goal-directed behavior.

Exhibit 5.1 provides a useful template for understanding how drives and emotions are the prime sources of employee motivation and how individual characteristics (self-concept, experience, values) influence goal-directed behavior. You will see pieces of this theory when we discuss four-drive theory, expectancy theory, equity theory, and other concepts in this chapter. The remainder of this section describes theories that try to explain the dynamics of drives and needs.

MASLOW'S NEEDS HIERARCHY THEORY

5-3

Maslow's needs hierarchy theory a motivation theory of needs arranged in a hierarchy, whereby people are motivated to fulfill a higher need as a lower one becomes gratified

The most widely known theory of human motivation is **Maslow's needs hierarchy theory,** which was developed by psychologist Abraham Maslow in the 1940s (see Exhibit 5.2). This model condenses the long list of previously studied drives into five basic categories (which Maslow called primary needs). Maslow organized these categories into a hierarchy that, from lowest to highest, are[15] *physiological* (need for food, air, water, shelter, etc.), *safety* (need for security and stability), *belongingness/love* (need for interaction with and affection from others), *esteem* (need for self-esteem and social esteem/status), and *self-actualization* (need for self-fulfillment, realization of one's potential). Along with these five categories, Maslow identified the desire to know and the desire for aesthetic beauty as two innate drives that do not fit within the hierarchy.

Maslow proposed that human beings are motivated by several primary needs (drives) at the same time, but the strongest source of motivation is the lowest unsatisfied need. As the person satisfies a lower-level need, the next higher need in the hierarchy becomes the

strongest motivator and remains so even if never satisfied. The exception to this need fulfillment process is self-actualization. People have an ongoing need for self-actualization; it is never really fulfilled. Thus, while the bottom four groups are *deficiency needs* because they become activated when unfulfilled, self-actualization is known as a *growth need* because it continues to develop even when temporarily satiated.

In spite of its popularity, Maslow's needs hierarchy theory has been dismissed by most motivation experts.[16] Other needs hierarchy models have also failed to adequately depict human motivation. Maslow assumed that need fulfillment occurs in the order of the hierarchy, yet some people fulfill their esteem needs before their safety needs, for example. He also assumed that a person's needs are fulfilled for a long time, whereas need fulfillment actually seems to last for a briefer period of time.

The main problem with needs hierarchy models is that people have different needs hierarchies. Some people place social status at the top of their personal hierarchy; others view personal development and growth above social relations or status. Employee needs are strongly influenced by self-concept, personal values, and personality.[17] People have different hierarchies of values (their values system—see Chapter 2), so they also have parallel differences in their needs hierarchies. If your most important values lean toward stimulation and self-direction, you probably pay more attention to self-actualization needs.[18]

Although needs hierarchy theory has failed the reality test, Maslow transformed how we think about human motivation.[19] First, Maslow emphasized that needs should be studied together (holistically) because human behavior is typically initiated by more than one need at the same time. Previously, motivation experts had studied separately each of the dozens of needs and their underlying drives.[20] Second, Maslow recognized that motivation can be shaped by human thoughts (including self-concept, social norms, past experience), whereas earlier motivation experts focused mainly on how instincts motivated behavior.[21] Third, Maslow popularized the concept of *self-actualization,* suggesting that people are naturally motivated to reach their potential.[22] This positive view of motivation contrasted with previous motivation theories, which focused on need deficiencies such as hunger. By emphasizing motivation through growth and personal development rather than deficiencies, Maslow is considered a pioneer in *positive organizational behavior* (see Chapter 3).

SELF-ASSESSMENT 5.1: How Strong Are Your Growth Needs?

Many human needs are called "deficiency" needs because they become active only when unfilled. However, Abraham Maslow popularized the idea that people also have "growth needs," which continue to motivate even when temporarily satiated. Growth needs are associated with self-actualization and intrinsic motivation. People vary in their growth need strength, which is evident from the type of work they prefer. You can discover your growth need strength by locating this self-assessment in Connect if it is assigned by your instructor.

INTRINSIC AND EXTRINSIC MOTIVATION

By extolling the importance of self-actualization, Maslow launched an entirely new way of thinking about human motivation. People experience self-actualization by applying their skills and knowledge, observing how their talents achieve meaningful results, and experiencing personal growth through learning. These are the conditions for *intrinsic motivation,* which refers to motivation controlled by the individual and experienced from the activity itself.[23] Intrinsic motivation occurs when people seek need fulfillment from doing the activity itself, not as a means to some other outcome. They enjoy applying their talents toward a meaningful task and experiencing progress or success in that task.

Behavior is intrinsically motivated when it is anchored in the innate drives for competence and autonomy.[24] People feel competent when applying their skills and observing positive, meaningful outcomes from those talents. People feel autonomous when their motivation is self-initiated rather than controlled from an external source. The effect of intrinsic motivation and, in particular, the drives for competence and autonomy are apparent at Frucor Beverages. As the opening case study to this chapter described, the New Zealand drinks company encourages staff to try out new ideas and to further develop their potential through new work assignments and other forms of learning.

Intrinsic motivation contrasts with *extrinsic motivation,* which occurs when people are motivated to receive something that is beyond their personal control for instrumental reasons. In other words, they direct their effort toward a reward controlled by others that

At Airbnb, the San Francisco–based online vacation accommodation company, employees say they feel intrinsically motivated through autonomy and personal growth. "I feel realized, motivated, welcomed every single day," exudes an Airbnb employee in Sao Paulo, Brazil. "Lot of autonomy and a great company to work for," says an employee in the Netherlands. "Fundamentally we believe that engineers having more control over what they work on is more motivating and leads to higher-quality results," explains Mike Curtis (right in photo), Airbnb's vice president of engineering.[25]
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indirectly fulfills a need. Extrinsic sources of motivation exist throughout organizations, such as performance bonuses, recognition awards, and frequent reminders from the boss about work deadlines. These are extrinsic motivators because the outcomes (bonus, award, happy boss) are controlled by others and are not need fulfillment in themselves. The recognition award is a means to satisfy status needs, for example.

Bonuses, awards, and micromanaging bosses are clearly "external" sources, but extrinsic motivation also occurs when employees create the own internal pressure to act in association with external factors. For instance, we often experience an extrinsic motivation to complete our part of a team project because we worry how team members will react if we complete the work poorly or behind schedule. Extrinsic motivation even occurs when employees internalize the value of the external control source. As an example, you might be motivated to provide exemplary customer service because you believe in the company's customer-friendly values. This motivation is extrinsic because it is controlled by the company's values, not from the experience of satisfying customers.

Does Extrinsic Motivation Undermine Intrinsic Motivation?   There are two contrasting hypotheses about how extrinsic and intrinsic motivation work together.[26] The additive view suggests that someone performing an intrinsically motivating job becomes even more motivated by also receiving an extrinsic source of motivation for that work. The extrinsic motivator energizes the employee more than the intrinsic motivator alone. The contrasting hypothesis is that introducing extrinsic sources of motivation will reduce intrinsic motivation. For example, employees who were energized from the work itself will experience less of that intrinsic motivation when they receive extrinsic rewards such as a performance bonus. The explanation is that introducing extrinsic motivators diminishes the employee's feeling of autonomy, which is a key source of intrinsic motivation.

Which hypothesis is correct? So far, the research evidence is mixed.[27] Extrinsic motivators may reduce existing intrinsic motivation to some extent and under some conditions, but the effect is often minimal. Extrinsic rewards do not undermine intrinsic motivation when they are unexpected, such as a surprise bonus, when they have low value relative to the intrinsic motivator, and when they are not contingent on specific behavior (such as receiving a fixed salary). But when employees are engaged in intrinsically motivating work, employers should be careful about the potential unintended effect of undermining that motivation with performance bonuses and other sources of extrinsic motivation.[28]

LEARNED NEEDS THEORY

Earlier in this chapter, we noted that needs are shaped, amplified, or suppressed through self-concept, social norms, and past experience. Maslow observed that individual characteristics influence the strength of higher-order needs, such as the need to belong. Psychologist David McClelland further investigated the idea that need strength can be altered through social influences. In particular, he recognized that a person's needs can be strengthened or weakened through reinforcement, learning, and social conditions. McClelland examined three "learned" needs: achievement, affiliation, and power.[29]

need for achievement (nAch)
a learned need in which people want to accomplish reasonably challenging goals and desire unambiguous feedback and recognition for their success

Need for Achievement   People with a strong **need for achievement (nAch)** want to accomplish reasonably challenging goals through their own effort. They prefer working alone rather than in teams, and they choose moderately challenging tasks (i.e., neither too easy nor impossible to complete). People with high nAch desire unambiguous feedback and recognition for their success. Money is a weak motivator, except when it provides feedback and recognition.[30] In contrast, employees with low nAch perform better when money is used as an incentive. Successful entrepreneurs tend to have high nAch, possibly because they establish challenging goals for themselves and thrive on competition.[31]

Soon after his arrival as CEO, Dolf van den Brink (in photo) discovered one reason why Heineken USA had been losing market share: Heineken's staff had low achievement motivation. In response, van den Brink developed a new set of risk-oriented, entrepreneurial values and introduced them at an all-employee pirate-themed event. "We need to be a nimble, humble, agile and an entrepreneurial company again," explained van den Brink, who is now CEO of Heineken in Mexico. Van den Brink is also a role model for high achievement motivation. He had spent the previous four years doubling Heineken's market share in the Democratic Republic of the Congo, in spite of militant uprisings. Heineken USA's market share has since increased and employees say they are much more risk-oriented.[32]

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Need for Affiliation   **Need for affiliation (nAff)** refers to a desire to seek approval from others, conform to their wishes and expectations, and avoid conflict and confrontation. People with strong nAff try to project a favorable image of themselves. They tend to actively support others and try to smooth out workplace conflicts. High-nAff employees generally work well in coordinating roles to mediate conflicts and in sales positions where the main task is cultivating long-term relations. However, they tend to be less effective at allocating scarce resources and making other decisions that potentially generate conflict. Leaders and others in decision-making positions require a relatively low need for affiliation so their choices and actions are not biased by a personal need for approval.[33]

Need for Power   People with a high **need for power (nPow)** want to exercise control over others and are concerned about maintaining their leadership position. They frequently rely on persuasive communication, make more suggestions in meetings, and tend to publicly evaluate situations more frequently. McClelland pointed out that there are two types of nPow. Individuals who enjoy their power for its own sake, use it to advance personal interests, and wear their power as a status symbol have *personalized power*. Others mainly have a high need for *socialized power* because they desire power as a means to help others.[34] McClelland argues that effective leaders should have a high need for socialized rather than personalized power. They must have a high degree of altruism and social responsibility and be concerned about the consequences of their own actions on others.

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SELF-ASSESSMENT 5.2: How Strong Are Your Learned Needs?

Everyone has the same innate drives, but these drives produce different need strengths due to each person's socialization and personality. David McClelland particularly examined three learned needs, two of which are measured in this self-assessment. You can discover the strength of these learned needs in you by locating this self-assessment in Connect if it is assigned by your instructor.

Changing (Learning) Need Strength   Individual needs can be strengthened or weakened (learned), and McClelland developed training programs to change need strength. One program increased achievement motivation by having participants write achievement-oriented stories, practice achievement-oriented behaviors in business games, and meet frequently with a reference group with other trainees to maintain their newfound achievement motivation.[35] These training programs increased achievement motivation by altering participants' self-concept and reinforcing their achievement experiences. When writing an achievement plan, for example, participants were encouraged (and supported by other participants) to experience the anticipated thrill of succeeding.

need for affiliation (nAff)
a learned need in which people seek approval from others, conform to their wishes and expectations, and avoid conflict and confrontation

need for power (nPow)
a learned need in which people want to control their environment, including people and material resources, to benefit either themselves (personalized power) or others (socialized power)

FOUR-DRIVE THEORY

four-drive theory
a motivation theory based on the innate drives to acquire, bond, learn, and defend that incorporates both emotions and rationality

One of the central messages of this chapter is that drives generate emotions, which represent the prime movers or sources of motivation for individual behavior. Most organizational behavior theories focus on the cognitive aspects of human motivation. In contrast, **four-drive theory** states that emotions are the source of human motivation and that these emotions are generated through four innate and universal drives.[36] These drives are hardwired in our brains and exist in all human beings. They are also independent of one another; there is no hierarchy of drives. Three drives are proactive—they are regularly activated by our perceptions to seek fulfillment. Only one drive (defend) is reactive—it is triggered by threat.

Four-drive theory includes four fundamental drives identified from earlier psychological, sociological, and anthropological research. These drives are:

- *Drive to acquire.* This is the drive to seek out, take, control, and retain objects and personal experiences. It is a variation of the need for achievement, competence, status and self-esteem, and to some extent self-actualization.[37] The drive to acquire also motivates competition.

- *Drive to bond.* This drive is a variation of the need for belonging and affiliation described by Maslow and McClelland. It explains why our self-concept is partly defined by associations with social groups (see Chapter 3). It may also explain why people who lack social contact are more prone to serious health problems.[38] The drive to bond motivates people to cooperate and, consequently, is essential for organizations and societies.

- *Drive to comprehend.* This is similar to Maslow's primary need to know. People are inherently curious and need to make sense of their environment and themselves.[39] They are motivated to discover answers to unknown as well as conflicting ideas. To some degree, the drive to comprehend is related to self-actualization.

- *Drive to defend.* This is the drive to protect ourselves physically, psychologically, and socially. Probably the first drive to develop, it creates a fight-or-flight response in the face of threat to our physical safety, our possessions, our self-concept, our values, and the well-being of others.

How Drives Influence Motivation and Behavior   Recall from Chapter 3 that the stimuli received through our senses are quickly and nonconsciously tagged with emotional markers.[40] According to four-drive theory, the four drives determine which emotions are tagged to incoming stimuli. Most of the time, we aren't aware of our emotional experiences because they are subtle and fleeting. However, emotions do become conscious experiences when they are sufficiently strong or when they significantly conflict with one another.

Four-drive theory applies the model described at the beginning of this section. It states that our social norms, past experience, and personal values direct the motivational force of our emotions to decisions and behavior that potentially reduce that tension (see Exhibit 5.3). In other words, this "mental skill set" develops behavioral intentions that are acceptable to society, consistent with our own moral compass, and have a high probability of achieving the goal of fulfilling those felt needs.[41]

Practical Implications of Four-Drive Theory   The main recommendation from four-drive theory is that jobs and workplaces should provide a balanced opportunity to fulfill the four drives.[42] There are really two recommendations here. The first is that the best workplaces help employees fulfill all four drives. Employees continually seek fulfillment of their innate drives, so successful companies provide sufficient rewards, learning opportunities, social interaction, and so forth for all employees.

The second recommendation is that fulfillment of the four drives must be kept in balance; that is, organizations should avoid too much or too little opportunity to fulfill each drive. The reason for this advice is that the four drives counterbalance each other. The drive to bond, which motivates mutual support and cohesion, counterbalances the

EXHIBIT 5.3   Four-Drive Theory of Motivation
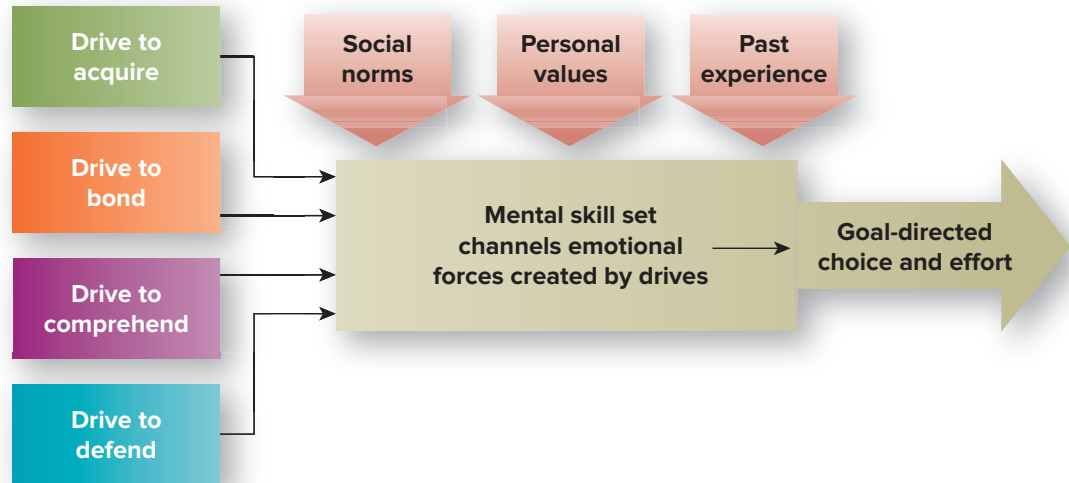
Source: Based on information in P.R. Lawrence and N. Nohria, *Driven: How Human Nature Shapes Our Choices* (San Francisco: Jossey-Bass, 2002).

drive to acquire, which motivates competitiveness. Therefore, an organization that fuels the drive to acquire without the drive to bond may eventually suffer from organizational politics and dysfunctional conflict. The drive to defend, which motivates withdrawal from the unknown, counterbalances the drive to comprehend, which motivates investigation of the unknown. Change and novelty in the workplace will aid the drive to comprehend, but too much of it will trigger the drive to defend to such an extent that employees become territorial and resistant to change. Thus, the workplace should offer enough opportunity to keep all four drives in balance.

Four-drive theory is based on a deep foundation of neuroscientific, psychological, sociological, and anthropological research. The theory explains why needs vary from one person to the next, but avoids the assumption that everyone has the same needs hierarchy. It is holistic (it relates to all drives, not just one or two) and humanistic (it acknowledges the role of human thought and social influences, not just instinct). Even so, the theory is far from complete. Most experts would argue that one or two other drives exist that should be included. Furthermore, social norms, personal values, and past experience probably don't represent the full set of individual characteristics that translate emotions into goal-directed effort. For example, personality and self-concept probably also moderate the effect of drives and needs on decisions and behavior.

Expectancy Theory of Motivation

5-4

expectancy theory
a motivation theory based on the idea that work effort is directed toward behaviors that people believe will lead to desired outcomes

The theories described so far mainly explain what motivates us—the prime movers of employee motivation—but they don't tell us what we are motivated to do. Four-drive theory recognizes that social norms, personal values, and past experience direct our effort, but it doesn't offer any detail about what goals we choose or where our effort is directed under various circumstances.

Expectancy theory offers more detail by predicting the goal-directed behavior where employees are most likely to direct their effort. Essentially, the theory states that work effort is directed toward performance that people believe has the overall highest probability of achieving the desired outcomes. This is the fundamental economic model of deciding which choice offers the highest expected payoff (see Chapter 7).[43] Expectancy theory is aligned more with extrinsic than intrinsic motivation because

Expectancy Theory of Motivation
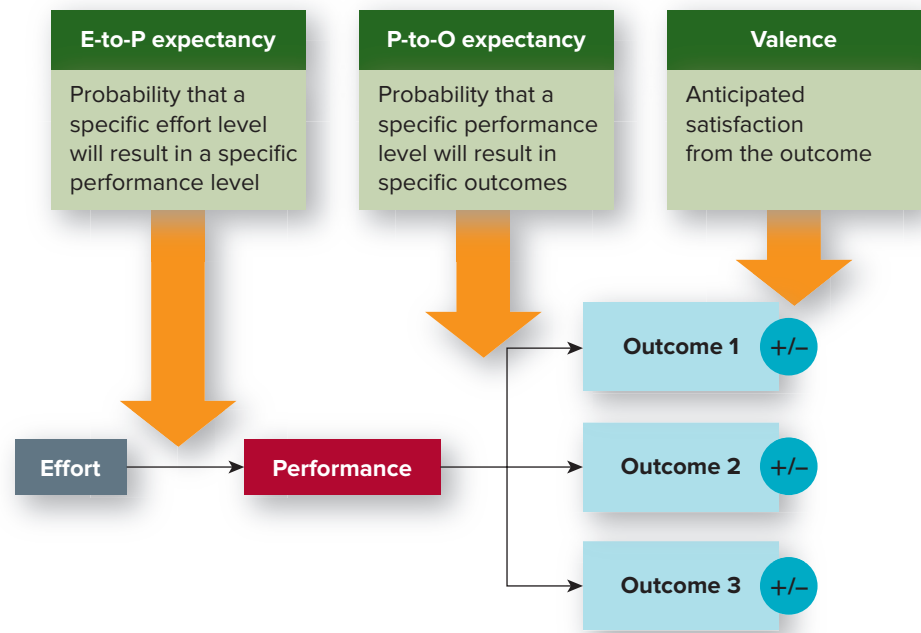
performance is usually described as instrumental to other outcomes beyond the employee's control. As illustrated in Exhibit 5.4, an individual's effort level depends on three factors: effort-to-performance (E-to-P) expectancy, performance-to-outcome (P-to-O) expectancy, and outcome valences. Employee motivation is influenced by all three components of the expectancy theory model. If any component weakens, motivation weakens.

- *E-to-P expectancy.* This is the individual's perception that his or her effort will result in a particular level of performance. In some situations, employees may believe that they can unquestionably accomplish the task (a probability of 1.0). In other situations, they expect that even their highest level of effort will not result in the desired performance level (a probability of 0.0). In most cases, the E-to-P expectancy falls somewhere between these two extremes.

- *P-to-O expectancy.* This is the perceived probability that a specific behavior or performance level will lead to a particular outcome. In extreme cases, employees may believe that accomplishing a particular task (performance) will definitely result in a particular outcome (a probability of 1.0), or they may believe that successful performance will have no effect on this outcome (a probability of 0.0). More often, the P-to-O expectancy falls somewhere between these two extremes.

- *Outcome valences.* A *valence* is the anticipated satisfaction or dissatisfaction that an individual feels toward an outcome.[44] It ranges from negative to positive. (The actual range doesn't matter; it may be from −1 to +1 or from −100 to +100.) Outcomes have a positive valence when they are consistent with our values and satisfy our needs; they have a negative valence when they oppose our values and inhibit need fulfillment.

EXPECTANCY THEORY IN PRACTICE

One of the appealing characteristics of expectancy theory is that it provides clear guidelines for increasing employee motivation, at least extrinsic motivation.[46] Several practical applications of expectancy theory are listed in Exhibit 5.5 and described below.

EXHIBIT 5.5   **Practical Applications of Expectancy Theory**

EXPECTANCY THEORY COMPONENT	OBJECTIVE	APPLICATIONS
E → P expectancies	To increase the employee's belief that she or he is capable of performing the job successfully	• Select people with the required skills and knowledge. • Provide required training and clarify job requirements. • Provide sufficient time and resources. • Assign simpler or fewer tasks until employees can master them. • Provide examples of similar employees who have successfully performed the task. • Provide coaching to employees who lack self-confidence.
P → O expectancies	To increase the employee's belief that his or her good performance will result in certain (valued) outcomes	• Measure job performance accurately. • Clearly explain the outcomes that will result from successful performance. • Describe how the employee's rewards were based on past performance. • Provide examples of other employees whose good performance has resulted in higher rewards.
Outcome valences	To increase the employee's expected satisfaction with outcomes resulting from desired performance	• Distribute rewards that employees value. • Individualize rewards. • Minimize the presence of countervalent outcomes.

Increasing E-to-P Expectancies   E-to-P expectancies are influenced by the individual's belief that he or she can successfully complete the task. Some companies increase this can-do attitude by assuring employees that they have the necessary skills and knowledge, clear role perceptions, and necessary resources to reach the desired levels of performance. An important part of this process involves matching employee abilities to job requirements and clearly communicating the tasks required for the job. Similarly, E-to-P expectancies are learned, so behavior modeling and supportive feedback typically strengthen the individual's belief that he or she is able to perform the task.

Increasing P-to-O Expectancies   The most obvious ways to improve P-to-O expectancies are to measure employee performance accurately and distribute more valued rewards to those with higher job performance. P-to-O expectancies are perceptions, so employees also need to believe that higher performance will result in higher rewards. Furthermore, they need to know how that connection occurs, so leaders should use examples, anecdotes, and public ceremonies to illustrate when behavior has been rewarded.

Increasing Outcome Valences   One size does not fit all when motivating and rewarding people. The valence of a reward varies from one person to the next because they have different needs. One solution is to individualize rewards by allowing employees to choose the rewards of greatest value to them. When this isn't possible, companies should ensure that everyone values the reward (i.e., positive valence). Consider the following story: Top-performing employees in one organization were rewarded with a one-week Caribbean cruise with the company's executive team. Many were likely delighted, but at least one top performer was aghast at the thought of going on a cruise with senior management. "I don't like schmoozing, I don't like feeling trapped. Why couldn't they just give me the money?," she complained. The employee went on the cruise, but spent most of the time working in her stateroom.[47] Finally, we need to watch out for

PERFORMANCE-TO-OUTCOME EXPECTANCY: THE MISSING LINK[47]

33%
of U.S. federal government employees surveyed agree that differences in performance are recognized in a meaningful way in their work unit.

40%
of American employees surveyed say they see a clear link between performance and pay in their organization.

54% of employees surveyed globally say their manager differentiates between high and low performers.

37%
of American employees surveyed see NO link at all between their performance and their pay.

39%
of employees polled in the United Kingdom see a clear link between their pay and performance.

Photo: © alxpin/iStock/Getty Images RF

countervalent outcomes. For example, if a company offers individual performance bonuses, it should beware of team norms that discourage employees from working above a minimum standard. These norms and associated peer pressure are countervalent outcomes to the bonus.

Overall, expectancy theory is a useful model that explains how people rationally figure out the best direction, intensity, and persistence of effort. Early studies had difficulty studying expectancy theory, but both logically and empirically the theory seems to predict employee motivation in a variety of situations and cultures.[48] One limitation with expectancy theory, however, is that it mainly explains extrinsic motivation; the model's features do not fit easily with intrinsic motivation. Another concern is that the theory ignores emotions as a source of motivation. The valence element of expectancy theory captures some of this emotional process, but only peripherally.[49] A third issue is that expectancy theory outlines how expectancies (probability of outcomes) affect

motivation, but it doesn't explain how employees develop these expectancies. Two theories that provide this explanation are organizational behavior modification and social cognitive theory, which we describe next.

Organizational Behavior Modification and Social Cognitive Theory

5-5

Expectancy theory states that motivation is determined by employee beliefs about expected performance and outcomes. But how do employees learn these expectancy beliefs? For example, how do they form the impression that a particular work activity is more likely to produce a pay increase or promotion whereas other activities have little effect on pay? Two theories—organizational behavior modification (OB Mod) and social cognitive theory—answer this question by explaining how people *learn* what to expect from their actions. As such, OB Mod and social cognitive theory supplement expectancy theory by explaining how people learn the expectancies that motivate people.

ORGANIZATIONAL BEHAVIOR MODIFICATION

organizational behavior modification (OB Mod)
a theory that explains employee behavior in terms of the antecedent conditions and consequences of that behavior

For most of the first half of the 1900s, the dominant paradigm about managing individual behavior was *behaviorism*, which argues that a good theory should rely exclusively on behavior and the environment and ignore nonobservable cognitions and emotions.[50] Although behaviorists don't deny the existence of human thoughts and attitudes, they are unobservable and, therefore, irrelevant to scientific study. A variation of this paradigm, called **organizational behavior modification (OB Mod),** eventually entered organizational studies of motivation and learning.[51]

EXHIBIT 5.6   **A-B-Cs of Organizational Behavior Modification**

Antecedents	Behavior	Consequences
What happens before the behavior	What the person says or does	What happens after the behavior

Example

| Your phone makes a distinctive sound | You check your phone for a new message | You learn useful information from the new message on your phone |
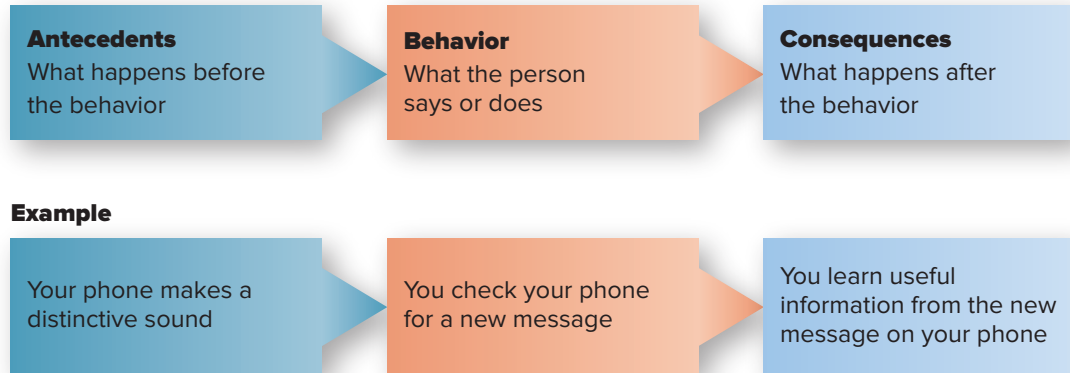
Sources: Adapted from T.K. Connellan, *How to Improve Human Performance* (New York: Harper & Row, 1978), 50; F. Luthans and R. Kreitner, *Organizational Behavior Modification and Beyond* (Glenview, IL: Scott, Foresman, 1985), 85–88.

A-B-Cs of OB Mod   The core elements of OB Mod are depicted in the A-B-C model shown in Exhibit 5.6. Essentially, OB Mod attempts to change behavior (B) by managing its antecedents (A) and consequences (C).[52] *Consequences* are events following a particular behavior that influence its future occurrence. Consequences include receiving words of thanks from coworkers after assisting them, preferred work schedules after being with the company longer than the average employee, and useful information on your smartphone after checking for new messages. Consequences also include no outcome at all, such as when your boss never says anything to you about how well you have been serving customers.

Antecedents are events preceding the behavior, informing employees that a particular action will produce specific consequences. An antecedent could be a sound from your smartphone signaling that a text message has arrived. Or it could be your supervisor's request to complete a specific task by tomorrow. Notice that antecedents do not cause behavior. The sound from your smartphone doesn't cause you to open the text message. Rather, the sound (antecedent) is a cue signaling that if you look at your phone messages (behavior), you will find a new message with potentially useful information (consequence).

Contingencies and Schedules of Reinforcement   OB Mod identifies four types of consequences, called the *contingencies of reinforcement*.[53] *Positive reinforcement* occurs when the introduction of a consequence increases or maintains the frequency or future probability of a specific behavior. Receiving praise from coworkers is an example of positive reinforcement because the praise usually maintains or increases your likelihood of helping them in future. *Punishment* occurs when a consequence decreases the frequency or future probability of a specific behavior occurring. Most of us would consider being demoted or criticized by our coworkers as forms of punishment. A third type of consequence is *extinction*. Extinction consequence occurs when the target behavior decreases because no consequence follows it. For instance, research suggests that performance tends to decline when managers stop congratulating employees for their good work.[54]

The fourth consequence in OB Mod, called *negative reinforcement,* is often confused with punishment. It's actually the opposite; negative reinforcement occurs when the removal or avoidance of a consequence increases or maintains the frequency or future probability of a specific behavior. It is usually the removal of punishment. For example, managers apply negative reinforcement when they *stop* criticizing employees whose substandard performance has improved.

global connections 5.2

AirBaltic Motivates Employee Involvement and Learning with Gamification

AirBaltic recently experimented with gamification using an online platform that motivated employees to learn about current operational activities and provide opinions on those business decisions. The platform, called Forecaster, operated as a type of stock market whereby employees at the Latvian-based airline used virtual money to buy and sell virtual shares in specific "projects."

Most projects were near-term forecasts or plans posted by the department responsible for those activities. For example, one project was the company's estimated customer demand for the airline's bus service next month. Another project tested employee opinions about the commercial success of a new flight destination. Players won virtual money by owning shares in projects that were accurate or otherwise successful. The top four winners each month received prizes. Stock markets reinforce and motivate behavior using organizational behavior modification principles.

Almost 30 percent (300 people) of AirBaltic's staff voted (bought and sold virtual shares) and commented

© AirBaltic Corporation

on more than 50 projects. The airline also launched an online game to recruit cabin crew and one that motivates customers to do physical exercise within 24 hours after a flight. "The most engaging setting is a game environment," observes Daiga Ergle (shown in photo), the AirBaltic executive who is in charge of employee experiences at the airline. "People are the most engaged when feeling playful."[55]

Which of these four consequences works best? In most situations, positive reinforcement should follow desired behaviors, and extinction (do nothing) should follow undesirable behaviors. Positive reinforcement is preferred because it leverages the power of *positive organizational behavior;* focusing on the positive rather than negative aspects of life will improve organizational success and individual well-being (see Chapter 3). In contrast, punishment and negative reinforcement generate negative emotions and attitudes toward the punisher (e.g., supervisor) and organization. However, punishment (dismissal, suspension, demotion, etc.) may be necessary for extreme behaviors, such as deliberately hurting a coworker or stealing inventory. Indeed, research suggests that, under some conditions, punishment maintains a sense of fairness among those affected by or are aware of the employee's indiscretion.[56]

Along with the four consequences, OB Mod considers the frequency and timing of these reinforcers (called the *schedules of reinforcement*).[57] The most effective reinforcement schedule for learning new tasks is *continuous reinforcement*—providing positive reinforcement after every occurrence of the desired behavior. Aside from learning, the best schedule for motivating people is a *variable ratio schedule* in which employee behavior is reinforced after a variable number of times. Salespeople experience variable ratio reinforcement because they make a successful sale (the reinforcer) after a varying number of client calls. The variable ratio schedule makes behavior highly resistant to extinction because the reinforcer is never expected at a particular time or after a fixed number of accomplishments.

Evaluating OB Mod   Everyone uses organizational behavior modification principles in one form or another to motivate others. We thank people for a job well done, are silent when displeased, and sometimes try to punish those who go against our wishes. OB Mod also occurs in various formal programs to reduce absenteeism, improve task performance, encourage safe work behaviors, and have a healthier lifestyle. An innova-

tive and increasingly popular behavior modification strategy relies on "gamification"—reinforcing behavior through online games in which employees earn "badges" and compete for top positions on leader boards.[58]

In spite of its widespread use, organizational behavior modification has a number of limitations. One limitation is "reward inflation," in which the reinforcer is eventually considered an entitlement. For this reason, most OB Mod programs must run infrequently and for a short duration. Another concern is that the variable ratio schedule of reinforcement tends to create a lottery-style reward system, which might be viewed as too erratic for formal rewards and is unpopular to people who dislike gambling. Probably the most significant problem is OB Mod's radical view that behavior is learned only through personal interaction with the environment.[59] This view is no longer accepted; instead, experts recognize that people also learn and are motivated by observing others and inferring possible consequences of their actions. This learning process is explained by social cognitive theory.

SOCIAL COGNITIVE THEORY

Social cognitive theory states that much learning occurs by observing and modeling others as well as by anticipating the consequences of our behavior.[60] There are several pieces to social cognitive theory, but the three most relevant to employee motivation are learning behavior consequences, behavior modeling, and self-regulation.

Learning Behavior Consequences   People learn the consequences of behavior by observing or hearing about what happened to other people, not just by directly experiencing the consequences.[61] Hearing that a coworker was fired for being rude to a client increases your belief that rude behavior will result in being fired. In the language of expectancy theory, learning behavior consequences changes a person's perceived P-to-O probability. Furthermore, people logically anticipate consequences in related situations. For instance, the story about the fired employee might also strengthen your P-to-O expectancy that being rude toward coworkers and suppliers (not just clients) will get you fired.

Behavior Modeling   Along with observing others, people learn by imitating and practicing their behaviors.[62] Direct sensory experience helps us acquire tacit knowledge and skills, such as the subtle person–machine interaction while driving a vehicle. Behavior modeling also increases self-efficacy (see Chapter 3) because people gain more self-confidence after observing others and performing the task successfully themselves. Self-efficacy particularly improves when observers are similar to the model in age, experience, gender, and related features.

Self-Regulation   An important feature of social cognitive theory is that human beings set goals and engage in other forms of intentional, purposive action. They establish their own short- and long-term objectives, choose their own standards of achievement, work out a plan of action, consider backup alternatives, and have the forethought to anticipate the consequences of their goal-directed behavior. Furthermore, people self-regulate by engaging in **self-reinforcement;** they reward and punish themselves for exceeding or falling short of their self-set standards of excellence.[63] For example, you might have a goal of completing the rest of this chapter, after which you reward yourself by having a snack. Raiding the refrigerator is a form of self-induced positive reinforcement for completing this reading assignment.

OB Mod and social cognitive theory explain how people learn probabilities of successful performance (E-to-P expectancies) as well as probabilities of various

social cognitive theory
a theory that explains how learning and motivation occur by observing and modeling others as well as by anticipating the consequences of our behavior

self-reinforcement
reinforcement that occurs when an employee has control over a reinforcer but doesn't "take" it until completing a self-set goal

outcomes from that performance (P-to-O expectancies). As such, these theories explain motivation through their relationship with expectancy theory of motivation, described earlier. Elements of these theories also help us understand other motivation processes. For instance, self-regulation is the cornerstone of motivation through goal setting and feedback, which we discuss next.

Goal Setting and Feedback

5-6

CalPERS—the California Public Employees' Retirement System—has challenging goals for staff at its customer contact center in Sacramento.[64] The organization aims to have 95 percent of client calls answered within 2.5 minutes. It also wants customers put on hold for less than 2.5 minutes. Another goal is that less than 5 percent of CalPERS clients hang up before the call is handled by someone at the contact center (called the abandonment rate). Along with these specific goals, the organization keeps track of how many calls are received (about 650,000 per year), how many callers are waiting, and how long each call takes (between 6 and 7 minutes, on average). CalPERS employees not only know these goals, they probably have some form of visual feedback. Many contact centers in other organizations have large electronic screens showing statistics for these key performance indicators.

goal setting
the process of motivating employees and clarifying their role perceptions by establishing performance objectives

Customer contact centers partly motivate employees through **goal setting,** which is the process of motivating employees and clarifying their role perceptions by establishing performance objectives. Goal setting potentially improves employee performance in two ways: (1) by amplifying the intensity and persistence of effort and (2) by giving employees clearer role perceptions so their effort is channeled toward behaviors that will improve work performance. Goal setting is more complex than simply telling someone to "do your best." Effective goals have several specific characteristics.[65] One popular acronym—SMARTER—captures these characteristics fairly well:[66]

- *Specific*. Goals lead to better performance when they are specific. Specific goals state what needs to be accomplished, how it should be accomplished, and where, when, and with whom it should be accomplished. Specific goals clarify performance expectations, so employees can direct their effort more efficiently and reliably.
- *Measurable*. Goals need to be measurable because motivation occurs when people have some indication of their progress and achievement of those goals. This measurement ideally includes how much (quantity), how well (quality), and at what cost the goal was achieved. Be aware, however, that some types of employee performance are difficult to measure, and they risk being neglected in companies preoccupied with quantifiable outcomes.[67]
- *Achievable*. One of the trickiest aspects of goal setting is developing goals that are sufficiently but not overly challenging.[68] Easy goals result in performance that is well below the employee's potential. Yet, goals that are too challenging may also lead to reduced effort if employees believe there is a low probability of accomplishing them (i.e., low E-to-P expectancy). Recent studies have also found that very difficult goals increase the probability that employees will engage in unethical behavior to achieve them.[69]
- *Relevant*. Goals need to be relevant to the individual's job and within his or her control. For example, a goal to reduce waste materials would have little value if employees don't have much control over waste in the production process.
- *Time-framed*. Goals need a due date. They should specify when the objective should be completed or when it will be assessed for comparison against a standard.

- *Exciting*. Goals tend to be more effective when employees are committed to them, not just compliant. Challenging goals tend to be more exciting for most (but not all) employees because they are more likely to fulfill a person's growth needs when the goal is achieved. Goal commitment also increases when employees are involved in goal setting.[70]

- *Reviewed*. The motivational value of goal setting depends on employees receiving feedback about reaching those goals.[71] Effective feedback requires measurement, which we discussed earlier in this list, but it also includes reflecting or discussing with others your goal progress and accomplishment. Reviewing goal progress and achievement helps employees redirect their effort. It is also a potential source of recognition that fulfills growth needs.

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connect

SELF-ASSESSMENT 5.3: What Is Your Goal Orientation?

Everyone sets goals for themselves, but people differ in the nature of those goals. Some view goals as challenges that assist learning. Others see goals as demonstrations of one's competence. Still others view goals as threatening one's image if they are not achieved. You can discover your dominant goal orientation by locating this self-assessment in Connect if it is assigned by your instructor.

CHARACTERISTICS OF EFFECTIVE FEEDBACK

Feedback—information that lets us know whether we have achieved the goal or are properly directing our effort toward it—is a critical partner with goal setting. Feedback contributes to motivation and performance by clarifying role perceptions, improving employee skills and knowledge, and strengthening self-efficacy.[72] Effective feedback has many of the same characteristics as effective goal setting. It should be *specific* and *relevant,* that is, the information should refer to specific metrics (e.g., sales increased by 5 percent last month) and to the individual's behavior or outcomes within his or her control. Feedback should also be *timely;* the information should be available soon after the behavior or results occur so that employees see a clear association between their actions and the consequences. Feedback should also be *credible*. Employees are more likely to accept this information from trustworthy and believable sources.

One other important characteristic of effective feedback is that it should be *sufficiently frequent*. How frequent is "sufficiently"? The answer depends on at least two things. One consideration is the employee's knowledge and experience with the task. Employees working on new tasks should receive more frequent feedback because they require more behavior guidance and reinforcement. Employees who perform familiar tasks can receive less frequent feedback. The second factor is how long it takes to complete the task (i.e., its cycle time). Less frequent feedback usually occurs in jobs with a long cycle time (e.g., executives and scientists) because indicators of goal progress and accomplishment in these jobs are less frequent than in jobs with a short cycle time (e.g., grocery store cashiers).

Adobe Systems Incorporated realized that annual performance reviews didn't offer meaningful feedback, so the San Jose, California, software company replaced them with "Check-Ins." With agreed performance expectations, the manager and employee have timely, constructive, and sufficiently frequent check-in sessions. "We want people to be getting feedback on their performance against those expectations in real time (not just once a year)," says Donna Morris, Adobe's senior vice president of People & Places. Check-ins are constructive future-focused discussions about the employee's personal development, but they sometimes include difficult conversations about poor performance. "Because you're in the moment and you're talking about things that are appropriate right then and there, [a check-in] gives you an opportunity to have a much more honest, more candid conversation," observes Eric Cox, Adobe's senior director of Global Strategy and Operations.[73]
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Feedback through Strengths-Based Coaching   Forty years ago, Peter Drucker observed that leaders are more effective when they focus on strengths rather than weaknesses. "The effective executive builds on strengths—their own strengths, the strengths of superiors, colleagues, subordinates; and on the strength of the situation," wrote the late management guru.[74] Rox Ltd. is one of many organizations to apply this strengths-based perspective to employee feedback. "It's important to reward and encourage strengths. Instead of looking at weakness, look at areas for development," says Kyron Keogh, cofounder of the award-winning luxury retail jewelry chain headquartered in Glasgow, Scotland. "It's vital to ensure that staff stay motivated and upbeat in a sales environment."[75]

> **strengths-based coaching**
> a positive organizational behavior approach to coaching and feedback that focuses on building and leveraging the employee's strengths rather than trying to correct his or her weaknesses

This positive approach to feedback is the essence of **strengths-based coaching** (also known as *appreciative coaching*)—maximizing employees' potential by focusing on their strengths rather than weaknesses.[76] In strengths-based coaching, employees describe areas of work where they excel or demonstrate potential. The coach guides this discussion by asking exploratory questions that help employees discover ways to build on these strengths. Situational barriers, as well as strategies to overcome those barriers, are identified to further support the employee's potential.

Strengths-based coaching is more motivating than traditional performance reviews because employees seek out feedback about their strengths, whereas they either become defensive about negative feedback or allow that information to weaken their self-efficacy. Thus, strengths-based feedback is consistent with the process of self-enhancement (see Chapter 3). Strengths-based coaching also recognizes that poor performance on some tasks is due more to motivation than ability. People can learn new skills throughout their working lives, but their weaker performance on some tasks is often due to lower motivation associated with their personality, interests, and preferences. These individual differences become quite stable fairly early in a person's career.[77]

In spite of these research observations, most bosses focus their attention on tasks that employees are performing poorly. After the initial polite compliments, many coaching or performance feedback sessions analyze the employee's weaknesses, including determining what went wrong and what the employee needs to do to improve. These inquisitions sometimes strain relations between employees and their bosses or the overall organization. As mentioned, negative feedback can also undermine self-efficacy, thereby making the employee's performance worse rather than better. By focusing on weaknesses, companies fail to realize the full potential of the employee's strengths.[78]

SOURCES OF FEEDBACK

Feedback can originate from nonsocial or social sources. Nonsocial sources provide feedback without someone communicating that information. Corporate intranets allow many executives to receive feedback instantaneously on their computer, usually in the form of graphic output on an executive dashboard. Employees at contact centers view electronic displays showing how many callers are waiting and the average time they have been waiting.

Some companies set up *multisource (360-degree) feedback* that, as the name implies, is information about an employee's performance collected from a full circle of people, including subordinates, peers, supervisors, and customers. Multisource feedback tends to provide more complete and accurate information than feedback from a supervisor alone. It is particularly useful when the supervisor is unable to observe the employee's behavior or performance throughout the year. Lower-level employees also feel a greater sense of fairness and open communication when they are able to provide upward feedback about their boss's performance.[79] However, multisource feedback can be expensive and time-consuming. It also tends to produce ambiguous and conflicting feedback because feedback from different sources is often inconsistent. A third concern is that peers may provide inflated rather than accurate feedback to minimize interpersonal conflict. A fourth issue is that employees experience a stronger emotional

reaction when they receive critical feedback from many people rather than from just one person (such as the boss).

With so many sources of feedback—multisource feedback, executive dashboards, customer surveys, equipment gauges, nonverbal communication from your boss—which one works best under which conditions? The preferred feedback source depends on the purpose of the information. Feedback from nonsocial sources, such as computer printouts or feedback directly from the job, is better when employees need to learn about goal progress and accomplishment. This is because information from nonsocial sources is considered more accurate than information from social sources. Negative feedback from nonsocial sources is also less damaging to self-esteem. In contrast, social sources tend to delay negative information, leave some of it out, and distort the bad news in a positive way.[80] Employees should receive some positive feedback from social sources. It feels better to have coworkers say that you are performing the job well than to discover this from data on an impersonal computer screen.

EVALUATING GOAL SETTING AND FEEDBACK

Goal setting represents one of the "tried-and-true" theories in organizational behavior, so much so that it is rated by experts as one of the top OB theories in terms of validity and usefulness.[81] In partnership with goal setting, feedback also has an excellent reputation for improving employee motivation and performance. Putting goal setting into practice can be challenging, however.[82] As mentioned earlier, goal setting tends to focus employees on a narrow subset of measurable performance indicators while ignoring aspects of job performance that are difficult to measure. The saying "What gets measured, gets done" applies here. Another concern is that very difficult goals may motivate some people to engage in unethical behavior to achieve those goals. Difficult goals are also stressful, which can undermine overall job performance.

Yet another problem is that goal setting tends to interfere with the learning process in new, complex jobs. Therefore, setting performance goals is effective in established jobs but should be avoided where an intense learning process is occurring. A final issue is that when goal achievement is tied to financial rewards, many employees are motivated to set easy goals (while making the boss think they are difficult) so that they have a higher probability of receiving the bonus or pay increase. As a former Ford Motor Company CEO once quipped: "At Ford, we hire very smart people. They quickly learn how to make relatively easy goals look difficult!"[83]

Organizational Justice

5-7

Treating employees fairly is both morally correct and good for employee motivation, loyalty, and well-being. Yet feelings of injustice are regular occurrences in the workplace. To minimize these incidents, we need to first understand that there are two forms of organizational justice: distributive justice and procedural justice.[84] **Distributive justice** refers to perceived fairness in the outcomes we receive compared to our contributions and the outcomes and contributions of others. **Procedural justice** refers to fairness of the procedures used to decide the distribution of resources.

distributive justice
perceived fairness in the individual's ratio of outcomes to contributions relative to a comparison other's ratio of outcomes to contributions

procedural justice
perceived fairness of the procedures used to decide the distribution of resources

EQUITY THEORY

At its most basic level, the employment relationship is about employees exchanging their time, skills, and behavior for pay, fulfilling work, skill development opportunities, and so forth. What is considered "fair" in

debating point

DOES EQUITY MOTIVATE MORE THAN EQUALITY?[85]

It seems obvious that employees with higher performance, skills, or other contributions to the organization should receive more generous pay and other rewards. Increasing the pay differential (wage dispersion) between high and low contributors should boost employee motivation to achieve a higher standard of performance. It should also increase company performance by motivating the top performers to stay and the bottom performers to leave. A large wage dispersion is also consistent with justice and fairness. Differentiating rewards based on employee performance, skills, and other forms of contribution is consistent with the principle of meritocracy. It is also consistent with the principle of justice, which states that those who contribute more should receive more in return (Chapter 2). Furthermore, performance-based pay is one of the pillars of high-performance work practices (see Chapter 1).

But workplaces that have large wage dispersions might not be receiving the performance dividends they expect. Several (but not all) studies have found that sports teams with relatively small pay differences among team members perform better than sport teams with relatively high pay differences. Teams that pay huge salaries or bonuses to stars do not score more points or win more games. Also, turnover among players and managers tends to increase with the size of the wage dispersion. One recent study extended these observations to all industries. Companies that have a higher dispersion of wage increases (larger increases to higher-paid staff) perform worse than companies with an equal dispersion of wage increases. Another study reported that information technology companies with larger salary differences among top management teams had worse shareholder returns and market-to-book value compared to IT companies with less pay inequality.

Why would larger pay ranges undermine rather than enhance employee and organizational performance? One reason is that pay differences produce status differences, which can undermine cooperation among employees. A second reason is that large pay differences might increase (rather than decrease) feelings of injustice. Most people think they are above average, so large pay differences clearly place many employees below their self-evaluations. Also, employees tend to underestimate the contribution of higher-paid coworkers and assume those higher-paid coworkers also receive other rewards (such as preferential treatment). In short, lower-paid employees often believe higher-paid employees are overpaid, which reduces the lower-paid workers' motivation and performance.

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this exchange relationship varies with each person and situation.[86] An *equality principle* operates when we believe that everyone in the group should receive the same outcomes, such as when everyone gets subsidized meals in the company cafeteria. The *need principle* is applied when we believe that those with the greatest need should receive more outcomes than others with less need. This occurs, for instance, when employees get paid time off to recover from illness. The *equity principle* infers that people should be paid in proportion to their contribution. The equity principle is the most common distributive justice rule in organizational settings, so let's look at it in more detail.

equity theory
a theory explaining how people develop perceptions of fairness in the distribution and exchange of resources

Feelings of equity are explained by **equity theory,** which says that employees determine feelings of equity by comparing their own outcome–input ratio to the outcome–input ratio of some other person.[87] As Exhibit 5.7 illustrates, the *outcome–input ratio* is the value of the outcomes you receive divided by the value of the inputs you provide in the exchange relationship. Inputs include things such as skill, effort, reputation, performance, experience, and hours worked. Outcomes are what employees receive from the organization such as pay, promotions, recognition, interesting jobs, and opportunities to improve one's skills and knowledge.

Equity theory states that we compare our outcome–input ratio with that of a comparison other.[88] The comparison other might be another person or group of people in other jobs (e.g., comparing your pay with the CEO's pay) or another organization. Some research suggests that employees frequently collect information on several referents to form a "generalized" comparison other.[89] For the most part, however, the comparison other varies from one person to the next and is not easily identifiable.

The comparison of our own outcome–input ratio with the ratio of someone else results in perceptions of equity, underreward inequity, or overreward inequity. In the equity

EXHIBIT 5.7   Equity Theory Model

Your own outcome–input ratio

Own outcomes
- Pay/benefits
- Recognition
- Learning
- Promotions
- Workspace
- Interesting job

Own inputs
- Skill
- Effort
- Performance
- Reputation
- Hours
- Experience

Compare own ratio with other's ratio

Comparison other's outcome–input ratio

Other's outcomes
- Pay/benefits
- Recognition
- Learning
- Promotions
- Workspace
- Interesting job

Other's inputs
- Skill
- Effort
- Performance
- Reputation
- Hours
- Experience

Perceptions of equity or inequity

condition, people believe that their outcome–input ratio is similar to the ratio of the comparison other. In the underreward inequity situation, people believe their outcome–input ratio is lower than the comparison other's ratio. In the overreward inequity condition, people believe their ratio of outcomes–inputs is higher than the comparison other's ratio.

Inequity and Employee Motivation   How do perceptions of equity or inequity affect employee motivation? The answer is illustrated in Exhibit 5.8. When people believe they are under- or overrewarded, they experience negative emotions (called *inequity tension*).[90] As we have pointed out throughout this chapter, emotions are the engines of motivation. In the case of inequity, people are motivated to reduce the emotional tension. Most people have a strong emotional response when they believe a situation is unfair, and this emotion nags at them until they take steps to correct the perceived inequity.

There are several ways to try to reduce the inequity tension.[91] Let's consider each of these in the context of underreward inequity. One action is to reduce our inputs so the outcome–input ratio is similar to the higher-paid coworker. Some employees do this by working more slowly, offering fewer suggestions, and engaging in less organizational

EXHIBIT 5.8   Motivational Effects of Inequity Perceptions

Perceived inequity → **Inequity tension (negative emotions)** → **Motivation to reduce tension** →

Actions that reduce inequity tension
- Change our inputs
- Change our outcomes
- Change other's inputs
- Change other's outcomes
- Change our perceptions
- Change comparison other
- Leave the field
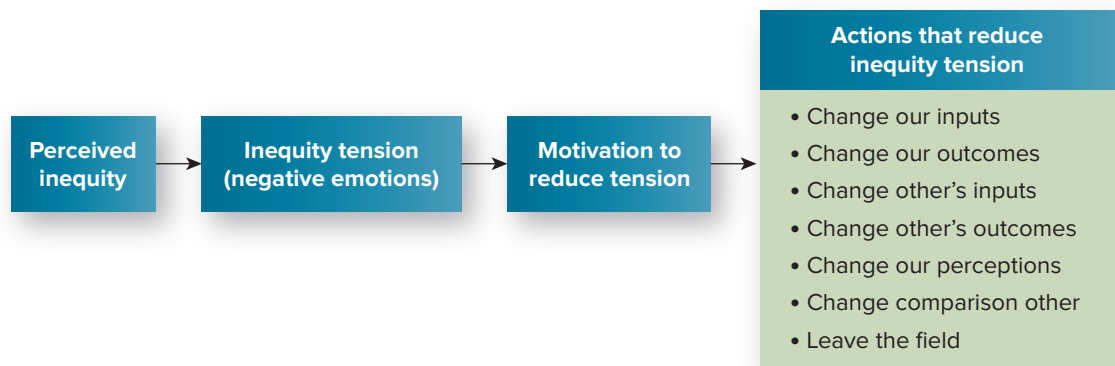
"O.K., if you can't see your way to giving me a pay raise, how about giving Parkerson a pay cut?"

Barbara Smaller/The New Yorker Collection/The Cartoon Bank

citizenship behavior. A second action is to increase our outcomes. Some people who think they are underpaid ask for a pay raise. Others make unauthorized use of company resources. A third behavioral response is to increase the comparison other's inputs. We might subtly ask the better-paid coworker to do a larger share of the work, for instance. A fourth action is to reduce the comparison other's outcomes. This might occur by ensuring that the coworker gets less desirable jobs or working conditions. Another action, although uncommon, is to ask the company to reduce the coworker's pay so it is the same as yours.

A fifth action is perceptual rather than behavioral. It involves changing our beliefs about the situation. For example, we might believe that the coworker really is doing more (e.g., working longer hours) for that higher pay. Alternatively, we might change our perceptions of the value of some outcomes. We might initially believe it is unfair that a coworker gets more work-related travel than you do, but later we conclude that this travel is more inconvenient than desirable. A sixth action to reduce the inequity tension is to change the comparison other. Rather than compare ourself with the higher-paid coworker, we might increasingly compare ourself with a friend or neighbor who works in a similar job. Finally, if the inequity tension is strong enough and can't be reduced through other actions, we might leave the field. This occurs by moving to another department, joining another company, or keeping away from the work site where the overpaid coworker is located.

People who feel overreward inequity would reverse these actions. Some overrewarded employees reduce their feelings of inequity by working harder; others encourage the underrewarded coworker to work at a more leisurely pace. A common reaction, however, is that the overrewarded employee changes his or her perceptions to justify the more favorable outcomes, such as believing the assigned work is more difficult or his or her skills are more valuable than the lower-paid coworker's skills. As Pierre Burton, the late journalist and popular history author, once said: "I was underpaid for the first half of my life. I don't mind being overpaid for the second half."[92]

Evaluating Equity Theory   Equity theory is widely studied and quite successful at predicting various situations involving feelings of workplace injustice.[93] However, it isn't so easy to put into practice because the equity theory model doesn't identify the comparison other and doesn't indicate which inputs or outcomes are most valuable to each employee. The best solution here is for leaders to know their employees well enough to minimize the risk of inequity feelings. Open communication is also key, enabling employees to let decision makers know when they believe decisions are unfair. A second problem is that equity theory accounts for only some of our feelings of fairness or justice in the workplace. Procedural justice is at least as important as distributive justice.

connect

SELF-ASSESSMENT 5.4: How Sensitive Are You to Inequities?

Correcting feelings of inequity is one of the most powerful motivating forces in the workplace. But people react differently to equitable and inequitable situations based on their equity sensitivity. Equity sensitivity refers to a person's outcome–input preferences and reaction to various outcome–input ratios when compared to other people. You can discover your level of equity sensitivity by locating this self-assessment in Connect if it is assigned by your instructor.

PROCEDURAL JUSTICE

At the beginning of this section we defined two main forms of organizational justice: distributive and procedural. *Procedural justice* refers to fairness of the procedures used to decide the distribution of resources.[94] In other words, people evaluate fairness of the distribution of resources (distributive justice) as well as fairness of the conditions determining that distribution and its possible alteration (procedural justice).

There are several ways to improve procedural justice.[95] A good way to start is by giving employees "voice" in the process; encourage them to present their facts and perspectives on the issue. Voice also provides a "value-expressive" function; employees tend to feel better after having an opportunity to speak their mind. Procedural justice is also higher when the decision maker is perceived as unbiased, relies on complete and accurate information, applies existing policies consistently, and has listened to all sides of the dispute. If employees still feel unfairness in the allocation of resources, these feelings may dissipate if the company has an appeal process in which the decision is reviewed by a higher level of management.

Finally, people usually feel less injustice when they are given a full explanation of the decision and they are treated with respect throughout the complaint process. If employees believe a decision is unfair, refusing to explain how the decision was made could fuel their feelings of inequity. For instance, one study found that nonwhite nurses who experienced racism tended to file grievances only after experiencing disrespectful treatment in their attempt to resolve the racist situation. Another study reported that employees with repetitive strain injuries were more likely to file workers' compensation claims after experiencing disrespectful behavior from management. A third study noted that employees have stronger feelings of injustice when the manager has a reputation of treating people unfairly most of the time.[96]

Consequences of Procedural Injustice   Procedural justice has a strong influence on a person's emotions and motivation. Employees tend to experience anger toward the source of the injustice, which generates various response behaviors that scholars categorize as either withdrawal or aggression.[97] Notice how these actions are similar to the fight-or-flight responses described earlier in the chapter regarding situations that activate our drive to defend. Research suggests that being treated unfairly threatens our self-esteem and social status, particularly when others see that we have been unjustly treated. Employees retaliate to restore their self-esteem and reinstate their status and power in the relationship with the perpetrator of the injustice. Employees also engage in these counterproductive behaviors to educate the decision maker, thereby trying to minimize the likelihood of future injustices.[98]

chapter summary

5-1   Define employee engagement.

Employee engagement is defined as an individual's emotional and cognitive (rational) motivation, particularly a focused, intense, persistent, and purposive effort toward work-related goals. It is emotional involvement in, commitment to, and satisfaction with the work, as well as a high level of absorption in the work and sense of self-efficacy about performing the work.

5-2   Explain how drives and emotions influence employee motivation.

Motivation consists of the forces within a person that affect his or her direction, intensity, and persistence of voluntary behavior in the workplace. Drives (also called primary needs) are

neural states that energize individuals to correct deficiencies or maintain an internal equilibrium. They generate emotions, which put us in a state of readiness to act. Needs—goal-directed forces that people experience—are shaped by the individual's self-concept (including personality and values), social norms, and past experience.

5-3   Summarize Maslow's needs hierarchy, and discuss the employee motivation implications of intrinsic versus extrinsic motivation, learned needs theory, and four-drive theory.

Maslow's needs hierarchy groups needs into a hierarchy of five levels and states that the lowest needs are initially most

important but higher needs become more important as the lower ones are satisfied. Although very popular, the theory lacks research support, mainly because it wrongly assumes that everyone has the same hierarchy. The emerging evidence suggests that needs hierarchies vary from one person to the next, according to their personal values.

Intrinsic motivation refers to motivation controlled by the individual and experienced from the activity itself, whereas extrinsic motivation occurs when people are motivated to receive something that is beyond their personal control for instrumental reasons. Intrinsic motivation is anchored in the innate drives for competence and autonomy. Some research suggests that extrinsic motivators may reduce existing intrinsic motivation to some extent and under some conditions, but the effect is often minimal.

McClelland's learned needs theory argues that needs can be strengthened through learning. The three needs studied in this respect have been need for achievement, need for power, and need for affiliation. Four-drive theory states that everyone has four innate drives—acquire, bond, comprehend, and defend. These drives activate emotions that people regulate through social norms, past experience, and personal values. The main recommendation from four-drive theory is to ensure that individual jobs and workplaces provide a balanced opportunity to fulfill the four drives.

5-4   Discuss the expectancy theory model, including its practical implications.

Expectancy theory states that work effort is determined by the perception that effort will result in a particular level of performance (E-to-P expectancy), the perception that a specific behavior or performance level will lead to specific outcomes (P-to-O expectancy), and the valences that the person feels for those outcomes. The E-to-P expectancy increases by improving the employee's ability and confidence to perform the job. The P-to-O expectancy increases by measuring performance accurately, distributing higher rewards to better performers, and showing employees that rewards are performance-based. Outcome valences increase by finding out what employees want and using these resources as rewards.

5-5   Outline organizational behavior modification (OB Mod) and social cognitive theory, and explain their relevance to employee motivation.

Organizational behavior modification takes the behaviorist view that the environment teaches people to alter their behavior so that they maximize positive consequences and minimize adverse consequences. Antecedents are environmental stimuli that provoke (not necessarily cause) behavior. Consequences are events following behavior that influence its future occurrence. Consequences include positive reinforcement, punishment, negative reinforcement, and extinction. The schedules of reinforcement also influence behavior.

Social cognitive theory states that much learning and motivation occurs by observing and modeling others, as well as by anticipating the consequences of our behavior. It suggests that people typically infer (rather than only directly experience) cause-and-effect relationships, anticipate the consequences of their actions, develop self-efficacy in performing behavior, exercise personal control over their behavior, and reflect on their direct experiences. The theory emphasizes self-regulation of individual behavior, including self-reinforcement, which is the tendency of people to reward and punish themselves as a consequence of their actions.

5-6   Describe the characteristics of effective goal setting and feedback.

Goal setting is the process of motivating employees and clarifying their role perceptions by establishing performance objectives. Goals are more effective when they are SMARTER (specific, measurable, achievable, relevant, time-framed, exciting, and reviewed). Effective feedback is specific, relevant, timely, credible, and sufficiently frequent. Strengths-based coaching (also known as *appreciative coaching*) maximizes employee potential by focusing on their strengths rather than weaknesses. Employees usually prefer nonsocial feedback sources to learn about their progress toward goal accomplishment.

5-7   Summarize equity theory and describe ways to improve procedural justice.

Organizational justice consists of distributive justice (perceived fairness in the outcomes we receive relative to our contributions and the outcomes and contributions of others) and procedural justice (fairness of the procedures used to decide the distribution of resources). Equity theory has four elements: outcome–input ratio, comparison other, equity evaluation, and consequences of inequity. The theory also explains what people are motivated to do when they feel inequitably treated. Companies need to consider not only equity in the distribution of resources but also fairness in the process of making resource allocation decisions.

key terms

critical thinking questions

1. Four-drive theory is conceptually different from Maslow's needs hierarchy in several ways. Describe these differences. At the same time, needs are based on drives, so the four drives should parallel the seven needs that Maslow identified (five in the hierarchy and two additional needs). Map Maslow's needs onto the four drives in four-drive theory.

2. Learned needs theory states that needs can be strengthened or weakened. How might a company strengthen the achievement needs of its management team?

3. Everyone who works as an electronic game developer has extrinsic sources of motivation, and most also experience some degree of intrinsic motivation. Considering the dynamics of extrinsic and intrinsic motivation, what should companies in this industry do to ensure that their game developers are highly motivated at work?

4. You just closed a deal with an organizational client, and this helps you achieve the target that was set for you by the unit. Use expectancy theory to discuss how the events that will follow may increase your motivation and engagement.

5. Describe a situation in which you used organizational behavior modification to motivate someone's behavior. What specifically did you do? What was the result?

6. Using your knowledge of the characteristics of effective goals, establish two meaningful goals related to your performance in this class.

7. Most people think they are "worth more" than they are paid. Furthermore, most employees seem to feel that they exhibit better leadership skills and interpersonal skills than others. Please comment on this human tendency.

8. A large organization has hired you as a consultant to identify day-to-day activities for middle managers to minimize distributive and procedural injustice. The company explains that employees have complained about distributive injustice because they have different opinions about what is fair (equity, equality, need) and what outcomes and inputs have the greatest value. They also experience procedural injustice due to misperceptions and differing expectations. Given these ambiguities, what would you recommend to middle managers?

📖 CASE STUDY: PREDICTING HARRY'S WORK EFFORT

By Robert J. Oppenheimer, Concordia University

PURPOSE This exercise is designed to help you understand expectancy theory and how its elements affect a person's level of effort toward job performance.

INSTRUCTIONS This exercise may be completed either individually or in small teams of four or five people. When the individuals (or teams) have completed the exercise, the results will be discussed and compared with others in the class.

Read the following interview case. Then, calculate whether Harry will engage in high or "just acceptable" performance effort under the conditions described. Valence scores range from −1.0 to +1.0. All expectancies are probabilities ranging from 0 (no chance) to 1.0 (definitely will occur). The effort level scores are calculated by multiplying each valence by the appropriate P-to-O expectancy, summing these results, then multiplying the sum by the E-to-P expectancy.

INTERVIEW WITH HARRY

Interviewer: Hi, Harry. I have been asked to talk to you about your job. Do you mind if I ask you a few questions?

Harry: No, not at all.

Interviewer: Thanks, Harry. What are the things that you would anticipate getting satisfaction from as a result of your job?

Harry: What do you mean?

Interviewer: Well, what is important to you with regard to your job here?

Harry: I guess most important is job security. As a matter of fact, I can't think of anything that is more important to me. I think getting a raise would be nice, and a promotion would be even better.

Interviewer: Anything else that you think would be nice to get, or for that matter, that you would want to avoid?

Harry: I certainly would not want my buddies to make fun of me. We're pretty friendly, and this is really important to me.

Interviewer: Anything else?

Harry: No, not really. That seems to be it.

Interviewer: How satisfied do you think you would be with each of these?

Harry: What do you mean?

Interviewer: Well, assume that something that you would really like has a value of +1.0 and something you would really not like, that is, you would want to avoid, has a value of –1.0, and something you are indifferent about has a value of 0.

Harry: OK. Getting a raise would have a value of .5; a promotion is more important, so I'd say .7; and having my buddies make fun of me, .9.

Interviewer: But, I thought you didn't want your buddies to make fun of you.

Harry: I don't.

Interviewer: But you gave it a value of .9.

Harry: Oh, I guess it should be –.9.

Interviewer: OK, I just want to be sure I understand what you're saying. Harry, what do you think the chances are of these things happening?

Harry: That depends.

Interviewer: On what?

Harry: On whether my performance is high or just acceptable.

Interviewer: What if it is high?

Harry: I figure I stand about a 50–50 chance of getting a raise and/or a promotion, but I also think that there is a 90 percent chance that my buddies will make fun of me.

Interviewer: What about job security?

Harry: I am certain my job is secure here, whether my performance is high or just acceptable. I can't remember the last guy who was doing his job and got fired. But if my performance

is just acceptable, my chances of a raise or promotion are about 10 percent. However, then the guys will not make fun of me. That I am certain about.

Interviewer: What is the likelihood of your performance level being high?

Harry: That depends. If I work very hard and put out a high degree of effort, I'd say that my chance of my performance being high is about 90 percent. But if I put out a low level of effort—you know, if I just take it easy—then I figure that the chances of my doing an acceptable job is about 80 percent.

Interviewer: Well, which would you do: put out a low level or a high level of effort?

Harry: With all the questions you asked me, you should be able to tell me.

Interviewer: You may be right!

Harry: Yeah? That's nice. Hey, if you don't have any other questions, I'd like to join the guys for coffee.

Interviewer: OK, thanks for your time.

Harry: You're welcome.

Discussion Question

1. Use the expectancy theory model to predict Harry's motivation to achieve high or "just acceptable" performance in his job. Identify and discuss the factors that influence this motivation.

CASE STUDY: CINCINNATI SUPER SUBS

Cincinnati Super Subs is one of the larger Super Subs outlets, a chain of 300 take-away restaurants in Indiana, Ohio, and Michigan. This outlet has a restaurant manager, an assistant manager, and several part-time team leaders. The restaurant manager rarely has time to serve customers, and frontline work by managers is discouraged by the head office. The assistant manager serves customers for a couple of hours during the busy lunchtime but otherwise assists the restaurant manager with purchasing, accounts, hiring, and other operations. Most team leaders are college students and serve customers alongside other employees, particularly from late afternoon to night closing. Most employees are also students who work part-time; a few are in high school. All regular staff earn minimum pay rates.

Cincinnati Super Subs has experienced below-average profitability over the past 18 months, which has reduced the monthly bonus paid to the restaurant manager and assistant manager. This bonus is calculated by percentage of "wastage" (unsold, damaged, or unaccounted for food and drinks) relative to sales; the lower the percentage of wastage, the higher the bonus. Wastage occurs when employees drop or spill food, cut up more toppings than are sold, burn heated subs, prepare an order incorrectly, and eat or give away food without permission. When employees make mistakes, the expense is supposed to come out of their paycheck. Unauthorized eating and giving away food are grounds for immediate dismissal. However, team leaders are reluctant to report any accidental or deliberate wastage, even when confronted by the restaurant manager about the

store's high wastage over the previous week and month. One team leader who reported several accidental wastage incidents eventually quit after being snubbed by coworkers who attended the same college classes.

Cincinnati Super Subs gives employees a food allowance if they work continuously for at least four and one-half hours. Staff complain that the allowance is meager and that they are often ineligible for the food allowance because many shifts are only three or four hours. Employees who work these shorter shifts sometimes help themselves to food and drinks when the managers aren't around, claiming that their hard work justifies the free meal. Some also claim the food is a low company expense and makes up for their small paycheck, relative to what many of their friends earn elsewhere. Several (but not most) employees give some of their friends generous helpings as well as occasional free soft drinks and chips. Employees say handing out free food to friends makes them more popular with their peers.

Five months ago, the Cincinnati restaurant's wastage (mainly deliberate wastage) had risen to the point where the two managers no longer received a bonus. The restaurant manager reacted by giving the food allowance only to those who work for six or more hours in a single shift. This action excluded even more staff from receiving the food allowance, but it did not discourage employees from eating or giving away food. However, almost 20 percent of the experienced college staff left for other jobs over the following two months. Many of those who stayed discouraged friends from considering jobs at Super Subs. Morale declined, which dampened the fun atmosphere that had been experienced to some extent in past times. Relations between employees and managers soured further.

With relatively low unemployment, the restaurant manager found it difficult to hire replacements, particularly people with previous work experience of any kind. Temporary staff shortages required the two managers to spend more time working in food preparation and training the new staff. Their increased presence in the restaurant significantly reduced deliberate wastage, but accidental wastage increased somewhat as the greater number of inexperienced staff made more mistakes.

After three months, Cincinnati Super Subs' manager and assistant manager were confident that the situation had improved, so they spent less time training staff and serving customers. Indeed, they received a moderate bonus after the third month in the store. However, wastage increased again soon after the managers withdrew from daily operations. The experienced employees started eating more food, and the new staff soon joined this practice. Exasperated, the restaurant manager took bolder steps. He completely removed the food allowance and threatened to fire any employee caught consuming or giving away food.

Wastage dropped somewhat over the next month but is now creeping upward again.

Discussion Questions

1. What symptoms in this case suggest that something has gone wrong?
2. What are the main causes of these symptoms?
3. What actions should Cincinnati Super Subs' managers take to correct these problems?

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CLASS EXERCISE: NEEDS PRIORITY EXERCISE

PURPOSE This class exercise is designed to help you understand employee needs in the workplace.

INSTRUCTIONS (SMALL CLASS)

Step 1: The table below lists in alphabetical order 16 characteristics of the job or work environment. Working alone, use the far-left column to rank-order the importance of these characteristics to you personally. Write in "1" beside the most important characteristic, "2" for the second most important, and so on, through to "16" for the least important characteristic on this list.

Step 2: Identify any three (3) of these work attributes that you believe have the largest score differences between Generation Y (Millennial) male and female college students in your country (i.e., those born in 1980 or after). Indicate which gender you think identifies that attribute as more important.

Step 3: Students are assigned to teams, where they compare each other's rank-order results as well as perceived gender differences in needs. Note reasons for the largest variations in rankings and be prepared to discuss these reasons with the entire class. Students should pay close attention to different needs, self-concepts, and various forms of diversity (ethnicity, profession, age, etc.) within your class to identify possible explanations for any variation of results across students.

Step 4: The instructor will provide results of a recent large-scale survey of Generation-Y/Millennial postsecondary students (i.e., born in 1980 or after). When these results are presented, identify the reasons for any noticeable differences in the class. Relate the differences to your understanding of the emerging view of employee needs and drives in work settings. For gender differences, discuss reasons why men and women might differ on these work-related attributes.

INSTRUCTIONS (LARGE CLASS)

Step 1 and Step 2: Same as the small class instructions.

Step 3: The instructor will ask students, by a show of hands (or use of classroom technology), to identify their top-ranked attributes as well as the attributes believed to have the greatest gender differences among Gen-Yers.

Step 4: Same as above.

Personal Ranking of Work-Related Attributes

ATTRIBUTES OF WORK (LISTED ALPHABETICALLY)	YOUR RANKING (1 = MOST IMPORTANT)
Challenging work	_____
Commitment to social responsibility	_____
Good health and benefits plan	_____
Good initial salary level	_____
Good people to report to	_____
Good people to work with	_____
Good training opportunities/developing new skills	_____
Good variety of work	_____
Job security	_____
Opportunities for advancement in position	_____
Opportunities to have a personal impact	_____
Opportunities to have a social impact	_____
Opportunity to travel	_____
Organization is a leader in its field	_____
Strong commitment to employee diversity	_____
Work–life balance	_____

CLASS EXERCISE: THE LEARNING EXERCISE

PURPOSE This exercise is designed to help you understand how learning and motivation are influenced by the contingencies of reinforcement in organizational behavior modification.

MATERIALS Any objects normally available in a classroom will be acceptable for this activity.

INSTRUCTIONS (FOR SMALL OR LARGE CLASSES) The instructor will ask for three volunteers, who are then briefed outside the classroom. The instructor will spend a few minutes describing the exercise to students in the class about their duties. Then, one of the three volunteers will enter the room to participate in the exercise. When completed, the second volunteer enters the room and participates in the exercise. When completed, the third volunteer enters the class and participates in the exercise.

For students to gain the full benefit of this exercise, no other information will be provided here. However, the instructor will have more details at the beginning of this fun activity.

TEAM EXERCISE: BONUS DECISION EXERCISE

By Steven L. McShane, Graduate School of Business, Curtin University (Australia) and the Peter B. Gustavson School of Business, University of Victoria (Canada)

PURPOSE This exercise is designed to help you understand the elements of equity theory and how people differ in their equity perceptions.

INSTRUCTIONS Four managers in a large national insurance company are described below. The national sales director of the company has given your consulting team (first individually, then together) the task of allocating $100,000 in bonus money to four managers. It is entirely up to your team to decide how to divide the money among these people. The only requirements are that all of the money must be distributed and that no two branch managers can receive the same amount. The names and information are presented in no particular order. You should assume that economic conditions, client demographics, and other external factors are very similar for these managers.

Step 1: Working alone, read information about the four managers. Then, fill in the amount you would allocate to each manager in the "Individual Decision" column.

Step 2: Still working alone, fill in the "Equity Inputs Form." First, in the "Input Factor" column, list in order of importance the factors you considered when allocating these bonus amounts (e.g., seniority, performance, age). The most important factor should be listed first and the least important last. Next, in the "Input Weight" column estimate the percentage weight that you assigned to this factor. The total of this column must add up to 100 percent.

Step 3: Form teams (typically 4 to 6 people). Each team will compare their results and note any differences. Then, for each job, team members will reach a consensus on the bonus amount that each manager should receive. These amounts will be written in the "Team Decision" column.

Step 4: The instructor will call the class together to compare team results and note differences in inputs and input weights used by individual students. The class will then discuss these results using equity theory.

INSTRUCTIONS (LARGE CLASS)

Step 1 and Step 2: Same as in the preceding "Instructions" section.

Step 3: The instructor will ask students, by a show of hands (or use of classroom technology), to identify which manager would receive the highest bonus, then how much should be allocated to that manager. Repeat with the manager receiving the lowest bonus. (Some classroom technology allows students to directly indicate their bonus amount for that manager.) The class will then discuss these results using equity theory.

BONUS DECISION-MAKING MANAGER PROFILES

Bob B. Bob has been in the insurance business for over 27 years and has spent the past 21 years with this company. A few years ago, Bob's branch typically made the largest contribution to regional profits. More recently, however, it has brought in few new accounts and is now well below average in terms of its contribution to the company. Turnover in the branch has been high and Bob doesn't have the same enthusiasm for the job as he once did. Bob is 56 years old and is married with five children. Three children are still living at home. Bob has a high school diploma as well as a certificate from a special course in insurance management.

Edward E. In the two years that Edward has been a branch manager, his unit has brought in several major accounts and now stands as one of the top units in the country. Edward is well respected by his employees. At 29, he is the youngest manager in the region and one of the youngest in the country. The regional director initially doubted the wisdom of giving Edward the position of branch manager because of his relatively young age and lack of experience in the insurance industry. Edward received an undergraduate business degree from a regional college and worked for five years as a sales representative before joining this company. Edward is single and has no children.

Lee L.   Lee has been with this organization for seven years. The first two years were spent as a sales representative in the office that she now manages. According to the regional director, Lee rates about average as a branch manager. She earned an undergraduate degree in geography from a major university and worked as a sales representative for four years with another insurance company before joining this organization. Lee is 40 years old, divorced, and has no children. She is a very ambitious person but sometimes has problems working with her staff and other branch managers.

Sandy S.   Sandy is 47 years old and has been a branch manager with this company for 17 years. Seven years ago, her branch made the lowest contribution to the region's profits, but this has steadily improved and is now slightly above average. Sandy seems to have a mediocre attitude toward her job but is well liked by her staff and other branch managers. Her experience in the insurance industry has been entirely with this organization. She previously worked in nonsales positions, and it is not clear how she became a branch manager without previous sales experience. Sandy is married and has three school-aged children. Several years ago, Sandy earned a diploma in business from a nearby community college by taking evening courses.

Bonus Allocation Form

NAME	INDIVIDUAL DECISION	TEAM DECISION
Bob B.	$ _____	$ _____
Edward E.	$ _____	$ _____
Lee L.	$ _____	$ _____
Sandy S.	$ _____	$ _____
TOTALS:	$100,000	$100,000

Equity Inputs Form

INPUT FACTOR*	INPUT WEIGHT**
_____	_____%
_____	_____%
_____	_____%
_____	_____%
_____	_____%
TOTAL:	100%

*List factors in order of importance, with most important factor listed first.

**The weight of each factor is a percentage ranging from 1 to 100. All factor weights together must add up to 100 percent.

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Applied Performance Practices

After reading this chapter, you should be able to:

6-1 Discuss the meaning of money and identify several individual-, team-, and organizational-level performance-based rewards.

6-2 Describe five ways to improve reward effectiveness.

6-3 List the advantages and disadvantages of job specialization.

6-4 Diagram the job characteristics model and describe three ways to improve employee motivation through job design.

6-5 Define empowerment and identify strategies that support empowerment.

6-6 Describe the five elements of self-leadership and identify specific personal and work environment influences on self-leadership.

Shopify develops the world's most popular e-commerce platform and is one of North America's fastest-growing technology companies. That's quite an accomplishment for a business that didn't exist a dozen years ago and is headquartered far from Silicon Valley in Ottawa, Canada. Shopify's success is partly because it hires people who are naturally inclined to motivate and lead themselves. "I look for people who are self-starters—people who have a bit of a founder mentality," says chief operating officer Harley Finkelstein. Cofounder and CEO Tobias Lütke refers to Shopify's motto—Draw the Owl—meaning that the company wants talented people with the self-motivation and self-direction to transform a couple of circles into a finished masterpiece. "You get the tools you need to do great things, but it's up to you to make it happen," says Lütke.

Draw the Owl also reflects Shopify's approach to job design. "There's a lot of autonomy, no micro-managing," explains one current employee. Another adds: "Huge opportunities for growth. I have complete agency in what I work on, and what skills I focus on developing." User interface designer Ryan Langlois also points to work variety, autonomy, and

significance as key motivators. "Shopify allows you to work on exciting, challenging projects with some amazingly talented people," he says.

Shopify employees are also motivated by peer recognition and rewards aligned with how well the company is doing. Employees regularly give "thumbs up" to coworkers through Unicorn, the company's peer-based recognition tool. At the end of each calendar year, every Shopify employee receives a surprise bonus, such as a three-day ski trip or $1,000 to spend at any of Shopify's Internet-based merchants. Everyone also gets stock options, which gives them a vested interest in the company's success. "This is a place where we really encourage people to act like owners," says Harley Finkelstein.[1]

Shopify's incredible success is attributed to talented and highly motivated employees who keep the technology company at the forefront of the e-commerce revolution. Employee motivation is supported by self-leadership, enriched jobs, performance-based rewards, and an empowering work environment. These four themes provide the framework for this chapter.

The chapter begins by examining the meaning of money. This is followed by an overview of financial reward practices, including the different types of rewards and how to implement rewards effectively. Next, we look at the conceptual foundations of job design, followed by specific job design strategies for motivating employees. We then consider the elements of empowerment, as well as conditions that support empowerment. The final part of the chapter explains how employees manage their own performance through self-leadership.

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Shopify has a highly motivated workforce, driven by enriched jobs, rewards aligned with the company's success, and employees with strong self-leadership skills.

The Meaning of Money in the Workplace

6-1

Rewarding people with money is one of the oldest and most pervasive applied performance practices. At the most basic level, money and other financial rewards represent a form of exchange; employees provide their labor, skill, and knowledge in return for money and benefits from the organization. From this perspective, money and related rewards align employee goals with organizational goals. This concept of economic exchange can be found across cultures. The word for *pay* in Malaysian and Slovak means "to replace a loss"; in Hebrew and Swedish it means "making equal."[2]

However, money is much more than an object of compensation for an employee's contribution to organizational objectives. Money relates to our needs and our self-concept. It generates a variety of emotions, many of which are negative, such as anxiety, depression, anger, and helplessness.[3] Money is a symbol of achievement and status, a motivator, a source of enhanced or reduced anxiety, and an influence on our propensity to make ethical or risky decisions. To some extent, the influence of money on human thoughts and behavior occurs nonconsciously.[4] According to one source, "Money is probably the most emotionally meaningful object in contemporary life."[5]

The meaning of money varies considerably from one person to the next.[6] Studies report that money is viewed as a symbol of status and prestige, as a source of security, as a source of evil, or as a source of anxiety or feelings of inadequacy. It is considered a taboo topic in many social settings. Recent studies depict money as both a "tool" (i.e., money is valued because it is an instrument for acquiring other things of value) and a "drug" (i.e., money is an object of addictive value in itself). A widely studied model of money attitudes suggests that people have a strong "money ethic" or "monetary intelligence" when they believe that money is not evil; that it is a symbol of achievement, respect, and power; and that it should be budgeted carefully. These attitudes toward money influence an individual's ethical conduct, organizational citizenship, and many other behaviors and attitudes.[7]

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SELF-ASSESSMENT 6.1: What Is Your Attitude toward Money?

Money is a fundamental part of the employment relationship, but it is more than just an economic medium of exchange. Money affects our needs, our emotions, and our self-concept. People hold a variety of attitudes toward money. One widely studied set of attitudes is known as the "money ethic." You can discover your attitude toward money by locating this self-assessment in Connect if it is assigned by your instructor.

The meaning and effects of money differ between men and women.[8] One study revealed that in almost all societies men attach more importance or value to money than do women. Men are more likely than women to view money as a symbol of power and status as well as the means to autonomy. Women are more likely to view money in terms of things for which it can be exchanged and particularly as a symbol of generosity and caring by using money to buy things for others.

The meaning of money also seems to vary across cultures.[9] People in countries with high power distance (such as China and Japan) tend to have a high respect and priority for money, whereas people in countries with a strong egalitarian culture (such as Denmark, Austria, and Israel) are discouraged from openly talking about money or displaying their personal wealth. One study suggests that Swiss culture values saving money, whereas Italian culture places more value on spending it.

The motivational effect of money is much greater than was previously believed, and this effect is due more to its symbolic value than to what it can buy.[10] Philosopher John

Stuart Mill made this observation 150 years ago when he wrote: "The love of money is not only one of the strongest moving forces of human life, but money is, in many cases, desired in and for itself."[11] People who earn higher pay tend to have higher job performance because the higher paycheck enhances their self-concept evaluation. Others have noted that the symbolic value of money depends on how it is distributed in the organization and how many people receive that financial reward.

Overall, current organizational behavior knowledge indicates that money is much more than a means of exchange between employer and employee. It fulfills a variety of needs, influences emotions, and shapes or represents a person's self-concept. These findings are important to remember when the employer is distributing financial rewards in the workplace. Over the next few pages, we look at various reward practices and how to improve the implementation of performance-based rewards.

Financial Reward Practices

Financial rewards come in many forms, which can be organized into the four specific objectives identified in Exhibit 6.1: membership and seniority, job status, competencies, and performance.

MEMBERSHIP- AND SENIORITY-BASED REWARDS

Membership-based and seniority-based rewards (sometimes called "pay for pulse") represent the largest part of most paychecks. Some employee benefits are provided equally to everyone, such as the end-of-year $1,000 shopping bonus, free meals, and twice-monthly housekeeping services that Shopify employees receive. Other rewards increase with seniority. For example, employees with 10 or more years of service at the Paul

EXHIBIT 6.1   **Reward Objectives, Advantages, and Disadvantages**

REWARD OBJECTIVE	SAMPLE REWARDS	ADVANTAGES	DISADVANTAGES
Membership/seniority	• Fixed pay • Most employee benefits • Paid time off	• May attract applicants • Minimizes stress of insecurity • Reduces turnover	• Doesn't directly motivate performance • May discourage poor performers from leaving • "Golden handcuffs" may undermine performance
Job status	• Promotion-based pay increase • Status-based benefits	• Tries to maintain internal equity • Minimizes pay discrimination • Motivates employees to compete for promotions	• Encourages hierarchy, which may increase costs and reduce responsiveness • Reinforces status differences • Motivates job competition and exaggerated job worth
Competencies	• Pay increase based on competency • Skill-based pay	• Improves workforce flexibility • Tends to improve quality • Is consistent with employability	• Relies on subjective measurement of competencies • Skill-based pay plans are expensive
Task performance	• Commissions • Merit pay • Gainsharing • Profit sharing • Stock options	• Motivates task performance • Attracts performance-oriented applicants • Organizational rewards create an ownership culture • Pay variability may avoid layoffs during downturns	• May weaken job content motivation • May distance reward giver from receiver • May discourage creativity • Tends to address symptoms, not underlying causes of behavior

global connections 6.1

Mega Reward for Tiens Group Employees

Many companies show a token of appreciation to employees for their loyalty and past performance. But to celebrate its twentieth year in business, Chinese multinational conglomerate Tiens Group rewarded 6,400 employees (about half of its workforce) with an all-expenses-paid trip to France.

The group boarded 84 commercial planes from China to Paris, stayed in 140 three- and four-star hotels, were given a private tour of the Louvre, and enjoyed a private shopping session at a luxury department store. The entire entourage then traveled by high-speed train to the south of France, where they stayed in 4,760 rooms at high-quality hotels from Monaco to Cannes. Before returning to China, the group boarded 146 tour buses to the resort town of Nice, where they lined up to spell "Tiens' dream is Nice in the Côte d'Azur." The human sentence achieved a Guinness world record.[12]

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Scherrer Institut near Zurich, Switzerland, receive an annual loyalty bonus equal to a half month's salary; those with 20 or more years of service at the natural and engineering sciences research center receive a bonus equal to a full month's salary.[13]

These membership- and seniority-based rewards potentially reduce turnover and attract job applicants (particularly those who desire predictable income). However, they do not directly motivate job performance; on the contrary, they discourage poor performers from seeking work better suited to their abilities. Instead, the good performers are lured to better-paying jobs. Some of these rewards are also "golden handcuffs"—they discourage employees from quitting because of deferred bonuses or generous benefits that are not available elsewhere. However, golden handcuffs potentially weaken job performance because they generate continuance rather than affective commitment (see Chapter 4).

JOB STATUS–BASED REWARDS

Almost every organization rewards employees to some extent on the basis of the status or worth of the jobs they occupy. In some parts of the world, companies measure job worth through **job evaluation.** Most job evaluation methods give higher value to jobs that require more skill and effort, have more responsibility, and have more difficult working conditions.[14] The higher the worth assigned to a job, the higher the minimum and maximum pay for people in that job. Along with receiving higher pay, employees with more valued jobs sometimes receive larger offices, company-paid vehicles, and other perks.

Job status–based rewards try to improve feelings of fairness by distributing more pay to people in higher-valued jobs. These rewards also motivate employees to compete for promotions. However, at a time when companies are trying to be more cost-efficient and responsive to the external environment, job status–based rewards potentially do the opposite by encouraging a bureaucratic hierarchy. These rewards also reinforce a status mentality, whereas Generation-X and Generation-Y employees expect a more egalitarian workplace. Furthermore, status-based pay potentially motivates employees to compete for higher-status jobs and to raise the value of their own jobs by exaggerating job duties and hoarding resources.[15]

job evaluation
systematically rating the worth of jobs within an organization by measuring the required skill, effort, responsibility, and working conditions

COMPETENCY-BASED REWARDS

Over the past two decades, many companies have shifted reward priorities from job status to skills, knowledge, and other competencies that lead to superior performance. The most common practices identify a list of competencies relevant across all job groups, as well as competencies specific to each broad job group. Employees progress through the pay range within that job group based on how well they demonstrate each of those competencies.[16]

Skill-based pay plans are a more specific variation of competency-based rewards in which people receive higher pay determined by their mastery of measurable skills.[17] High Liner Foods, one of North America's largest frozen seafood companies, assigns pay rates to employees at its Portsmouth, New Hampshire, plant based on the number and difficulty of skills they have mastered. "We're setting our sites up for a skill-based pay system, so as employees learn and demonstrate certain skills, they move into a different pay bracket," explains a High Liner executive.

Competency-based rewards motivate employees to learn new skills.[18] This tends to support a more flexible workforce, increase employee creativity, and allow employees to be more adaptive to embracing new practices in a dynamic environment. Product or service quality also tends to improve because employees with multiple skills are more likely to understand the work process and know how to improve it. However, competency-based pay plans have not always worked out as well as promised by their advocates. They are often overdesigned, making it difficult to communicate these plans to employees. Competency definitions tend to be abstract, which raises questions about fairness when employers are relying on these definitions to award pay increases. Skill-based pay systems measure specific skills, so they are usually more objective. However, they are expensive because employees spend more time learning new tasks.[19]

PERFORMANCE-BASED REWARDS

Performance-based rewards have existed since Babylonian days 4,000 years ago, but their popularity has increased dramatically over the past few decades. Here is an overview of some of the most popular individual, team, and organizational performance-based rewards.

Individual Rewards   Many employees receive individual bonuses or other rewards for accomplishing a specific task or exceeding annual performance goals. Housekeeping staff in many hotels are paid a piece rate—a specific amount earned for each room cleaned.[20] Other hotels pay an hourly rate plus a per-room bonus. Real estate agents and other salespeople typically earn *commissions,* in which their pay depends on the sales volume they generate.

Team Rewards   Organizations have shifted their focus from individuals to teams, and accompanying this transition has been the introduction of more team-based rewards. Nucor Inc. relies heavily on team-based rewards. The steelmaker's employees earn bonuses that can exceed half their total pay, determined by how much steel is produced by the team. This team-based bonus system also includes penalties. If employees catch a bad batch of steel before it leaves the mini-mill, they lose their bonus for that shipment. But if a bad batch makes its way to the customer, the team loses three times its usual bonus.[21]

Another form of team-based performance reward, called a **gainsharing plan,** calculates bonuses from the work unit's cost savings and productivity improvement. Whole Foods Market uses gainsharing to motivate cost savings in its grocery stores. The food retailer assigns a monthly payroll budget to teams operating various departments within a store. If payroll money is unspent at the end of the month, the surplus is divided among members of that Whole Foods Market team.[22] Several hospitals have cautiously introduced a form of gainsharing, whereby physicians and medical staff in a medical unit (cardiology, orthopedics, etc.) are collectively rewarded for cost reductions in surgery and

gainsharing plan
a team-based reward that calculates bonuses from the work unit's cost savings and productivity improvement

GLOBAL VARIATIONS IN PERFORMANCE-BASED PAY[23]

Country	Value
China	75
Russia	70
India	67
Brazil	48
GLOBAL	44
Germany	43
France	36
USA	32
UK	30
Sweden	24
Denmark	21
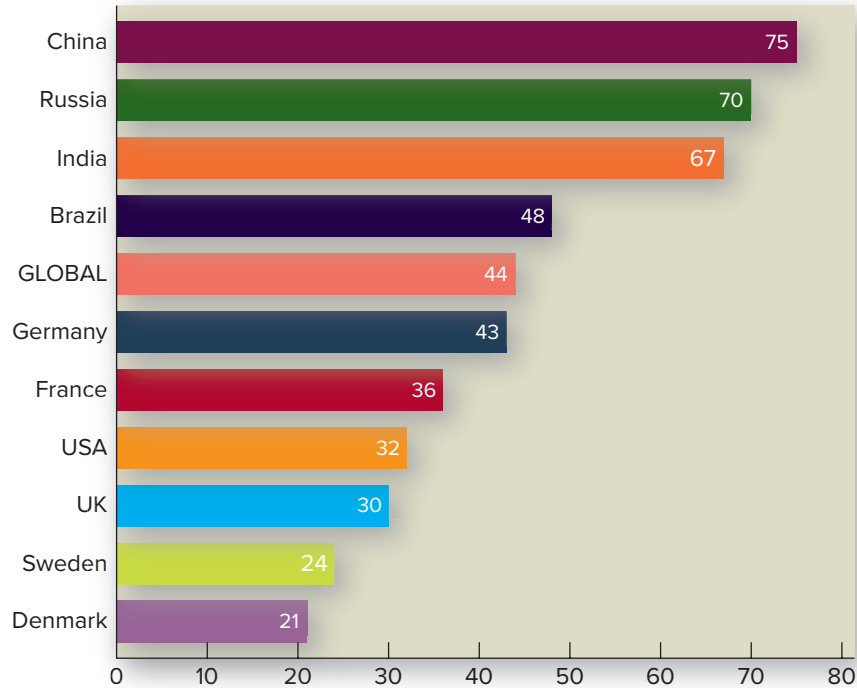
Percentage of employees surveyed in selected countries who say their pay is "variable, such that a portion is dependent upon your individual performance/productivity targets." Data were collected from more than 120,000 people in 31 countries for Kelly Services. The global average includes respondents from all 31 countries, not just those shown in this chart.

patient care. These cost reductions mainly occur through negotiating better prices of materials.[24] Gainsharing plans tend to improve team dynamics, knowledge sharing, and pay satisfaction. They also create a reasonably strong link between effort and performance, because much of the cost reduction and labor efficiency is within the team's control.[25]

Organizational Rewards   Along with individual and team-based rewards, many firms motivate employees with organizational-level rewards. Texas-based Hilcorp Energy Company recently gave each of its employees $100,000 for exceeding three challenging targets over five years: doubling the company's value, its oil field production rate, and its net oil and gas reserves. This companywide incentive followed a "Double Drive" reward five years earlier in which employees received a new vehicle or $50,000 for surpassing the same targets.[26]

   Employee stock ownership plans (ESOPs) are organizational rewards that encourage employees to buy company stock, usually at a discounted price. The financial incentive occurs in the form of dividends and market appreciation of the stock. Due to tax concessions in the United States and a few other countries, most ESOPs are designed as retirement plans. Today, more than 20 percent of Americans working in the private sector hold stock in their companies.[27] Publix Super Markets has one of the largest and oldest ESOPs in America. The Lakeland, Florida, grocery chain distributes a portion of company profits to employees in the form of company stock. Employees can also purchase additional stock from the privately held company.[28]

   While ESOPs involve purchasing company shares, **stock options** give employees the right to purchase company stock at a predetermined price up to a fixed expiration date. Shopify, the e-commerce technology company

employee stock ownership plans (ESOPs)
a reward system that encourages employees to buy company stock

stock options
a reward system that gives employees the right to purchase company stock at a future date at a predetermined price

described at the beginning of this chapter, awards stock options to most of its employees. Here's how stock options work: An employer might offer employees the right to purchase 100 shares at $50 each at any time between two and six years from now. If the stock price is, say, $60 two years later, employees could earn $10 per share from these options, or they could wait up to six years for the stock price to rise further. If the stock price never rises above $50 during that time, employees are "out of the money," and they would let the options expire. The intention of stock options is to motivate employees to make the company more profitable, thereby raising the company's stock price and enabling them to reap the value above the exercise price of the stock options.

profit-sharing plan
a reward system that pays bonuses to employees on the basis of the previous year's level of corporate profits

Another type of organizational-level reward is the **profit-sharing plan,** in which employees receive a percentage of the previous year's company profits. An interesting application of this reward occurs at Svenska Handelsbanken AB. In years when the Swedish bank is more profitable than the average of competing banks, it transfers one-third of the difference in profits to an employee fund. Every employee receives one share in the fund for each year of service, which can be cashed out at 60 years of age (even if they continue working for the bank beyond that age).[29]

Evaluating Organizational-Level Rewards   How effective are organizational-level rewards? Research indicates that ESOPs and stock options tend to create an ownership culture in which employees feel aligned with the organization's success.[30] There is also some evidence that both increase firm performance under some circumstances, but the effects are fairly weak.[31] Profit sharing tends to create less ownership culture, yet one major study of 200 Korean manufacturing firms found that it had a stronger influence on productivity than did ESOPs or stock options.[32] Profit sharing also has the advantage of automatically adjusting employee compensation with the firm's prosperity, thereby reducing the need for layoffs or negotiated pay reductions during recessions.

One reason why organizational rewards don't improve motivation or performance very much is that employees perceive a weak connection between their individual effort and the determinants of those rewards (i.e., corporate profits or stock price). Even in small firms, the company's stock price or profitability are influenced by economic conditions, competition, and other factors beyond the employee's immediate control. This low individual performance-to-outcome expectancy suppresses the incentive's motivational effect. However, a few studies have found that ESOPs and other organizational rewards have a more robust influence on motivation and firm performance when employees are also involved in organizational decisions.[33] We discuss employee involvement in the next chapter (Chapter 7).

Improving Reward Effectiveness

6-2

Performance-based rewards have come under attack over the years for discouraging creativity, distancing management from employees, distracting employees from the meaningfulness of the work itself, and being quick fixes that ignore the true causes of poor performance. One study even found that very large rewards (relative to the usual income) can result in lower, rather than higher, performance.[34] While these issues have kernels of truth under specific circumstances, they do not necessarily mean that we should abandon performance-based pay. On the contrary, top-performing companies are more likely to have performance-based (or competency-based) rewards, which is consistent with evidence that these rewards are one of the high-performance work practices (see Chapter 1).[35] Reward systems do motivate most employees, but only under the right conditions. Here are some of the more important strategies for improving reward effectiveness.

debating point

IS IT TIME TO DITCH THE PERFORMANCE REVIEW?

More than 90 percent of *Fortune* 500 companies use performance reviews to link rewards to the performance of some or most employees. Advocates argue that these evaluations provide critical documentation, communication, and decisions necessary to reward contributors and remove those who fail to reach the minimum standard. Indeed, it can be difficult to fire poor performers in some jurisdictions unless the company has systematically documented the employee's shortfalls. Evaluations provide clear feedback about job performance, so employees know where they stand and are motivated to address their weaknesses. Performance reviews have their faults, but supporters say these problems can be overcome by using objective information (such as goal setting and 360-degree feedback) rather than subjective ratings, being supportive and constructive throughout the review, and providing informal performance feedback throughout the year.

Several experts—and most employees—disagree.[36] In spite of mountains of advice over the years on how to improve performance reviews, this activity seems to inflict more damage than deliver benefits. Apple Inc. trashed its formal performance evaluation process a decade ago. Zappos and dozens of other companies have since followed Apple's lead. Most companies that ditched their performance reviews never brought them back again.

According to various polls and studies, performance reviews are stressful, morale sapping, and dysfunctional events that typically descend into political arenas and paperwork bureaucracies. Even when managers actively coach employees throughout the year, the annual appraisal meeting places them in the awkward and incompatible role as an all-powerful and all-knowing evaluator. Another issue is that rating employees, even on several factors, grossly distorts the complexity of performance in most jobs. A single score on customer service, for instance, would hide variations in knowledge, empathy, efficiency, and other elements of service. "Who am I to tell somebody they're a three out of five?" asks Don Quist, cofounder of industrial recruiting firm Sixth Sense and engineering firm Hood Group. Quist is so opposed to performance reviews that employees at Hood Group were issued badges with a big "X" through the phrase "Employee Evaluation."[37]

Many perceptual biases—halo, recency, primacy, stereotyping, fundamental attribution error—are common in performance reviews and difficult to remove through training. Seemingly objective practices such as goal setting and 360-degree feedback are fraught with bias and subjectivity. Various studies have also found that managers across the organization use different criteria to rate employee performance. One study discovered that management's evaluations of 5,000 customer service employees were unrelated to ratings that customers gave those employees. "The managers might as well have been rating the employees' shoe sizes, for all the customers cared," quipped one investigator.[38]

Is there an alternative to the performance evaluation? One repeated suggestion is to conduct "performance previews" or "feedforward" events that focus on future goals and advice. Instead of a postmortem dissection of the employee's failings, managers use past performance as a foundation for development.[39] Also, substantial rewards should never be based on performance reviews or similar forms of evaluation. Instead, they should be linked to measurable team- and organizational-level outcomes and, judiciously, to individual indicators (sales, project completion, etc.), where appropriate.

LINK REWARDS TO PERFORMANCE

Organizational behavior modification theory and expectancy theory (Chapter 5) both recommend that employees with better performance should be rewarded more than those with poorer performance. Unfortunately, this simple principle seems to be unusually difficult to apply. Few employees see a relationship between job performance and the amount of pay they and coworkers receive. One recent global survey reported that only 42 percent of employees globally say they think there is a clear link between their job performance and pay. Only 25 percent of Swedish employees and 36 percent of American employees see a pay–performance link.[40]

How can companies improve the pay–performance linkage? Inconsistencies and bias can be minimized through gainsharing, ESOPs, and other plans that use objective performance measures. Where subjective measures of performance are necessary, companies should rely on multiple sources of information. Companies also need to apply rewards soon after the performance occurs, and in a large-enough dose (such as a bonus rather than a pay increase), so employees experience positive emotions when they receive the reward.[41]

ENSURE THAT REWARDS ARE RELEVANT

Companies need to align rewards with performance within the employee's control. The more employees see a "line of sight" between their daily actions and the reward, the more they are motivated to improve performance. United Rentals, the world's largest equipment rental company, rewards managers at each level for their performance of controllable business factors. "We call it return on controllable assets," explains United CEO Michael Kneeland. The bonuses that United managers earn are determined by how profitably they manage assets within their control. Higher-level managers earn bonuses based more on overall fleet performance, whereas branch managers are rewarded more for parts and inventory efficiencies at their local operations. "These are things within their control that they are assessed on," says Kneeland.[42] Reward systems also need to correct for situational factors. Salespeople in one region may have higher sales because the economy is stronger there than elsewhere, so sales bonuses need to be adjusted for such economic factors.

USE TEAM REWARDS FOR INTERDEPENDENT JOBS

Team rewards are better than individual rewards when employees work in highly interdependent jobs, because it is difficult to measure individual performance in these situations. Nucor Corp. relies on team-based bonuses for this reason; producing steel is a team effort, so employees earn bonuses based on team performance. Team rewards also encourage cooperation, which is more important when work is highly interdependent. A third benefit of team rewards is that they tend to support employee preferences for team-based work. One concern, however, is that employees (particularly the most productive employees) in the United States and many other low-collectivism cultures prefer rewards based on their individual performance rather than team performance.[43]

ENSURE THAT REWARDS ARE VALUED

It seems obvious that rewards work best when they are valued. Yet companies sometimes make false assumptions about what employees want, with unfortunate consequences. For instance, one manager honored an employee's 25th year of service by buying her a box of doughnuts to be shared with other staff. The employee was insulted. She privately complained later to coworkers that she would rather receive nothing than "a piddling box of doughnuts."[44] The solution, of course, is to ask employees what they value. Campbell Soup did this several years ago at one of its distribution centers. Executives thought the employees would ask for more money in a special team reward program. Instead, distribution staff said the most valued reward was a leather jacket with the Campbell Soup logo on the back. The leather jackets cost much less, yet were worth much more than the financial bonus the company had intended to distribute.[45]

WATCH OUT FOR UNINTENDED CONSEQUENCES

Performance-based reward systems sometimes have unexpected—and undesirable—effects on employee motivation and behavior.[46] Consider the following example: A food processing plant discovered that insect parts were somehow getting into the frozen peas during processing. To solve this serious problem, management decided to reward production staff for any insect parts they found in the peas. The incentive worked! Employees found hundreds of insect parts that they dutifully turned in for the bonus. The problem was that many of these insect pieces came from the employees' backyards, not from the production line.[47] Avoiding unintended consequences of rewards isn't easy, but they can often be averted by carefully thinking through what the rewards actually motivate people to do and, where possible, test the incentives in a pilot project before applying them across the organization.

global connections 6.2

When Rewards Go Wrong

For many years, the paychecks of almost all public transit bus drivers in Santiago, Chile, were determined by the number of fare-paying passengers. This incentive motivated the drivers to begin their route on time, take shorter breaks, drive efficiently, and ensure that passengers paid their fare.

But the drivers' reward system also had horrendous unintended consequences. To take on more passengers, bus drivers aggressively raced with competing buses to the next passenger waiting area, sometimes cutting off each other and risking the safety of people in nearby vehicles. Drivers reduced time at each stop by speeding off before passengers were safely on board. They also left the bus doors open, resulting in many passenger injuries and fatalities during the journey. Some drivers drove past waiting areas if there was only one person waiting. They completely skipped stops with schoolchildren because those passengers paid only one-third of the regular fare. Studies reported that Santiago's transit buses caused one fatal accident every three days, and that drivers paid per passenger caused twice as many traffic accidents as drivers paid per hour.

Santiago later integrated its public transit system and drivers earned only hourly pay. Unfortunately, under this

Source: José González Spaudo/Flickr

reward system drivers were no longer motivated to ensure that passengers pay the fare (about one-third are freeloaders), and some skipped passenger stops altogether when they were behind schedule or at the end of their workday. Santiago recently changed driver pay once again to a combination of fixed pay and bonuses determined by several performance indicators and reduced fare evasion.[48]

Financial rewards come in many forms and, as was mentioned at the outset of this section, influence employees in complex ways. But money isn't the only thing that motivates people. Employees are usually much more engaged in their work through intrinsic rather than extrinsic sources of motivation. As we discussed in Chapter 5, intrinsic motivation occurs when the source of motivation is controlled by the individual and experienced from the activity itself. In other words, companies motivate employees mainly by designing interesting and challenging jobs, which is the topic we discuss next.

Job Design Practices

6-3

job design
the process of assigning tasks to a job, including the interdependency of those tasks with other jobs

How do you build a better job? That question has challenged organizational behavior experts, psychologists, engineers, and economists for a few centuries. Some jobs have very few tasks and usually require very little skill. Other jobs are immensely complex and require years of experience and learning to master them. From one extreme to the other, jobs have different effects on work efficiency and employee motivation. The ideal, at least from the organization's perspective, is to find the right combination so that work is performed efficiently but employees are engaged and satisfied.[49] This objective requires careful **job design**—the process of assigning tasks to a job, including the interdependency of those tasks with other jobs. A *job* is a set of tasks performed by one person. To understand this issue more fully, let's begin by describing early job design efforts aimed at increasing work efficiency through job specialization.

JOB DESIGN AND WORK EFFICIENCY

By any measure, supermarket cashiers have highly repetitive work. One consulting firm estimated that cashiers should be able to scan each item in an average of 4.6 seconds. A

British tabloid recently reported that cashiers at five supermarket chains in that country actually took between 1.75 and 3.25 seconds to scan each item from a standardized list of 20 products. Along with scanning, cashiers process the payment, move the divider stick, and (in some stores) bag the checked groceries.[50]

Supermarket cashiers perform jobs with a high degree of **job specialization.** Job specialization occurs when the work required to serve a customer—or provide any other product or service—is subdivided into separate jobs assigned to different people. For instance, supermarkets have separate jobs for checking out customers, stocking shelves, preparing fresh foods, and so forth. Except in the smallest family grocery stores, one person would not perform all of these tasks as part of one job. Each resulting job includes a narrow subset of tasks, usually completed in a short cycle time. *Cycle time* is the time required to complete the task before starting over with another item or client. Supermarket cashiers have a cycle time of about 4 seconds to scan each item before they repeat the activity with the next item. They also have a cycle time for serving each customer, which works out to somewhere between 20 and 40 times per hour in busy stores.

Why would companies divide work into such tiny bits? The simple answer is that job specialization potentially improves work efficiency. One reason for this higher efficiency is that employees have less variety of tasks to juggle (such as checking out customers versus stocking shelves), so there is less time lost changing over to a different type of activity. Even when people can change tasks quickly, their mental attention lingers on the previous type of work, which slows down performance on the new task.[51] A second reason for increased work efficiency is that employees can become proficient more quickly in specialized jobs. There are fewer physical and mental skills to learn and therefore less time to train and develop people for high performance. Third, shorter work cycles give employees more frequent practice with the task, so jobs are mastered more quickly. Fourth, specialization tends to increase work efficiency by allowing employees with specific aptitudes or skills to be matched more precisely to the jobs for which they are best suited.[52]

The benefits of job specialization were noted more than 2,300 years ago by the Chinese philosopher Mencius and the Greek philosopher Plato. Scottish economist Adam Smith wrote 250 years ago about the advantages of job specialization. Smith described a small factory where 10 pin makers collectively produced as many as 48,000 pins per day because they performed specialized tasks. One person straightened the metal, another cut it, another sharpened one end of the cut piece, yet another added a white tip to the other end, and so forth. In contrast, Smith explained that if these 10 people worked alone producing complete pins, they would collectively manufacture no more than 200 pins per day.[53]

SCIENTIFIC MANAGEMENT

One of the strongest advocates of job specialization was Frederick Winslow Taylor, an American industrial engineer who introduced the principles of **scientific management** in the early 1900s.[54] Scientific management consists of a toolkit of activities. Some of these interventions—employee selection, training, goal setting, and work incentives—are common today but were rare until Taylor popularized them. However, scientific management is mainly associated with high levels of job specialization and standardization of tasks to achieve maximum efficiency.

According to Taylor, the most effective companies have detailed procedures and work practices developed by engineers, enforced by supervisors, and executed by employees. Even the supervisor's tasks should be divided: One person manages operational efficiency, another manages inspection, and another is the disciplinarian. Taylor and other industrial engineers demonstrated that scientific management significantly improves work efficiency. No doubt, some of

job specialization

the result of a division of labor, in which work is subdivided into separate jobs assigned to different people

scientific management

the practice of systematically partitioning work into its smallest elements and standardizing tasks to achieve maximum efficiency

The Arsenal of Venice introduced job specialization 200 years before economist Adam Smith famously praised this form of job design. Founded in AD 1104, the state-owned shipbuilder eventually employed up to 4,000 people in specialized jobs (carpenters, iron workers, warehouse supervisors, etc.) to build ships and accessories (e.g., ropes). In 1570, the Arsenal had become so efficient through specialization that it built 100 ships in two months. The organization even had an assembly line along the waterway where workers apportioned food, ammunition, and other supplies from specially designed warehouses to the completed vessels.[55]
© Leemage/Universal Images Group/Getty Images

the increased productivity can be credited to training, goal setting, and work incentives, but job specialization quickly became popular in its own right.

PROBLEMS WITH JOB SPECIALIZATION

Frederick Winslow Taylor and his contemporaries focused on how job specialization reduces labor "waste" by improving the mechanical efficiency of work (i.e., skills matching, faster learning, less switchover time). Yet they didn't seem to notice how this extreme job specialization adversely affects employee attitudes and motivation. Some jobs—such as scanning grocery items—can be so specialized that they soon become tedious, trivial, and socially isolating. Employee turnover and absenteeism tend to be higher in specialized jobs with very short cycle times. Companies sometimes have to pay higher wages to attract job applicants to this dissatisfying, narrowly defined work.[56]

Job specialization affects output quality, but in two opposing ways. Job incumbents of specialized jobs potentially produce higher-quality results because, as we mentioned earlier, they master their work faster than do employees in jobs with many and varied tasks. This higher proficiency explains why specialist lawyers tend to provide better quality service than do generalist lawyers.[57] But many jobs (such as supermarket cashiers) are specialized to the point that they are highly repetitive and tedious. In these repetitive jobs, the positive effect of higher proficiency is easily offset by the negative effect of lower attentiveness and motivation caused by the tedious work patterns.

Job specialization also undermines work quality by disassociating job incumbents from the overall product or service. By performing a small part of the overall work, employees have difficulty striving for better quality or even noticing flaws with that overall

output. As one observer of an automobile assembly line reports: "Often [employees] did not know how their jobs related to the total picture. Not knowing, there was no incentive to strive for quality—what did quality even mean as it related to a bracket whose function you did not understand?"[58]

Job Design and Work Motivation

6-4

Frederick Winslow Taylor may have overlooked the motivational effect of job characteristics, but it is now the central focus of many job design initiatives. Organizational behavior scholar Frederick Herzberg is credited with shifting the spotlight in the 1950s when he introduced **motivator-hygiene theory.**[59] Motivator-hygiene theory proposes that employees experience job satisfaction when they fulfill growth and esteem needs (called *motivators*), and they experience dissatisfaction when they have poor working conditions, low job security, and other factors categorized as lower-order needs (called *hygienes*). Herzberg argued that only characteristics of the job itself motivate employees, whereas the hygiene factors merely prevent dissatisfaction. It might seem obvious to us today that the job itself is a source of motivation, but the concept was radical when Herzberg proposed the idea.

Motivator-hygiene theory has been soundly rejected by research studies, but Herzberg's ideas generated new thinking about the motivational potential of the job itself.[60] Out of subsequent research emerged the **job characteristics model,** shown in Exhibit 6.2. The job characteristics model

motivator-hygiene theory
Herzberg's theory stating that employees are primarily motivated by growth and esteem needs, not by lower-level needs

job characteristics model
a job design model that relates the motivational properties of jobs to specific personal and organizational consequences of those properties

EXHIBIT 6.2

The Job Characteristics Model

Source: J.R. Hackman and G. Oldham, *Work Redesign* (Reading, MA: Addison-Wesley, 1980), p. 90. Used with permission.
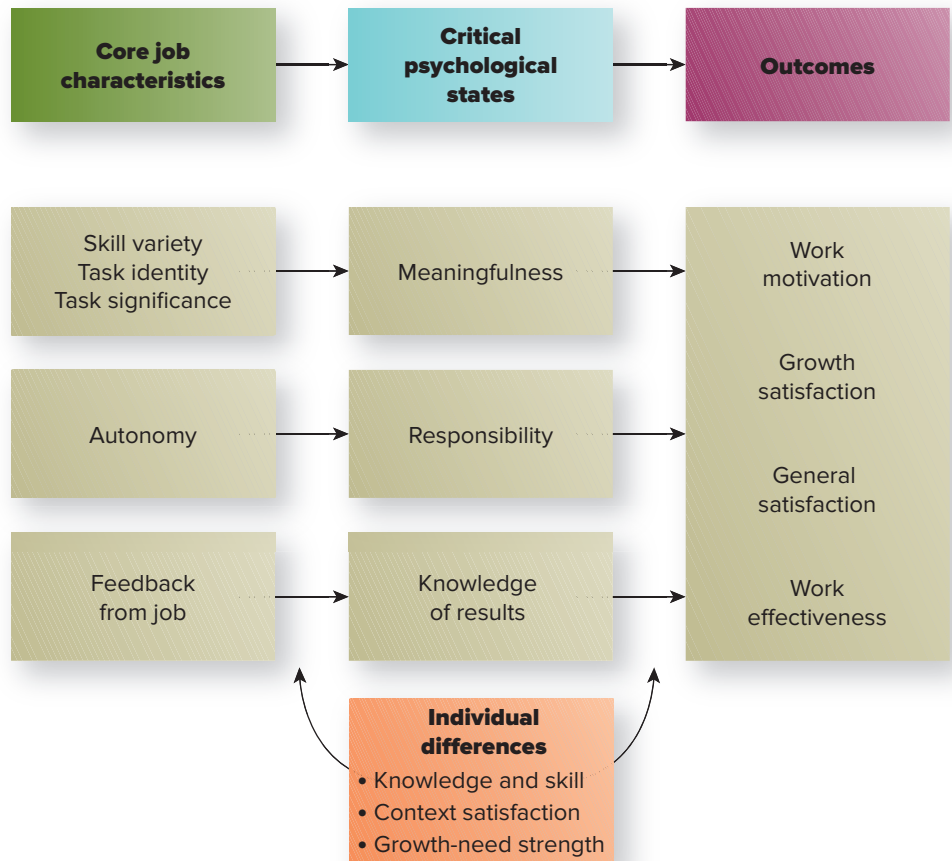
identifies five core job dimensions that produce three psychological states. Employees who experience these psychological states tend to have higher levels of internal work motivation (motivation from the work itself), job satisfaction (particularly satisfaction with the work itself), and work effectiveness.[61]

CORE JOB CHARACTERISTICS

The job characteristics model identifies five core job characteristics. Under the right conditions, employees are more motivated and satisfied when jobs have higher levels of these characteristics:

- *Skill variety*. **Skill variety** refers to the use of different skills and talents to complete a variety of work activities. For example, sales clerks who normally only serve customers might be assigned the additional duties of stocking inventory and changing storefront displays.
- *Task identity.* **Task identity** is the degree to which a job requires completion of a whole or identifiable piece of work, such as assembling an entire broadband modem rather than just soldering in the circuitry.
- *Task significance*. **Task significance** is the degree to which the job affects the organization and/or larger society. It is an observable characteristic of the job (you can see how it benefits others) as well as a perceptual awareness. For example, Rolls-Royce Engine Services improved task significance among its employees by inviting customers to talk to production staff about the importance of their engine repairs to their company. As one Rolls-Royce executive observed, "[These talks give] employees with relatively repetitive jobs the sense that they're not just working on a part but rather are key in keeping people safe."[62]
- *Autonomy*. Jobs with high levels of **autonomy** provide freedom, independence, and discretion in scheduling the work and determining the procedures to be used to complete the work. In autonomous jobs, employees make their own decisions rather than rely on detailed instructions from supervisors or procedure manuals. Autonomy is considered the core motivational element of job design.[63] As we learned in Chapter 4, autonomy is also an important mechanism to reduce stress in some situations.
- *Job feedback*. Job feedback is the degree to which employees can tell how well they are doing from direct sensory information from the job itself. Airline pilots can tell how well they land their aircraft, and road crews can see how well they have prepared the roadbed and laid the asphalt.

CRITICAL PSYCHOLOGICAL STATES

The five core job characteristics affect employee motivation and satisfaction through three critical psychological states, shown in Exhibit 6.2. Skill variety, task identity, and task significance directly contribute to the job's *experienced meaningfulness*—the belief

skill variety	**task identity**	**task significance**	**autonomy**
the extent to which employees must use different skills and talents to perform tasks within their jobs	the degree to which a job requires completion of a whole or an identifiable piece of work	the degree to which a job has a substantial impact on the organization and/or larger society	the degree to which a job gives employees the freedom, independence, and discretion to schedule their work and determine the procedures used in completing it

KPMG executives recognize that it is easier for a doctor to experience task significance when caring for patients than for an auditor to experience it when reviewing financial documents. To remedy this, KPMG's American employees were shown a video documenting the company's historic contributions to society. They were also invited to share stories about how their jobs have a positive impact. The company was overwhelmed with 42,000 submissions. The company's surveys reported that employees were half as likely to think about quitting if their manager discussed KPMG's impact on society. KPMG's ranking on the list of best 100 companies to work for in America jumped 17 places the year after the higher purpose campaign was launched.[64]
Source: KPMG.

that one's work is worthwhile or important. Autonomy directly contributes to feelings of *experienced responsibility*—a sense of being personally accountable for the work outcomes. The third critical psychological state is *knowledge of results*—an awareness of the work outcomes based on information from the job itself.

INDIVIDUAL DIFFERENCES

Job design doesn't increase work motivation for everyone in every situation. Employees must have the required skills and knowledge to master the more challenging work. Otherwise, job design tends to increase stress and reduce job performance. The original model also states that employees will be motivated by the five core job characteristics only when they are satisfied with their work context (e.g., working conditions, job security) and have a high *growth need strength*. Growth need strength refers to an individual's need for personal growth and development, such as work that offers challenges, cognitive stimulation, learning, and independent thought and action.[65] However, research findings have been mixed, suggesting that employees might be motivated by job design no matter how they feel about their job context or how high or low they score on growth needs.[66]

SOCIAL AND INFORMATION PROCESSING JOB CHARACTERISTICS

The job characteristics model overlooks two clusters of job features: social characteristics and information processing demands.[67] One social characteristic is the extent to which the job requires employees to interact with other people (coworkers, clients, government representatives, etc.). This required social interaction is associated with emotional labor, discussed in Chapter 4, as well as with **task interdependence,** which is the extent to which employees need to share materials, information, or expertise with each other (see Chapter 8). A second social characteristic of the job is feedback from others. In Chapter 5 we learned that feedback is a source of motivation. This extends from the manager to coworkers, clients, and others. Jobs that

task interdependence
the extent to which team members must share materials, information, or expertise in order to perform their jobs

enable this social feedback may be just as motivating as jobs that provide feedback from the task itself.

The other cluster of job characteristics missing from the job characteristics model relates to the information processing demands of the job.[68] One information processing demand is how predictable the job duties are from one day to the next (called *task variability*). Employees in jobs with high task variability have nonroutine work patterns; they perform different types of tasks from one day to the next, and don't know which tasks are required until that time. The second information processing demand, called *task analyzability,* refers to how much the job can be performed using known procedures and rules. Jobs with high task analyzability have a ready-made "cookbook" to guide job incumbents through most decisions and actions, whereas jobs with low task analyzability require employee creativity and judgment to determine the best course of action. Task variability and task analyzability are important job characteristics to consider when designing organizational structures, so we discuss them further in Chapter 13.

Job Design Practices That Motivate

Three main strategies can increase the motivational potential of jobs: job rotation, job enlargement, and job enrichment.

JOB ROTATION

Bang & Olufsen has always had fairly complex jobs at its manufacturing plants. When the Danish government established guidelines for employers to reduce monotonous and repetitive work, however, the Danish audio and multimedia company took further steps by training employees on all assembly stations and rotating them through different jobs every three or four hours.[69] Bang & Olufsen executives have introduced the practice of moving employees from one job to another for the purpose of improving the motivational and physiological conditions of the work.

There are three potential benefits of job rotation. First, it increases skill variety throughout the workday, which seems to improve employee motivation and satisfaction to some extent. A second benefit of job rotation is that it minimizes health risks from repetitive strain and heavy lifting because employees use different muscles and physical positions in the various jobs. A third benefit is that job rotation supports multiskilling (employees learn several jobs), which increases workforce flexibility in staffing the production process and in finding replacements for employees on vacation.

Job rotation is a valued practice at EYE Lighting International. "Every employee on the factory floor changes positions at least once a day," says Tom Salpietra, president of the Ohio-based subsidiary of Iwasaki Electric of Japan. "The employees love it because they don't get bored in their daily job. Ergonomically it's good for them because they're not doing the same repetitive task day-in and day-out when they come here." Salpietra adds that job rotation "allows us a tremendous amount of flexibility" in work assignments. It also gives employees a better picture of the entire production process, which helps when they look for ways to improve productivity.[70]
© Frederick Florin/AFP/Getty Images

EXHIBIT 6.3   **Job Enlargement of Video Journalists**

Traditional news team

Employee 1
Operates camera

Employee 2
Operates sound

Employee 3
Reports story

Video journalist

• Operates camera
• Operates sound
• Reports story
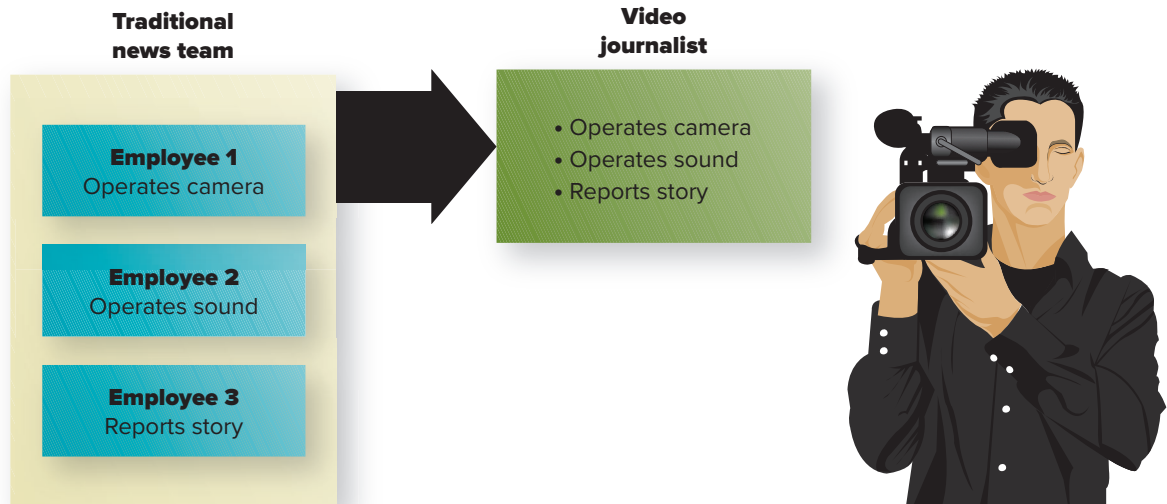
JOB ENLARGEMENT

Job enlargement adds tasks to an existing job. This might involve combining two or more complete jobs into one or just adding one or two more tasks to an existing job. Either way, skill variety increases because there are more tasks to perform. A video journalist is an example of an enlarged job. As Exhibit 6.3 illustrates, a traditional news team consists of a camera operator, a sound and lighting specialist, and the journalist who writes and presents or narrates the story. One video journalist performs all of these tasks.

Job enlargement significantly improves work efficiency and flexibility. However, research suggests that simply giving employees more tasks won't affect motivation, performance, or job satisfaction. These benefits result only when skill variety is combined with more autonomy and job knowledge.[71] In other words, employees are motivated when they perform a variety of tasks *and* have the freedom and knowledge to structure their work to achieve the highest satisfaction and performance. These job characteristics are at the heart of job enrichment.

JOB ENRICHMENT

Job enrichment occurs when employees are given more responsibility for scheduling, coordinating, and planning their own work.[72] For example, customer service employees at American Express go "off-script," meaning that they use their own discretion regarding how long they should spend with a client and what to say to them.[73] Previously, employees had to follow strict statements and take a fixed time for specific types of customer issues. People who perform enriched jobs potentially have higher job satisfaction and work motivation, along with lower absenteeism and turnover. Productivity is also higher when task identity and job feedback are improved. Product and service quality tend to improve because job enrichment increases the jobholder's felt responsibility and sense of ownership over the product or service.[74]

One way to increase job enrichment is by combining highly interdependent tasks into one job. This *natural grouping* approach is reflected in the video journalist job. Along with being an enlarged job, video journalism is an example of job enrichment because it naturally

job enlargement
the practice of adding more tasks to an existing job

job enrichment
the practice of giving employees more responsibility for scheduling, coordinating, and planning their own work

groups tasks together to complete an entire product (i.e., a news story). By forming natural work units, jobholders have stronger feelings of responsibility for an identifiable body of work. They feel a sense of ownership and, therefore, tend to increase job quality. Forming natural work units increases task identity and task significance because employees perform a complete product or service and can more readily see how their work affects others.

A second job enrichment strategy, called *establishing client relationships,* involves putting employees in direct contact with their clients rather than using another job group or the supervisor as the liaison between the employee and the customer. Telus recently adopted this job enrichment strategy by redesigning service technician jobs so they communicate directly with customers as well as perform the technical work. Previously, service technicians at the Canadian telecommunications company performed only the technical tasks whereas customer service staff communicated with clients. "I'm able to pick up my work and go directly to the customers," says Telus service technician Sukh Toor. "It's great for me personally, because I have a lot more ownership of the customer relationship." Establishing client relationships increases task significance because employees see a line-of-sight connection between their work and consequences for customers. By being directly responsible for specific clients, employees also have more information and can make better decisions affecting those clients.[75]

Forming natural task groups and establishing client relationships are common ways to enrich jobs, but the heart of the job enrichment philosophy is to give employees more autonomy over their work. This basic idea is at the core of one of the most widely mentioned—and often misunderstood—practices known as empowerment.

Empowerment Practices

6-5

Empowerment is a term that has been loosely tossed around in corporate circles and has received considerable debate among academics. However, the most widely accepted definition is that empowerment is a psychological experience represented by four dimensions: self-determination, meaning, competence, and the impact of the individual's role in the organization.[76]

empowerment
a psychological concept in which people experience more self-determination, meaning, competence, and impact regarding their role in the organization

- *Self-determination.* Empowered employees feel that they have freedom, independence, and discretion over their work activities.
- *Meaning.* Employees who feel empowered care about their work and believe that what they do is important.
- *Competence.* Empowered people are confident about their ability to perform the work well and have a capacity to grow with new challenges.
- *Impact.* Empowered employees view themselves as active participants in the organization; that is, their decisions and actions have an influence on the company's success.

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SELF-ASSESSMENT 6.2: Are You Empowered as a Student?

Empowerment is a psychological concept represented by feelings of self-determination, meaning, competence, and impact. The empowerment concept applies to people in a variety of situations, not just the workplace. This self-assessment specifically refers to your position as a student at your college or university. You can discover your level of empowerment as a student by locating this self-assessment in Connect if it is assigned by your instructor.

global connections 6.3

Svenska Handelsbanken's Branch-Level Empowerment

One of Europe's most successful banks doesn't believe in centralized financial targets, corporate incentives, or budgets. Instead, Stockholm-based Svenska Handelsbanken AB gives managers and staff at its 800 branches in 24 countries considerable autonomy to run the local branches as their own businesses. "We put customer satisfaction first, and believe local branches are best-placed to make all customer decisions," says Dermot Jordan, manager of Handelsbanken's branch in Chiswick, UK. "We are empowered to make these decisions in the branch, free from targets or bonus incentives."

Handelsbanken's branches decide on which customers to attract, how much to lend, what products to advertise, and how many staff to hire. This autonomy provides more personalized banking to clients and, by knowing them better, reduces the bank's risk of loan defaults. Handelsbanken doesn't even have centralized operations for customer calls. "There are no call centres, so customers deal direct with their account manager face-to-face, via direct line, e-mail, or mobile," explains Sarah Smith, manager of Handelsbanken's branch in Scunthorpe, UK.

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Branch-level empowerment seems to work well. Handelsbanken is the fastest-growing bank in the UK, has the highest customer satisfaction ratings among banks in Sweden and the UK, has one of the highest credit ratings among banks worldwide, and was one of the few European banks to weather the great financial crisis unscathed.[77]

SUPPORTING EMPOWERMENT

You may have heard leaders say they are "empowering" the workforce. Yet empowerment is a state of mind, so what these executives really mean is that they are changing the work environment to support the feeling of empowerment.[78] Numerous individual, job design, and organizational or work-context factors support empowerment.[79] At the individual level, employees must possess the necessary competencies to be able to perform the work, as well as handle the additional decision-making requirements.

Job characteristics clearly influence the degree to which people feel empowered.[80] Employees are much more likely to experience self-determination when working in jobs with a high degree of autonomy and minimal bureaucratic control. They experience more meaningfulness when working in jobs with high levels of task identity and task significance. They experience more self-confidence when working in jobs that allow them to receive feedback about their performance and accomplishments.

Several organizational and work-context factors also influence empowerment. Employees experience more empowerment in organizations in which information and other resources are easily accessible. Empowerment is also higher in organizations that demonstrate a commitment to employee learning by providing formal training programs and nurturing a learning orientation culture (which encourages informal learning and discovery). Furthermore, empowerment requires corporate leaders to trust employees and be willing to take the risks that empowerment creates.[81]

With the right individuals, job characteristics, and organizational environment, empowerment can substantially improve motivation and performance. For instance, two recent studies reported that restaurant servers with higher empowerment provide better customer service and engage in more organizational citizenship behaviors (specifically, helping other busy servers with their workload).[82] However, organizational and cultural conditions can limit the extent to which the conditions for empowerment produce feelings of empowerment. A few studies have observed, for example, that

increased autonomy and discretion does not result in higher feelings of empowerment in high power distance cultures because this self-determination conflicts with the norms of high power distance (deferring to the boss's power). Trust in leadership is another important contingency regarding whether employees feel empowered when structural conditions for empowerment are present.[83]

Self-Leadership Practices

6-6

self-leadership
specific cognitive and behavioral strategies to achieve personal goals and standards through self-direction and self-motivation

What is the most important characteristic that companies look for in their employees? Leadership potential, ability to work in a team, and good communication skills are important, but they don't top the list in a survey of 800 British employers. Instead, the most important employee characteristic is self-motivation. Frode Gronvold can identify with these survey results. The chair of Linstow Management Center, which develops and manages major shopping centers in Latvia and Estonia, seeks out people who demonstrate self-leadership. "I really appreciate when I have colleagues who take initiative," says Gronvold. "I like people with a creative state of mind, who at the same time are autonomous, self-driven, self-motivated, with the ability to cooperate and get the best out of each other. These are the main skills that I am looking for in my employees."[84]

Frode Gronvold looks for people who engage in **self-leadership.** Self-leadership refers to specific cognitive and behavioral strategies to achieve personal goals and standards. These activities support the individual's self-motivation and self-direction without direct assistance from managers or others.[85] Some self-leadership strategies are derived from social cognitive theory and goal setting (see Chapter 5). Other activities, such as constructive thought processes, have been extensively studied in sports psychology.

SELF-LEADERSHIP STRATEGIES

Self-leadership consists of several processes, and the five main activities are identified in Exhibit 6.4. These elements generally follow each other in a sequence: personal goal setting, constructive thought strategies, designing natural rewards, self-monitoring, and self-reinforcement.

Personal Goal Setting   Self-leadership refers to leading oneself toward objectives, so the process necessarily begins by setting goals. These goals are self-determined, rather than assigned by or jointly decided with a supervisor. Research suggests that employees are more motivated and perform better when they set their own goals, particularly in combination with other self-leadership practices.[86] Personal goal setting also requires a high degree of self-awareness, because people need to understand their current behavior and performance before establishing meaningful goals for personal development.

Constructive Thought Strategies   Before beginning a task and while performing it, employees engage in two constructive (positive) thought strategies about that work and its accomplishment: positive self-talk and mental imagery.[87]

EXHIBIT 6.4   Elements of Self-Leadership

| Personal goal setting | → | Constructive thought strategies | → | Designing natural rewards | → | Self-monitoring | → | Self-reinforcement |
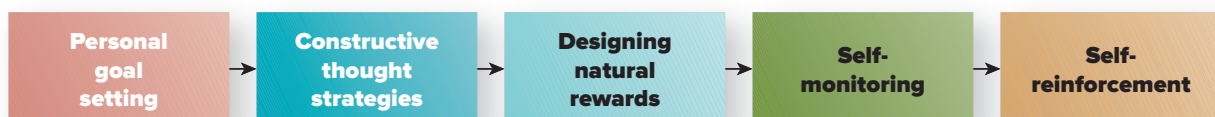
Telecommuting is one of the fastest-growing workplace practices and is particularly popular among Millennial employees. Yet only some people have developed their self-leadership skills sufficiently to perform well outside the traditional workplace. "Remote workers need to be self-directed and self-motivated to be successful," observes Anthony Curlo, the CEO of IT recruiting and staff augmentation firm DaVinciTek. "Employers expect the same productivity, if not more, when employees work remotely," he adds. "While some employees are self-motivated to succeed, others need to be in a workplace environment to stay motivated."[88]
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Positive Self-Talk   Do you ever talk to yourself? Most of us do, according to a major study of college students.[89] **Self-talk** refers to any situation in which we talk to ourselves about our own thoughts or actions. The problem is that most self-talk is negative; we criticize much more than encourage or congratulate ourselves. Negative self-talk undermines our confidence and potential to perform a particular task. In contrast, positive self-talk creates a "can-do" belief and thereby increases motivation by raising our self-efficacy and reducing anxiety about challenging tasks.[90] We often hear that professional athletes "psyche" themselves up before an important event. They tell themselves that they can achieve their goal and that they have practiced enough to reach that goal. They are motivating themselves through positive self-talk.

Mental Imagery   You've probably heard the phrase "I'll cross that bridge when I come to it!" Self-leadership takes the opposite view. It suggests that we need to mentally practice a task and imagine successfully performing it beforehand. This process, known as **mental imagery,** has two parts. One part involves mentally practicing the task, anticipating obstacles to goal accomplishment, and working out solutions to those obstacles before they occur. By mentally walking through the activities required to accomplish the task, we begin to see problems that may occur. We can then imagine what responses would be best for each contingency.[91]

While one part of mental imagery helps us anticipate things that could go wrong, the other part involves visualizing successful completion of the task. You might imagine the experience of completing the task and the positive results that follow, such as being promoted, receiving a prestigious award, or taking time off work. This visualization increases goal commitment and motivates people to complete the task effectively. This is the strategy that Tony Wang applies to motivate himself. "Since I am in sales, I think about the reward I get for closing new business—the commission check—and the things it will allow me to do that I really enjoy," explains the sales employee in Washington, DC. "Or I think about the feeling I get when I am successful at something and how it makes me feel good, and use that to get me going."[92]

Designing Natural Rewards   Self-leadership recognizes that employees actively craft their jobs. To varying degrees, they can alter tasks and work relationships to make the work more motivating.[93] One way to build natural rewards into the job is to alter the way a task is accomplished. People often have enough discretion in their jobs to make slight changes to suit their needs and preferences.

self-talk
the process of talking to ourselves about our own thoughts or actions

mental imagery
the process of mentally practicing a task and visualizing its successful completion

Self-Monitoring   Self-monitoring is the process of keeping track at regular intervals of one's progress toward a goal by using naturally occurring feedback. Self-monitoring significantly improves employee performance.[94] However, some self-monitoring arrangements may be better than others. Some people can receive feedback from the job itself, such as members of a lawn maintenance crew who can see how they are improving the appearance of their client's property. But many of us are unable to observe our work output so quickly or easily. Instead, feedback mechanisms need to be designed. Salespeople might arrange to receive monthly reports on sales levels in their territory. Production staff might have gauges or computer feedback systems installed so they can see how many errors are made on the production line. Research suggests that people who have control over the timing of performance feedback perform their tasks better than do those with feedback assigned by others.[95]

Self-Reinforcement   Self-leadership includes engaging in *self-reinforcement,* which is part of social cognitive theory described in Chapter 5. Self-reinforcement occurs whenever an employee has control over a reinforcer but doesn't "take" the reinforcer until completing a self-set goal. A common example is taking a break after reaching a predetermined stage of your work. The work break is a self-induced form of positive reinforcement. Self-reinforcement also occurs when you decide to do a more enjoyable task after completing work that you dislike. For example, after slogging through a difficult report, you might decide to spend time doing a more pleasant task, such as catching up on industry news by scanning websites. One of the challenges with self-reinforcement is the temptation to take the reward before you should. Recent writing has explored situational and emotional strategies to manage these temptations so self-reinforcement remains true to one's original intentions.[96]

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SELF-ASSESSMENT 6.3: How Well Do You Practice Self-Leadership?

Self-leadership refers to specific cognitive and behavioral strategies that people apply to themselves to support the self-direction and self-motivation needed to perform a task. It recognizes that successful employees mostly regulate their own actions rather than rely on others to motivate them. You can discover how well you practice various self-leadership activities by locating this self-assessment in Connect if it is assigned by your instructor.

EFFECTIVENESS OF SELF-LEADERSHIP

A respectable body of research shows consistent support for most elements of self-leadership.[97] Austrian army soldiers who completed a self-leadership training course performed better on physical tests (such as time completing an obstacle course) and educational tests on subjects they were studying at the time, compared to soldiers who didn't take the course. Self-set goals and self-monitoring increased the frequency of wearing safety equipment among employees in a mining operation. Through mental imagery, supervisors and process engineers in a pulp-and-paper mill more effectively transferred what they learned in an interpersonal communication skills class back to the job. Studies also indicate that constructive thought processes improve individual performance in various sports activities. Indeed, studies show that almost all Olympic athletes rely on mental rehearsal and positive self-talk to achieve their performance goals.[98] Studies have also found that self-leadership strategies are relevant across cultures.[99]

PERSONAL AND SITUATIONAL PREDICTORS OF SELF-LEADERSHIP

Some research suggests that self-leadership behaviors are more frequently found in people with higher levels of conscientiousness and extroversion. People with a positive self-concept evaluation (i.e., self-esteem, self-efficacy, and internal locus of control) are also more likely to apply self-leadership strategies.[100]

The work environment influences the extent to which employees engage in self-leadership. Specifically, employees require some degree of autonomy to engage in most aspects of self-leadership. They also feel more confident with self-leadership when their boss is empowering rather than controlling and if there is a high degree of trust between them. Employees are also more likely to engage in self-monitoring in companies that emphasize continuous measurement of performance.[101] Overall, self-leadership promises to be an important concept and practice for improving employee motivation and performance.

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SELF-ASSESSMENT 6.4: Do You Have a Proactive Personality?

People differ in how much they try to influence the environments in which they live. Those with a proactive personality take action to change things while less proactive people adapt to the existing situation. Proactive personality is a stable personality characteristic, and is associated with self-leadership. You can discover the extent to which you have a proactive personality by locating this self-assessment in Connect if it is assigned by your instructor.

chapter summary

6-1   Discuss the meaning of money and identify several individual-, team-, and organizational-level performance-based rewards.

Money (and other financial rewards) is a fundamental part of the employment relationship, but it also relates to our needs, our emotions, and our self-concept. It is viewed as a symbol of status and prestige, as a source of security, as a source of evil, or as a source of anxiety or feelings of inadequacy.

Organizations reward employees for their membership and seniority, job status, competencies, and performance. Membership-based rewards may attract job applicants and seniority-based rewards reduce turnover, but these reward objectives tend to discourage turnover among those with the lowest performance. Rewards based on job status try to maintain internal equity and motivate employees to compete for promotions. However, they tend to encourage a bureaucratic hierarchy, support status differences, and motivate employees to compete and hoard resources. Competency-based rewards are becoming increasingly popular because they encourage skill development. However, they tend to be subjectively measured and can result in higher costs as employees spend more time learning new skills.

Awards and bonuses, commissions, and other individual performance-based rewards have existed for centuries and are widely used. Many companies are shifting to team-based rewards such as gainsharing plans and to organizational rewards such as employee stock ownership plans (ESOPs), stock options, and profit sharing. Although ESOPs and stock options create an ownership culture, employees often perceive a weak connection between individual performance and the organizational reward.

6-2   Describe five ways to improve reward effectiveness.

Financial rewards have a number of limitations, but reward effectiveness can be improved in several ways. Organizational leaders should ensure that rewards are linked to work performance, rewards are aligned with performance within the employee's control, team rewards are used where jobs are interdependent, rewards are valued by employees, and rewards have no unintended consequences.

6-3   List the advantages and disadvantages of job specialization.

Job design is the process of assigning tasks to a job, including the interdependency of those tasks with other jobs. Job specialization subdivides work into separate jobs for different people. This increases work efficiency because employees master the tasks quickly, spend less time changing tasks, require less training, and can be matched more closely with the jobs best suited to their skills. However, job specialization

may reduce work motivation, create mental health problems, lower product or service quality, and increase costs through discontentment, absenteeism, and turnover.

6-4 **Diagram the job characteristics model and describe three ways to improve employee motivation through job design.**

The job characteristics model is a template for job redesign that specifies core job dimensions, psychological states, and individual differences. The five core job dimensions are skill variety, task identity, task significance, autonomy, and job feedback. Jobs also vary in their required social interaction (task interdependence), predictability of work activities (task variability), and procedural clarity (task analyzability). Contemporary job design strategies try to motivate employees through job rotation, job enlargement, and job enrichment. Organizations introduce job rotation to reduce job boredom, develop a more flexible workforce, and reduce the incidence of repetitive strain injuries. Job enlargement involves increasing the number of tasks within the job. Two ways to enrich jobs are clustering tasks into natural groups and establishing client relationships.

6-5 **Define empowerment and identify strategies that support empowerment.**

Empowerment is a psychological concept represented by four dimensions: self-determination, meaning, competence, and impact, related to the individual's role in the organization. Individual characteristics seem to have a minor influence on empowerment. Job design is a major influence, particularly autonomy, task identity, task significance, and job feedback. Empowerment is also supported at the organizational level through a learning orientation culture, sufficient information and resources, and corporate leaders who trust employees.

6-6 **Describe the five elements of self-leadership and identify specific personal and work environment influences on self-leadership.**

Self-leadership refers to specific cognitive and behavioral strategies to achieve personal goals and standards through self-direction and self-motivation. These strategies include personal goal setting, constructive thought patterns, designing natural rewards, self-monitoring, and self-reinforcement. Constructive thought patterns include self-talk and mental imagery. Self-talk occurs in any situation in which a person talks to himself or herself about his or her own thoughts or actions. Mental imagery involves mentally practicing a task and imagining successfully performing it beforehand. People with higher levels of conscientiousness, extroversion, and a positive self-concept engage in more self-leadership. Self-leadership also occurs more readily in workplaces that support empowerment and have high trust between employees and management.

key terms

autonomy, p. 166
employee stock ownership plans (ESOPs), p. 158
empowerment, p. 170
gainsharing plan, p. 157
job characteristics model, p. 165
job design, p. 162
job enlargement, p. 169

job enrichment, p. 169
job evaluation, p. 156
job specialization, p. 163
mental imagery, p. 173
motivator-hygiene theory, p. 165
profit-sharing plan, p. 159
scientific management, p. 163

self-leadership, p. 172
self-talk, p. 173
skill variety, p. 166
stock options, p. 158
task identity, p. 166
task interdependence, p. 167
task significance, p. 166

critical thinking questions

1. As a consultant, you have been asked to recommend either a gainsharing plan or a profit-sharing plan for employees who work in the four regional distribution and warehousing facilities of a large retail organization. Which reward system would you recommend? Explain your answer.
2. Which of the performance reward practices—individual, team, or organizational—would work better in improving organizational goals? Please comment with reference to an organization of your choice.
3. Waco Tire Corporation redesigned its production facilities around a team-based system. However, the company president believes that employees will not be motivated unless they receive incentives based on their individual performance. Give three reasons why Waco Tire should introduce team-based rather than individual rewards in this setting.

4. What can organizations do to increase the effectiveness of financial rewards?
5. Most of us have watched pizzas being made while waiting in a pizzeria. What level of job specialization do you usually notice in these operations? Why does this high or low level of specialization exist? If some pizzerias have different levels of specialization than others, identify the contingencies that might explain these differences.
6. Can a manager or supervisor "empower" an employee? Discuss fully.
7. Describe a time when you practiced self-leadership to perform a task successfully. With reference to each step in the self-leadership process, describe what you did to achieve this success.
8. Can self-leadership replace formal leadership in an organizational setting?

📖 CASE STUDY: YAKKATECH, INC.

By Steven L. McShane, Curtin University (Australia) and University of Victoria (Canada)

YakkaTech, Inc. is an information technology services firm employing 1,500 people throughout Washington and Oregon. YakkaTech has a consulting division, which mainly installs and upgrades enterprise software systems and related hardware on the client's site. Yakka-Tech also has a customer service division that consists of four customer contact centers serving clients within each region.

Each customer service center consists of a half-dozen departments representing functional specializations (computer systems, intranet infrastructure, storage systems, enterprise software systems, customer billing, etc.). These centers typically have more than two dozen employees in each department. When a client submits a problem to the center using the online form, the message or call is directed to the department where the issue best applies. The query is given a "ticket" number and assigned to the next available employee in that department. Individual employees are solely responsible for the tickets assigned to them. The employee investigates and corrects the issue, and the ticket is "closed" when the client agrees that the problem has been resolved.

If the client experiences the same problem again, even a few days later, a new ticket is issued and sent to whichever employee is available to receive the ticket. A client's problems are almost always handled by different employees each time, even when the issue is sent to the same department. Furthermore, when a customer center department is heavily backlogged, clients are redirected to the same department at another regional center, where the problem can be addressed more quickly.

At one time, YakkaTech operated more than a dozen small customer contact centers throughout the region, because client problems had to be diagnosed and resolved on-site. Today, employees can investigate most software and hardware system faults from the center through remote monitoring systems, rather than personally visit the client. Consequently, eight years ago, YakkaTech amalgamated its customer service operations into four large regional centers. Customer service staff work entirely within the center. When a client visit is required, the ticket is transferred to an individual or team in the consulting business, who then visits the client.

YakkaTech's customer service business has nearly doubled over the past five years, but with this growth has come increasing customer complaints regarding poor quality service. Many say that employees seem indifferent to the client's problems. Others have commented on the slow response to their problems where the issue requires the involvement of more than one department. Several clients have also complained that they are continually educating YakkaTech's customer service employees about the details of their unique IT systems infrastructure.

Another concern is that about 18 months ago, Yakka-Tech's voluntary employee quit rates in the contact centers had risen above the industry average. This shift increased labor costs due to the cost of recruiting new technical staff and the lower productivity of new employees. According to results of an employee survey two years ago (as well as informal comments since then), many employees felt that their work is monotonous. Some also said that they felt disconnected from the consequences of their work. A few also complained about ongoing conflicts with people in other departments and the stress of serving dissatisfied clients.

In response, YakkaTech's executive team decided to raise pay rates for its customer service staff to become among the highest in the industry around the Pacific Northwest. The assumption was that the high pay rates would improve morale and reduce turnover, thereby reducing hiring costs and improving productivity. In addition, YakkaTech introduced a vested profit-sharing plan, in which employees received the profit-sharing bonus only if they remained with the company for two years after the bonus was awarded. Employees who quit or were fired for just cause before the vesting period forfeited the bonus.

Employee turnover rates dropped dramatically, leading the executive team to conclude that customer service quality and productivity would improve. Instead, customer complaints and productivity remain below expectations and, in some cases, have worsened. Experienced employees continue to complain about the work. There have been a few disturbing incidents in which employees have been careless in solving client problems or did not bother to forward tickets that should have been assigned to another department. Employee referrals (where staff recommend friends to join the company) have become rare events, whereas at one time they represented a significant source of qualified job applicants. Furthermore, a few executives have recently overheard employees say that they would like to work elsewhere but can't afford to leave YakkaTech.

Discussion Questions

1. What symptom(s) in this case suggest(s) that something has gone wrong?
2. What are the main causes of the symptom(s)?
3. What actions should YakkaTech executives take to correct the problem(s)?

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TEAM EXERCISE: IS STUDENT WORK ENRICHED?

PURPOSE This exercise is designed to help you learn how to measure the motivational potential of jobs and evaluate the extent that jobs should be further enriched.

INSTRUCTIONS (SMALL CLASS) Being a student is like a job in several ways. You have tasks to perform, and someone (such as your instructor) oversees your work. Although few people want to be students most of their lives (the pay rate is too low!), it may be interesting to determine how enriched your job is as a student.

1. Students are placed into teams (preferably four or five people).
2. Working alone, each student completes both sets of measures in this exercise. Then, using the following guidelines, they individually calculate the score for the five core job characteristics as well as the overall motivating-potential score for the job.
3. Members of each team compare their individual results. The group should identify differences of opinion for each core job characteristic. They should also note which core job characteristics have the lowest scores and recommend how these scores could be increased.
4. The entire class will then meet to discuss the results of the exercise. The instructor may ask some teams to present their comparisons and recommendations for a particular core job characteristic.

INSTRUCTIONS (LARGE CLASS)

1. Working alone, each student completes both sets of measures in this exercise. Then, using the guidelines below, each student individually calculates the score for the five core job characteristics, as well as the overall motivating-potential score for the job.
2. Using a show of hands or classroom technology, students indicate their results for each core job characteristic. For example, the instructor will ask those whose result is within a range of scores, so several students raise their hands within each band of scores. Alternatively, students can complete this activity prior to class and submit their results through online classroom technology. Later, the instructor will provide feedback to the class showing the collective results (i.e., distribution of results across the range of scores).
3. Where possible, the instructor might ask students with very high or very low results to discuss their views with the class.

Job Diagnostic Survey

CIRCLE THE NUMBER ON THE RIGHT THAT BEST DESCRIBES STUDENT WORK	VERY LITTLE			MODERATELY			VERY MUCH
1. To what extent does student work permit you to decide on your own how to go about doing the work?	1	2	3	4	5	6	7
2. To what extent does student work involve doing a whole or identifiable piece of work, rather than a small portion of the overall work process?	1	2	3	4	5	6	7
3. To what extent does student work require you to do many different things, using a variety of your skills and talents?	1	2	3	4	5	6	7
4. To what extent are the results of your work as a student likely to significantly affect the lives and well-being of other people (e.g., within your school, your family, society)?	1	2	3	4	5	6	7
5. To what extent does working on student activities provide information about your performance?	1	2	3	4	5	6	7

CIRCLE THE NUMBER ON THE RIGHT THAT BEST DESCRIBES STUDENT WORK	VERY INACCURATE			UNCERTAIN		VERY ACCURATE	
6. Being a student requires me to use a number of complex and high-level skills.	1	2	3	4	5	6	7
7. Student work is arranged so that I do *not* have the chance to do an entire piece of work from beginning to end.	7	6	5	4	3	2	1
8. Doing the work required of students provides many chances for me to figure out how well I am doing.	1	2	3	4	5	6	7
9. The work students must do is quite simple and repetitive.	7	6	5	4	3	2	1
10. The work of a student is the type where a lot of other people can be affected by how well the work gets done.	1	2	3	4	5	6	7
11. Student work denies me any chance to use my personal initiative or judgment in carrying out the work.	7	6	5	4	3	2	1
12. Student work provides me the chance to completely finish the pieces of work I begin.	1	2	3	4	5	6	7
13. Doing student work by itself provides very few clues about whether I am performing well.	7	6	5	4	3	2	1
14. As a student, I have considerable opportunity for independence and freedom in how I do the work.	1	2	3	4	5	6	7
15. The work I perform as a student is *not* very significant or important in the broader scheme of things.	7	6	5	4	3	2	1

Source: Adapted from the Job Diagnostic Survey, developed by J.R. Hackman and G.R. Oldham. The authors have released any copyright ownership of this scale [see J.R. Hackman and G. Oldham, *Work Redesign* (Reading, MA: Addison-Wesley, 1980), p. 275].

CALCULATING THE MOTIVATING-POTENTIAL SCORE

Scoring Core Job Characteristics: Use the following set of calculations to estimate the motivating-potential score for the job of being a student. Use your answers from the Job Diagnostic Survey that you completed earlier.

Skill variety (SV) $\quad \dfrac{\text{Question } 3 + 6 + 9}{3} = \underline{\quad}$

Task identity (TI) $\quad \dfrac{\text{Question } 2 + 7 + 12}{3} = \underline{\quad}$

Task significance (TS) $\quad \dfrac{\text{Question } 4 + 10 + 15}{3} = \underline{\quad}$

Autonomy $\quad \dfrac{\text{Question } 1 + 11 + 14}{3} = \underline{\quad}$

Job feedback $\quad \dfrac{\text{Question } 5 + 8 + 13}{3} = \underline{\quad}$

Calculating Motivating-Potential Score (MPS): Use the following formula and the earlier results to calculate the motivating-potential score. Notice that skill variety, task identity, and task significance are averaged before being multiplied by the score for autonomy and job feedback.

$$\left(\frac{\text{SV} + \text{TI} + \text{TS}}{3} \right) \times \text{Autonomy} \times \text{Job Feedback}$$

$$\left(\frac{\underline{\quad} + \underline{\quad} + \underline{\quad}}{3} \right) + \underline{\quad} + \underline{\quad} = \underline{\quad}$$

Decision Making and Creativity

After studying this chapter, you should be able to:

7-1 Describe the elements of rational choice decision making.

7-2 Explain why people differ from rational choice decision making when identifying problems/opportunities, evaluating/choosing alternatives, and evaluating decision outcomes.

7-3 Discuss the roles of emotions and intuition in decision making.

7-4 Describe employee characteristics, workplace conditions, and specific activities that support creativity.

7-5 Describe the benefits of employee involvement and identify four contingencies that affect the optimal level of employee involvement.

A s the first externally hired CEO at Infosys, Vishal Sikka quickly learned that clients liked the quality and efficient service delivery provided by the Indian business technology consulting firm. However, they wanted more creative discovery of the problems and opportunities they faced. "Infosys and the entire industry were not proactive in helping clients. They were happy 'doing what they were told,'" admits Sikka. "We cannot be just problem solvers. [We] need to be problem finders."

To improve decision making at Infosys, Sikka introduced "design thinking" training to more than one-third of the company's 190,000 staff. "Design Thinking is a framework, or a scaffolding, for creativity and innovation," explains Sanjay Rajagopalan, Infosys' head of design and research. "It emphasizes empathetic 'problem finding' and iterative 'problem solving.' It works well in an environment of ambiguity, but great opportunity such as all digital transformation initiatives."

Traditionally, Infosys and other consulting firms received request for proposals from clients that specify what services they want. Senior Infosys staff then wrote proposals based on those client specifications. Unfortunately, clients often didn't know what they

really wanted or what technology developments were possible to improve their business. Design thinking, on the other hand, involves frontline employees working with clients in the proposal process to identify their true needs and what added value Infosys can provide. An associated practice called "zero distance" uses design thinking and other activities to remove the gap (zero the distance) between client expectations and what technological advances can offer them.

Infosys has increased employee involvement in other ways. One of Sikka's first initiatives was Murmuration, a crowdsourcing activity. Over a span of two weeks 26,000 employees identified and discussed 2,650 ideas to help Infosys achieve its strategy. Ideas ranged from ways to improve service delivery to types of skills that needed improvement. Employees then cast votes on which ideas were the most useful. This enabled the Infosys executive team to more easily identify the best suggestions.[1]

Infosys and every other organization depend on effective decision making—including the creative process within those decisions—to improve their products, services, productivity, and broader interaction with the external environment. Decision making is not only a critical management skill; it is also a core activity for all staff members directly in their jobs and through employee involvement. This chapter examines each of these themes. We begin by discussing the rational choice view of decision making. Next, the human limitations of rational choice are discussed. We also examine the emerging view that decisions consist of a complex interaction of logic and emotion. The latter part of this chapter focuses on two topics that intertwine with decision making: creativity and employee involvement.

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Infosys CEO Vishal Sikka is revitalizing decision making at the Indian business technology consulting firm by introducing design thinking, encouraging employee involvement, and developing a work environment that promotes creativity.

Rational Choice Decision Making

7-1

decision making
the conscious process of making choices among alternatives with the intention of moving toward some desired state of affairs

Decision making is the process of making choices among alternatives with the intention of moving toward some desired state of affairs.[2] This is vital to an organization's health, rather like breathing is to a human being. Indeed, leaders increasingly view themselves as physicians who resuscitate organizations by encouraging and teaching employees at all levels to make decisions more effectively and creatively. All businesses, governments, and not-for-profit agencies depend on employees to foresee and correctly identify problems, to survey alternatives, to pick the best alternative based on several relevant factors, and to execute those decisions effectively.

How should people make decisions in organizations? Most business leaders would likely answer this question by saying that effective decision making involves identifying, selecting, and applying the best possible alternative. In other words, the best decisions use pure logic and all available information to choose the alternative with the highest value—such as highest expected profitability, customer satisfaction, employee well-being, or some combination of these outcomes. These decisions sometimes involve complex calculations of data to produce a formula that points to the best choice.

In its extreme form, rational choice decision making has dominated in Western societies for most of written history.[3] It was established 2,500 years ago when Plato and his contemporaries in ancient Greece raised logical debate and reasoning to a fine art. About 400 years ago, Descartes and other European philosophers emphasized that the ability to make logical decisions is one of the most important accomplishments of human beings. In the 1700s, Scottish philosophers refined the notion that the best choice is the one that offers the greatest satisfaction.

Rational choice decision making selects the best alternative by calculating the probability that various outcomes will occur from the choices and the expected satisfaction from each of those outcomes.[4] We have already seen how similar calculations of probability and valences are used in two earlier organizational behavior theories, namely the attitude model in Chapter 4 and expectancy theory of motivation in Chapter 5.

To understand the rational choice calculation, consider the example in Exhibit 7.1.[5] Your company wants to choose a new supplier of a particular raw material, and the preferred supplier should be the best based on three outcomes (called selection criteria): Does the supplier provide a high-quality product (+9) with low prices (+6) and on-time delivery (+4)?[6] The numbers, which are on a plus or minus 10-point scale, indicate each outcome's importance or expected satisfaction (valence). You discover that supplier A has excellent on-time delivery (about 90 percent probability of exceeding the company's expectations) whereas it has a 70 percent probability of reliably providing a product with exceptional quality. Supplier B has a 90 percent chance of providing very high product quality but a lower likelihood (40 percent) of offering the best prices.

Which of these two suppliers should be selected? A rational choice decision maker would choose the supplier that will give the company the greatest satisfaction. This is calculated by multiplying the valence of each outcome with the probability of that outcome occurring, then add those results across all three outcomes. The supplier with the higher score is the better choice, given available information. The key point from this example is that all rational decisions rely primarily on two pieces of information: (a) the probability that each outcome will occur and (b) the valence or expected satisfaction of each outcome.

RATIONAL CHOICE DECISION-MAKING PROCESS

Calculating the best alternative is at the heart of rational choice decision making, but it goes hand-in-hand with the systematic decision process illustrated in Exhibit 7.2.[7] The first step is to identify the problem or recognize an opportunity. A *problem* is a deviation between the current and the desired situation—the gap between "what is" and "what

EXHIBIT 7.1

**Rational Choice Decision-
Making Example**
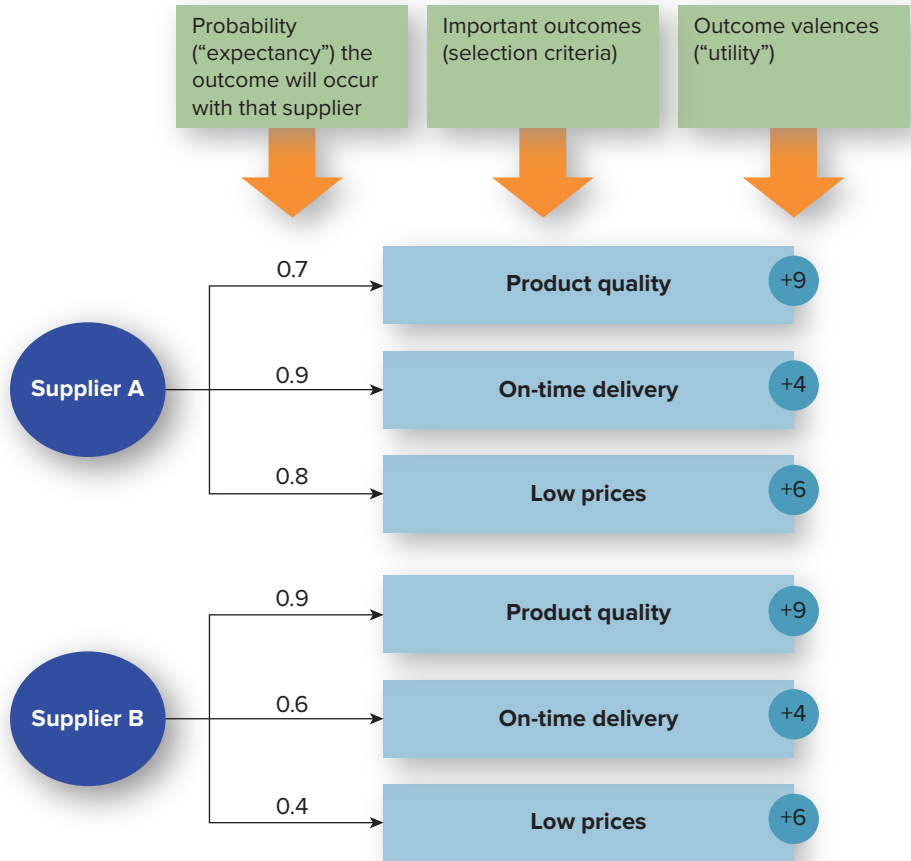
ought to be." This deviation is a symptom of more fundamental causes that need to be corrected.[8] The "ought to be" refers to goals, and these goals later help evaluate the selected choice. For instance, if a customer contact center's goal is to answer incoming client calls within 30 seconds, the problem is the gap between that goal and the actual time the contact center takes to answer most client calls. An *opportunity* is a deviation between current expectations and a potentially better situation that was not previously expected. In other words, an opportunity exists when decision makers discover that some choices may produce better results than current goals or expectations.

EXHIBIT 7.2

**Rational Choice Decision-
Making Process**
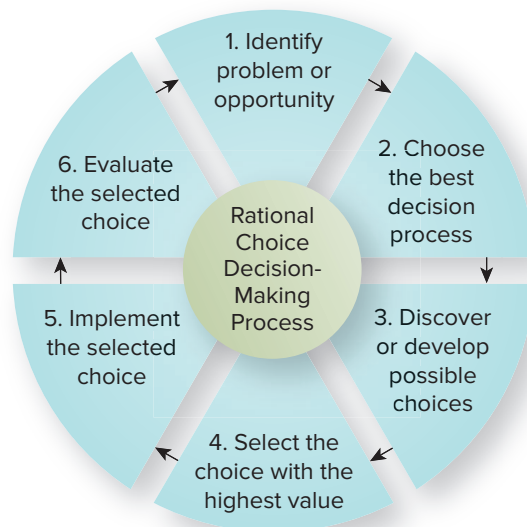
The second step involves choosing the best decision process. This step is really a meta-decision—deciding how to decide—because it refers to choosing among the different approaches and processes to make the decision.[9] One meta-decision is whether to solve the problem alone or involve others in the process. Later in this chapter, we'll examine the contingencies of employee involvement in decision making. Another meta-decision is whether to assume the decision is programmed or nonprogrammed. *Programmed decisions* follow standard operating procedures; they have been resolved in the past, so the optimal solution has already been identified and documented. In contrast, *nonprogrammed decisions* require all steps in the decision model because the problems are new, complex, or ill-defined.

The third step in the rational choice decision process is to identify and/or develop a list of possible choices. This usually begins by searching for ready-made solutions, such as practices that have worked well on similar problems. If an acceptable solution cannot be found, then decision makers need to design a custom-made solution or modify an existing one. The fourth step is to select the best choice by applying the rational choice calculation we described in Exhibit 7.1. Choosing the alternative that offers the greatest satisfaction or value requires the decision maker to have information about all possible alternatives and their outcomes. That condition is usually impossible, but the rational choice view of decision making assumes this can be accomplished with ease.

The fifth step is to implement the selected alternative. Rational choice decision making assumes that implementation occurs without any problems. The final step is to evaluate whether the gap has narrowed between "what is" and "what ought to be." Ideally, this information should come from systematic benchmarks so that relevant feedback is objective and easily observed.

PROBLEMS WITH RATIONAL CHOICE DECISION MAKING

The rational choice view of decision making seems so logical, yet there are several reasons why it is impossible to apply in reality.[10] Therefore, we need to understand why people have imperfect rationality. Over the next several pages we reexamine each step in the rational choice decision-making process, but with more detail about what really happens through the lens of "imperfect rationality."

Identifying Problems and Opportunities

7-2

When Albert Einstein was asked how he would save the world in one hour, he replied that the first 55 minutes should be spent defining the problem and the last 5 minutes solving it.[11] Einstein's point is that problem identification is not just the first step in decision making; it is arguably the most important step. But problems and opportunities are not clearly labeled objects that appear on our desks. Instead, they are conclusions that we form from ambiguous and conflicting information.[12]

PROBLEMS WITH PROBLEM IDENTIFICATION

The problem identification stage is, itself, filled with problems. Here are five of the most widely recognized concerns.[13]

Solution-Focused Problems   Some decision makers describe the problem as a veiled solution.[14] For instance, someone might say: "The problem is that we need more control over our suppliers." This isn't a description of the problem; it is a rephrased statement of a solution to a problem that has not been adequately diagnosed. One

When Ron Johnson agreed to become JCPenney's new chief executive officer, he quickly identified the ailing retailer's main problem in a way that was really a veiled solution: It needed to be more like Apple, Inc. Johnson was the Apple executive who developed its successful retail stores. As JCPenney's CEO, he justified his changes by referring to similar practices at Apple and hired at least six former Apple executives to help him with the transformation. Apple rarely discounted its products, so Johnson canceled JCPenney's popular coupons and store sales with everyday pricing. Each store had a "town square" as a variation of Apple's genius bar. When a colleague suggested testing the no-discount strategy at a few stores, Johnson decisively replied: "We didn't test at Apple." Less than 18 months later, JCPenney's sales had plummeted by one-third, the company suffered a $1 billion loss, and Johnson was replaced as CEO.[15]

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reason why people fall into the solution-focused problem trap is that they have been reinforced by past successes, so those solutions quickly come to mind when new problems arise. Solution-focused problem identification also occurs because decision makers are comforted by closure to problems, so they seek out solutions while still defining the problem. Unfortunately, they fail to fully diagnose the underlying causes that need to be addressed.

Decisive Leadership   Various studies have found that executives are valued for their decisiveness, including how quickly they determine that the situation is a problem, opportunity, or nothing worth their attention.[16] Consequently, many leaders announce problems or opportunities before having a chance to logically assess the situation. The result is often a misguided effort to solve an ill-defined problem or resources wasted on a poorly identified opportunity.

Stakeholder Framing   Employees, suppliers, customers, and other stakeholders provide (or hide) information in ways that makes the decision maker see the situation as a problem, opportunity, or steady sailing. Employees point to external factors rather than their own faults as the cause of production delays. Suppliers market their new products as unique opportunities and competitor products as problems to be avoided. Many other stakeholders also offer concise evaluations of the situation in the hope the decision

Two Stanford PhD students wanted to complete their education, so they decided to sell for $1 million the new search engine they had developed. Excite, Inc., a popular search engine company at that time, turned down the search software, explaining that their mental model of successful web portals was in offering media, not searching. Executives at other firms had similar mental models, which blinded them from seeing this opportunity. Rather than abandon their search engine creation, the students—Larry Page and Sergey Brin—decided to form a company to realize its potential. They named their company Google. Many years later, Excite cofounder Joe Kraus acknowledged the huge missed opportunity. "Let me just say that we were wrong," said Kraus. "I'll be the first to stand up and say 'whoops.'"[18]
© Ben Margot/AP Images

maker will accept their verdict without further analysis. Decision makers fall prey to these constructed realities because they have a need to simplify the daily bombardment of complex and often ambiguous information.

Perceptual Defense   People sometimes fail to become aware of problems because they block out bad news as a coping mechanism. Their brain refuses to see information that threatens their self-concept. The tendency to engage in perceptual defense varies from one decision maker to the next. Studies also report that perceptual defense is more common when decision makers have limited options to solve the problem.[17]

Mental Models   Decision makers are victims of their own problem framing due to existing mental models. Mental models are visual or relational images in our mind of the external world; they fill in information that we don't immediately see, which helps us understand and navigate in our surrounding environment (see Chapter 3). Many mental images are also prototypes—they represent models of how things should be. Unfortunately, these mental models can blind us from seeing unique problems or opportunities because they produce a negative evaluation of things that deviate from the mental model. If an idea doesn't fit the existing mental model of how things should work, then it is quickly dismissed as unworkable or undesirable.

IDENTIFYING PROBLEMS AND OPPORTUNITIES MORE EFFECTIVELY

Recognizing problems and opportunities will always be a challenge, but one way to improve the process is by becoming aware of the five problem identification biases just described. For example, by recognizing that mental models restrict a person's perspective of the world, decision makers are more motivated to consider other perspectives of reality. Along with increasing their awareness of problem identification flaws, leaders require considerable willpower to resist the temptation of looking decisive when a more thoughtful examination of the situation should occur.

A third way to improve problem identification is to create a norm of "divine discontent." Decision makers with this mindset are never satisfied with current conditions, so they more actively search for problems and opportunities.[19] Fourth, employees can minimize problem identification errors by discussing the situation with colleagues and clients. For instance, the opening case study for this chapter described how Infosys has dramatically improved the problem-finding process in client proposals by encouraging its engineers to work collectively with clients in proposal development. It is much easier to discover blind spots in problem identification when listening to how others perceive the situation. Opportunities also become apparent when outsiders explore this information from their different mental models.

Searching for, Evaluating, and Choosing Alternatives

According to rational choice decision making, people rely on logic to evaluate and choose alternatives. This view assumes that decision makers have well-articulated and agreed-on organizational goals, that they efficiently and simultaneously process facts about all alternatives and the consequences of those alternatives, and that they choose the alternative with the highest payoff.

EXHIBIT 7.3   **Rational Choice Assumptions versus Organizational Behavior Findings about Choosing Alternatives**

Rational choice paradigm assumptions	Observations from organizational behavior
Goals are clear, compatible, and agreed upon.	Goals are ambiguous, are in conflict, and lack full support.
Decision makers can calculate all alternatives and their outcomes.	Decision makers have limited information-processing abilities.
Decision makers evaluate all alternatives simultaneously.	Decision makers evaluate alternatives sequentially.
Decision makers use absolute standards to evaluate alternatives.	Decision makers evaluate alternatives against an implicit favorite.
Decision makers use factual information to choose alternatives.	Decision makers process perceptually distorted information.
Decision makers choose the alternative with the highest payoff.	Decision makers choose the alternative that is good enough (satisficing).

bounded rationality
the view that people are bounded in their decision-making capabilities, including access to limited information, limited information processing, and tendency toward satisficing rather than maximizing when making choices

Nobel Prize–winning organizational scholar Herbert Simon questioned these assumptions a half century ago. He argued that people engage in **bounded rationality.** Specifically, they process limited and imperfect information and rarely try to select the best choice.[20] Bounded rationality is the dominant theory explaining why it is impossible to apply rational choice decision making. However, other theories point to additional flaws overlooked by bounded rationality. Collectively, these imperfect rationality theories identify several ways that human decision making differs from rational choice decision making, as illustrated in Exhibit 7.3. These differences are so significant that many economists are now moving away from rational choice assumptions in their theories. Let's look at these differences in terms of goals, information processing, and maximization.

PROBLEMS WITH GOALS

The rational choice view assumes that organizational goals are clear and agreed on. Goals are necessary to identify "what ought to be" and, therefore, provide a standard against which each alternative is evaluated. Unfortunately, organizational goals are often ambiguous or in conflict with each other.[21] Ambiguous goals make it difficult to know if a particular choice has greater value to the organization. For example, "satisfy customer needs" may refer to providing efficient service, a variety of services, more personalized service, and other possibilities. When goals conflict, decision makers rarely have a guide map to determine which ones should take priority.

PROBLEMS WITH INFORMATION PROCESSING

Rational choice decision making also makes several questionable assumptions about the human capacity to process information. It assumes that decision makers can process

information about all alternatives and their consequences. In reality, people evaluate only a few alternatives and only some of the main outcomes of those alternatives.[22] For example, there are more than a dozen tablet brands to choose from and dozens of features to consider, yet people typically evaluate only a few brands and a few features.

A related problem is that decision makers typically evaluate alternatives sequentially rather than all at the same time. This sequential evaluation occurs partly because all alternatives are not usually available to the decision maker at the same time.[23] Consequently, as a new alternative comes along, it is compared to an **implicit favorite**—an alternative that the decision maker prefers and that is used as a comparison with other choices. When choosing a new tablet, for example, people typically have an implicit favorite brand or model against which they compare the other brands. Sometimes, decision makers aren't even aware of this favoritism![24]

Why do decision makers rely on an implicit favorite? One reason is that human beings like to compare two choices rather than systematically evaluate many alternatives at the same time.[25] An implicit favorite becomes a common anchor point against which to compare all other choices one at a time. A second reason why decision makers rely on an implicit favorite is because people are cognitive misers. They minimize mental effort by forming preferences quickly, and then looking mainly for evidence that supports the preference. In other words, they engage in **confirmation bias,** which we discussed in Chapter 3.[26]

But likely the main reason why decision makers compare alternatives against an implicit favorite is the hard-wired human need to minimize **cognitive dissonance** (see Chapter 4).[27] Just as people want their behavior to be consistent with their attitudes, decision makers want their choices to be consistent with their beliefs and feelings about which alternative offers the highest satisfaction. Therefore, they distort information (usually nonconsciously) to ensure it supports an implicit favorite. This information distortion during the decision-making process includes ignoring or underweighting problems with the implicit favorite, overweighting attributes in which the implicit favorite is better, underweighting features in which the alternative is superior, and overweighting problems with the alternative.

Biased Decision Heuristics   The cornerstone of rational choice decision making is to calculate the alternative with the highest satisfaction. However, psychologists Amos Tversky and Daniel Kahneman discovered that human beings have built-in *decision heuristics* that automatically distort those calculations. Three of the most widely studied heuristic biases are anchoring and adjustment, availability, and representativeness:[28]

- **Anchoring and adjustment heuristic.** This heuristic states that we are influenced by an initial anchor point and do not sufficiently move away from that point as new information is provided.[29] The anchor point might be an initial offer price, initial opinion of someone, or initial estimated probability that something will occur. One explanation for this effect is that human beings tend to compare alternatives rather than evaluate them purely against objective criteria. Therefore, if someone requests a high initial price for a car we want to buy, we naturally compare—and thereby anchor—our alternative offer against that high initial price.

implicit favorite	confirmation bias	cognitive dissonance	anchoring and adjustment heuristic
a preferred alternative that the decision maker uses repeatedly as a comparison with other choices	the processing of screening out information that is contrary to our values and assumptions, and to more readily accept confirming information	an emotional experience caused by a perception that our beliefs, feelings, and behavior are incongruent with one another	a natural tendency for people to be influenced by an initial anchor point such that they do not sufficiently move away from that point as new information is provided

- **Availability heuristic.** The availability heuristic is the tendency to estimate the probability of something occurring by how easily we can recall those events. Unfortunately, how easily we recall something is due to more than just its frequency (probability).[30] For instance, we easily remember emotional events (such as earthquakes and shark attacks), so we overestimate how often these traumatic events occur. We also have an easier time recalling recent events. If the media report several incidents of air pollution, we likely give more pessimistic estimates of air quality generally than if there have been no recent reports.

- **Representativeness heuristic.** This heuristic states that we pay more attention to whether something resembles (is representative of) something else than to more precise statistics about its probability.[31] Suppose that one-fifth of the students in your class are in engineering and the others are business majors. There is only a 20 percent chance that any classmate is from engineering, yet we don't hesitate to assume a student is from engineering if he or she looks and acts like our stereotype of an engineering student. Another form of the representativeness heuristic, known as the *clustering illusion,* is the tendency to see patterns from a small sample of events when those events are, in fact, random. For example, most sports players and coaches believe that players are more likely to have a successful shot on the net when their previous two or three shots have been successful. The representativeness heuristic is at work here because players and coaches believe these sequences are causally connected (representative) when, in reality, they are more likely random events.

PROBLEMS WITH MAXIMIZATION

One of the main assumptions of the rational choice decision making is that people want to—and are able to—choose the alternative with the highest payoff. Yet rather than aiming for maximization, people tend to engage in **satisficing**—they choose an alternative that is satisfactory or "good enough."[32] People satisfice when they select the first alternative that exceeds a standard of acceptance for their needs and preferences.

Satisficing—or at least choosing a standard below maximization—is usually necessary because decision makers lack enough information, time, and information processing capacity to figure out the best choice. Studies report that people like to have choices, but making decisions when there are many alternatives can be cognitively and emotionally draining. Consequently, decision makers satisfice as a way to minimize cognitive effort.[33] They also respond to a large number of choices by discarding many of them using easily identifiable factors (e.g., color, size) and by evaluating alternatives using only a handful of criteria.

Satisficing also occurs because, as we mentioned earlier, alternatives present themselves over time, not all at once. Consider the process of hiring new employees. It is impossible to choose the best possible job candidate because people apply over a period of time and the best candidate might not apply until next month, after earlier candidates have found other jobs. Consequently, decision makers rely on sequential evaluation of new alternatives against an implicit favorite. This necessarily calls for a satisficing decision rule—choose the first alternative that is "good enough."

Maximization—or at least human attempts to choose the best alternative—can result in better decisions when

availability heuristic
a natural tendency to assign higher probabilities to objects or events that are easier to recall from memory, even though ease of recall is also affected by nonprobability factors (e.g., emotional response, recent events)

representativeness heuristic
a natural tendency to evaluate probabilities of events or objects by the degree to which they resemble (are representative of) other events or objects rather than on objective probability information

satisficing
selecting an alternative that is satisfactory or "good enough," rather than the alternative with the highest value (maximization)

People avoid making choices in decisions that have too many alternatives. This is evident when new employees are asked to register for their pension plan and choose one type of investment. More employees delay or avoid pension plan registration when they face dozens of investment options, even though signing up would give them tax benefits, company contributions to that plan, and long-term financial security. Studies have found that registration for the company pension plan increases dramatically when employees are given only two or three initial investment options, such as a growth fund, balanced fund, and capital stable investment. After they have signed up, employees are presented with further investment choices for their pension plan.[34]

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some alternatives are clearly better than others. But maximizing decision makers run into trouble where there are many alternatives, those alternatives have many features, and the quality of those features for each alternative is ambiguous. For example, it is difficult to choose the best possible car because of the large number of choices, the many features to consider for each choice, and the unclear qualities of some of those features. Under those conditions, maximization leads to a spiral of endless trade-offs among features across the various choices, which can actually result in worse decisions and less satisfied decision makers.[35]

When presented with a large number of choices, people often choose a decision strategy that is even less cognitively challenging than satisficing; they don't make any decision at all! In one study, grocery store customers saw one of two jam-tasting booths. Thirty percent of consumers who visited the booth displaying 6 types of jam purchased one of those products. In contrast, only 3 percent of customers who saw the booth displaying 24 types of jam made a purchase. The larger number of choices discouraged them from making any decision. Other studies revealed similar results in decisions about chocolates, term essays, and pension plan investment options.[36]

EVALUATING OPPORTUNITIES

Opportunities are just as important as problems, but what happens when an opportunity is "discovered" is quite different from the process of problem solving. Decision makers do not evaluate several alternatives when they find an opportunity; after all, the opportunity *is* the solution, so why look for others! An opportunity is usually experienced as an exciting and rare revelation, so decision makers tend to have an emotional attachment to the opportunity. Unfortunately, this emotional preference motivates decision makers to apply the opportunity and short-circuit any detailed evaluation of it.[37]

EMOTIONS AND MAKING CHOICES

7-3

Herbert Simon and many other experts have found that people are imperfect at rational decision making and that it is impossible to make perfectly rational decisions. However, these scholars overlooked another problem: The rational choice view completely ignores the effect of emotions in human decision making. Just as both the rational and emotional brain centers alert us to problems, they also influence our choice of alternatives.[38] Emotions affect the evaluation of alternatives in three ways.

Emotions Form Early Preferences   The emotional marker process described in previous chapters (Chapters 3, 4, and 5) shapes our preference for each alternative

before we consciously evaluate those alternatives. Our brain very quickly attaches specific emotions to information about each alternative, and our preferred alternative is strongly influenced by those initial emotional markers.[39] Of course, logical analysis also influences which alternative we choose, but it requires strong logical evidence to change our initial preferences (initial emotional markers). Yet even logical analysis depends on emotions to sway our decision. Specifically, neuroscientific evidence says that information produced from logical analysis is tagged with emotional markers that then motivate us to choose or avoid a particular alternative. Ultimately, emotions, not rational logic, energize us to make the preferred choice. In fact, people with damaged emotional brain centers have difficulty making choices.

Emotions Change the Decision Evaluation Process   Moods and specific emotions influence the *process* of evaluating alternatives.[40] For instance, we pay more attention to details when in a negative mood, possibly because a negative mood signals that there is something wrong that requires attention. When in a positive mood, on the other hand, we pay less attention to details and rely on a more programmed decision routine. This phenomenon explains why executive teams in successful companies are often less vigilant about competitors and other environmental threats.[41] Research also suggests that decision makers rely on stereotypes and other shortcuts to speed up the choice process when they experience anger. Anger also makes them more optimistic about the success of risky alternatives, whereas the emotion of fear tends to make them less optimistic. Overall, emotions shape *how* we evaluate information, not just which choice we select.

Emotions Serve as Information When We Evaluate Alternatives   The third way that emotions influence the evaluation of alternatives is through a process called "emotions as information." Marketing experts have found that we listen in on our emotions to gain guidance when making choices.[42] This process is similar to having a temporary improvement in emotional intelligence. Most emotional experiences remain below the level of conscious awareness, but people actively try to be more sensitive to these subtle emotions when making a decision.

When buying a new car, for example, you not only logically evaluate each vehicle's features; you also try to gauge your emotions when visualizing what it would be like to own each of the cars on your list of choices. Even if you have solid information about the quality of each vehicle on key features (purchase price, fuel efficiency, maintenance costs, resale value, etc.), you are swayed by your emotional reaction and actively try to sense that emotional response when thinking about it. Some people pay more attention to these gut feelings, and personality tests such as the Myers-Briggs Type Indicator (see Chapter 2) identify individuals who listen in on their emotions more than others.[43] But everyone consciously pays attention to their emotions to some degree when choosing alternatives. This phenomenon ties directly into our next topic, intuition.

INTUITION AND MAKING CHOICES

intuition
the ability to know when a problem or opportunity exists and to select the best course of action without conscious reasoning

Do you rely on your "gut instinct" to help make decisions? These emotional experiences potentially (but not necessarily) indicate your **intuition**—the ability to know when a problem or opportunity exists and to select the best course of action without conscious reasoning.[44] Some people rely more on intuition whereas others rely more on logical analysis when making decisions (see Chapter 2 on the MBTI thinking versus feeling orientation). However, emotions are always present in human decision making, so intuition and logical analysis are not opposites and never completely replace each other.[45] Some people pay more attention to emotional signals, whereas others pay more attention to logic, but emotions are always involved.

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SELF-ASSESSMENT 7.1: What Is Your Preferred Decision-Making Style?

Effective decision making is a critical part of most jobs, particularly in professional and executive positions. But people have different decision-making styles, including how much they rely on facts and logical analysis or emotional responses and gut instinct. You can discover your preferred decision-making style by locating this self-assessment in Connect if it is assigned by your instructor.

Intuition is both an emotional experience and a rapid nonconscious analytic process. The gut feelings we experience are emotional signals that have enough intensity to make us consciously aware of them. These signals warn us of impending danger or motivate us to take advantage of an opportunity. Some intuition also directs us to preferred choices relative to other alternatives in the situation.

All gut feelings are emotional signals, but not all emotional signals are intuition. The main distinction is that intuition involves rapidly comparing our observations with deeply held patterns learned through experience.[46] These "templates of the mind" represent tacit knowledge that has been implicitly acquired over time. They are mental models that help us understand whether the current situation is good or bad, depending on how well that situation fits our mental model. When a template fits or doesn't fit the current situation, emotions are produced that motivate us to act. Studies have found that when chess masters quickly scan a chessboard, they experience emotional signals that the chess configuration poses an opportunity or threat. These emotional signals motivate closer observation to logically confirm the situation and to act on it. Thus, intuition signals that a problem or opportunity exists long before conscious rational analysis has occurred.

A key message here is that some emotional signals are not intuition, so gut feelings shouldn't always guide our decisions. The problem is that emotional responses are not always based on well-grounded mental models. Instead, we sometimes compare the current situation to more remote templates, which may or may not be relevant. A new employee might feel confident about relations with a supplier, whereas an experienced employee senses potential problems. The difference is that the new employee relies on templates from other experiences or industries that might not work well in this situation. Thus, the extent to which our gut feelings in a situation represent intuition depends on our level of experience in that situation.

So far, we have described intuition as an emotional experience (gut feeling) and a process in which we compare the current situation with well-established templates of the mind. Intuition also relies on *action scripts*—programmed decision routines that speed up our response to pattern matches or mismatches.[47] Action scripts effectively shorten the decision-making process by jumping from problem identification to selection of a solution. In other words, action scripting is a form of programmed decision making. Action scripts are generic, so we need to consciously adapt them to the specific situation.

MAKING CHOICES MORE EFFECTIVELY

It is very difficult to get around the human limitations of making choices, but a few strategies help minimize these concerns. One important discovery is that decisions tend to have a higher failure rate when leaders are decisive rather than contemplative about the available options. Of course, decisions can also be ineffective when leaders take too long

INTUITION VERSUS DATA ANALYSIS: CRUNCH YOUR HUNCH[48]

84%
of 300 UK recruitment professionals surveyed identify intuition as the most cost-efficient recruitment tool (but only the third most effective tool).

61%
of 2,037 professionals surveyed globally somewhat or strongly agree that there is pressure from senior management for the organization to become more data driven and analytical.

68% of 600 American and UK executives surveyed say senior management in their organization is highly or totally committed to analytics and fact-based decision making.

70%
of 1,018 Australian small to medium enterprise owners surveyed say they trusted their gut instinct over any professional advice.

Photo: © Jonathan Evans/Getty Images RF

scenario planning
a systematic process of thinking about alternative futures and what the organization should do to anticipate and react to those environments

to make a choice, but research indicates that a lack of logical evaluation of alternatives is a greater concern. By systematically assessing alternatives against relevant factors, decision makers minimize the implicit favorite and satisficing problems that occur when they rely on general subjective judgments. This recommendation does not suggest that we ignore intuition; rather, it suggests that we use it in combination with careful analysis of relevant information.[49]

A second piece of advice is to remember that decisions are influenced by both rational and emotional processes. Therefore, some decision makers deliberately revisit important issues later when their initial emotions have subsided and they can look at the information in a different mood. For example, if you sense that your team is feeling somewhat too self-confident when making an important competitive decision, you might decide to have the team members revisit the decision a few days later when they are thinking more critically.

Another strategy is **scenario planning,** which is a disciplined method for imagining possible futures.[50] It typically involves thinking about what would happen if a significant environmental condition changed and what the organization should do to anticipate and react to such an outcome. Scenario planning is a useful vehicle for choosing the best solutions under possible scenarios long before they occur, because alternative courses of action are evaluated without the pressure and emotions that occur during real emergencies.

Implementing Decisions

Implementing decisions is often skipped over in most writing about the decision-making process. Yet leading business writers emphasize that execution—translating decisions into action—is one of the most important and challenging tasks in the decision-making process.[51] For instance, when Bill Utt became CEO of KBR, a *Fortune* 300 engineering firm, he and his executive team fairly quickly made three strategic decisions that would improve the company's future prospects. Implementing those decisions, however, took much longer. "I expected that it would take two years to complete the three challenges," says Utt, who recently retired from KBR. "One thing I have learned over my career is that it is easy to develop a strategy and to find the organization's deficiencies; however, the hard part is in the implementation and having the focus, determination and stamina to see these successfully through."[52] Implementing decisions is mainly about organizational change, which we discuss in Chapter 15, but also relates to leadership (Chapter 12) and several other topics throughout this book.

Evaluating Decision Outcomes

Contrary to the rational choice view, decision makers aren't completely honest with themselves when evaluating the effectiveness of their decisions. Earlier in this chapter, we explained that decision makers engage in confirmation bias to support their implicit favorite during the decision-making process. This bias continues long after the decision has been made (which is why it is also called *postdecisional justification*). Decision makers ignore or underemphasize negative outcomes of the choice they made and over-emphasize new information about its positive features. Confirmation bias gives people an excessively optimistic evaluation of their decisions, but only until they receive very clear and undeniable information to the contrary.

ESCALATION OF COMMITMENT

Another reason why decision makers don't evaluate their decisions very well is due to **escalation of commitment**—the tendency to repeat an apparently bad decision or allocate more resources to a failing course of action.[53] Why are decision makers led deeper and deeper into failing projects? Several explanations have been identified and discussed over the years, but the four main influences are self-justification effect, self-enhancement effect, prospect theory effect, and sunk costs effect.

Self-Justification Effect   People try to convey a positive public image of themselves. In decision making, this self-justification typically involves appearing to be rational and competent. Decision makers are therefore motivated to demonstrate that their choices will be successful, which includes continuing to support a decision even when it is not having the desired outcomes. In contrast, pulling the plug symbolizes the project's failure and the decision maker's incompetence. This self-justification effect is particularly evident when decision makers are personally identified with the project, have staked their reputations to some extent on the project's success, and have low self-esteem.[54]

Self-Enhancement Effect   People have a natural tendency to feel good about themselves—to feel luckier, more competent, and more successful than average—regarding things that are important to them (see Chapter 3).[55] This **self-enhancement** supports a positive self-concept, but it also increases the risk of escalation of commitment. When presented with evidence that a project is in trouble, the self-enhancement process biases our interpretation of the information as a temporary aberration from an otherwise positive trend line. And when we eventually realize that the project isn't going as well as planned, we continue to invest in the project because our probability of rescuing the project is above average.

Self-justification and self-enhancement often occur together, but they are different mechanisms. Self-justification is a deliberate attempt to maintain a favorable public image, whereas self-enhancement operates mostly nonconsciously, distorting information so we do not recognize the problem sooner and biasing our probabilities of success so we continue to invest in the losing project.[56]

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escalation of commitment the tendency to repeat an apparently bad decision or allocate more resources to a failing course of action

self-enhancement a person's inherent motivation to have a positive self-concept (and to have others perceive him or her favorably), such as being competent, attractive, lucky, ethical, and important

prospect theory effect a natural tendency to feel more dissatisfaction from losing a particular amount than satisfaction from gaining an equal amount

Prospect Theory Effect   **Prospect theory effect** is the tendency to experience stronger negative emotions when losing something of value than the positive emotions when gaining something

global connections 7.1

Escalation of Commitment Produces a White Elephant in Queensland

The state government of Queensland, Australia, decided to build the world's third-largest advanced wastewater recycling project to drought-proof the state. The three treatment plants cost $2.5 billion (Australian dollars) and were supposed to produce drinkable water for less than $1,000 per megaliter. In spite of early concerns about costs and viability, the project received funding through to its completion. However, the facilities were mothballed within a few years because the actual cost of the drinkable water was more than $4,400 per megaliter (10 times the cost of dam water). Many Queenslanders also opposed the idea of drinking water that had been directly converted from sewage water. The premier who initiated the project recently admitted that a "series of bad decisions" led to the project's failure. The government that shut down the scheme called it a white elephant and "an unmitigated disaster."[57]

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of equal value. This prospect theory effect motivates us to avoid losses, which typically occurs by taking the risk of investing more in that losing project. Stopping a project is a certain loss, which evokes more negative emotions to most people than the uncertainty of success associated with continuing to fund the project. Given the choice, decision makers choose escalation of commitment, which is the less painful option at the time.[58]

Sunk Costs Effect   Another disincentive to axing a failing project is sunk costs—the value of resources already invested in the decision.[59] The rational choice view states that investing resources should be determined by expected future gains and risk, not the size of earlier resources invested in the project. Yet people inherently feel motivated to invest more resources in projects that have high sunk costs. A variation of sunk costs is time investment. Time is a resource, so the more time decision makers have devoted to a project, the more motivated they are to continue investing in that project. Finally, sunk costs can take the form of closing costs, that is, the financial or nonfinancial penalties associated with shutting down a project. As with other forms of sunk costs, the higher the closing costs, the more motivated decision makers are to engage in escalation of commitment.

Escalation of commitment is usually framed as poor decision making, but persistence may be the better choice under some circumstances.[60] Indeed, many breakthroughs have occurred because of the decision makers' persistence and optimism. Continuing with a losing project may be prudent when the cost overruns are small relative to the project cost, the benefits of success are high, and the rewards of a successful project are received quickly. Some experts also suggest that throwing more money into a failing project is sometimes a logical attempt to further understand an ambiguous situation. By adding more resources, the decision maker gains new information about the project's development, which provides more feedback about the project's future success. This strategy is particularly common where the project has high closing costs.

EVALUATING DECISION OUTCOMES MORE EFFECTIVELY

One of the most effective ways to minimize escalation of commitment and confirmation bias is to ensure that the people who made the original decision are not the same people who later evaluate that decision. This separation of roles minimizes the self-justification effect because the person responsible for evaluating the decision is not connected to the

original decision. However, the second person might continue to escalate the project if he or she empathizes with the decision maker, has a similar mindset, or has similar attributes such as age. A second strategy is to publicly establish a preset level at which the decision is abandoned or reevaluated. This is similar to a stop-loss order in the stock market, whereby the stock is sold if it falls below a certain price. The problem with this solution is that conditions are often so complex that it is difficult to identify an appropriate point to abandon a project.[61]

A third strategy is to find a source of systematic and clear feedback.[62] At some point, even the strongest escalation and confirmation bias effects deflate when the evidence highlights the project's failings. A fourth strategy to improve the decision evaluation process is to involve several people in the evaluation. Coworkers continuously monitor each other and might notice problems sooner than someone working alone on the project.

Creativity

7-4

creativity
the development of original ideas that make a socially recognized contribution

The opening case study to this chapter described how Infosys and other companies recognize creativity as an important feature of decision making, particularly as they try to keep pace with ever-changing client needs and technological advancements. **Creativity** refers to the development of original ideas that make a socially recognized contribution.[63] Creativity operates when imagining opportunities such as how Infosys' expertise can improve value for its clients. It is applied when developing and selecting alternatives because we need to visualize the future in different ways and to figure out how each choice might be useful or a liability in those scenarios. In short, creativity is valuable throughout the decision-making process.

THE CREATIVE PROCESS

How does creativity occur? That question has puzzled experts for hundreds of years and has been the fascination of many scientists who saw how creative thinking led to their own important discoveries. Notably, more than a century ago, German physicist Hermann von Helmholtz gave a public talk in which he described the process that led to his innovations (energy physics, instruments for examining eyes, and many others). A few decades later, London School of Economics professor Graham Wallas built on Helmholtz's ideas to construct the four-stage model shown in Exhibit 7.4.[64] Nearly a century later, this model is still considered the most elegant representation of the creative process.

EXHIBIT 7.4   The Creative Process Model

Preparation	Incubation	Illumination	Verification
• Understand the problem or opportunity • Investigate information that seems relevant to the issue	• Period of reflective thought • Nonconscious or low-level awareness, not direct attention to the issue • Active divergent thinking process	• Sudden awareness of a novel, although vague and incomplete, idea entering one's consciousness • May include an initial period of "fringe" awareness	• Detailed logical and experimental evaluation of the illuminated idea • Further creative thinking

Source: Based on G. Wallas, *The Art of Thought* (London: Jonathan Cape, 1926), Chap. 4.
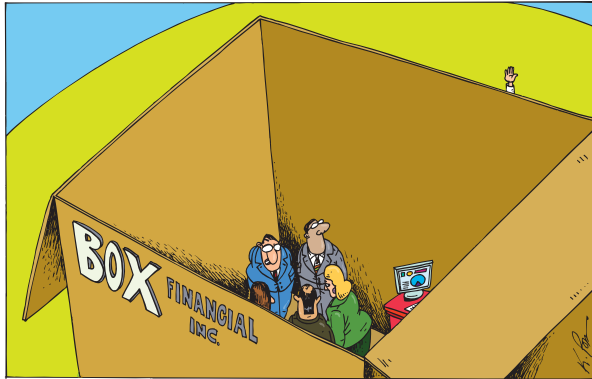
"It's a new financial world and this bank needs to think outside the box, so, anybody got any ideas . . . any ideas at all?"

US Banker, 2010. Reprinted with permission of Kevin Pope.

divergent thinking
reframing a problem in a unique way and generating different approaches to the issue

The first stage is *preparation*—the process of investigating the problem or opportunity in many ways. Preparation involves developing a clear understanding of what you are trying to achieve through a novel solution and then actively studying information seemingly related to the topic. It is a process of developing knowledge and possibly skills about the topic. The second stage, called *incubation,* is the period of reflective thought. We put the problem aside, but our mind is still working on it in the background.[65] The important condition here is to maintain a low-level awareness by frequently revisiting the problem. Incubation does not mean that you forget about the problem or issue.

Incubation assists **divergent thinking**—reframing the problem in a unique way and generating different approaches to the issue. This contrasts with *convergent thinking*—calculating the conventionally accepted "right answer" to a logical problem. Divergent thinking breaks us away from existing mental models so that we can apply concepts or processes from completely different areas of life.

The invention of Velcro illustrates how divergent thinking occurs. In the 1940s, Swiss engineer Georges de Mestral had just returned home from a walk with his dog through the countryside when he noticed that his clothing and the dog's fur were covered in burrs. While struggling to remove the barbed seeds, de Mestral engaged in divergent thinking by recognizing that the adhesion used by burrs could be used to attach other things together. It took another dozen years of hard work, but de Mestral eventually perfected the hook-and-loop fastener, which he trademarked as Velcro.[66]

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SELF-ASSESSMENT 7.2: How Well Do You Engage in Divergent Thinking?

A key feature of creativity is divergent thinking—reframing the problem in a unique way and generating different approaches to the issue. One way to test divergent thinking is by presenting questions or problems in which the answer requires a different approach or perspective from the usual frame of mind. This self-assessment presents a dozen of these questions. You can discover the extent to which you have divergent thinking by locating this self-assessment in Connect if it is assigned by your instructor.

Illumination (also called *insight*), the third stage of creativity, refers to the experience of suddenly becoming aware of a unique idea.[67] Wallas and others suggest that this stage begins with a "fringe" awareness before the idea fully enters our consciousness. Illumination is often visually depicted as a lightbulb, but a better image would be a flash of light or perhaps a briefly flickering candle—these bits of inspiration are fleeting and can be quickly lost if not documented. For this reason, many creative people keep a journal or notebook nearby so they can jot down their ideas before they disappear. Also, flickering ideas don't keep a particular schedule; they might come to you at any time of day or night.

Illumination presents ideas that are usually vague, roughly drawn, and untested. *Verification* therefore provides the essential final stage of creativity, whereby we flesh out the illuminated ideas and subject them to detailed logical evaluation and experimentation. This stage often calls for further creativity as the ideas evolve into finished products or services. Thus, although verification is labeled the final stage of creativity, it is really the beginning of a long process of creative decision making toward development of an innovative product or service.

EXHIBIT 7.5

**Characteristics of
Creative People**

Independent Imagination
- High openness to experience
- Moderately low need for affiliation
- Strong self-direction value
- Strong stimulation value

Cognitive and Practical Intelligence
- Ability to synthesize, analyze, and apply ideas
- Ability to evaluate potential usefulness of ideas

Characteristics of Creative People

Knowledge and Experience
- Prerequisite knowledge and experience
- Not locked into a fixed knowledge mindset

Persistence
- High need for achievement
- Strong task motivation
- Moderately high self-esteem and optimism

CHARACTERISTICS OF CREATIVE PEOPLE

Everyone is creative, but some people have a higher potential for creativity. Four of the main characteristics that give individuals more creative potential are intelligence, persistence, knowledge and experience, and a cluster of personality traits and values representing independent imagination (see Exhibit 7.5).

- *Cognitive and practical intelligence*. Creative people have above-average intelligence to synthesize information, analyze ideas, and apply their ideas.[68] They recognize the significance of small bits of information and are able to connect them in ways that few others can imagine. They also have *practical intelligence*—the capacity to evaluate the potential usefulness of their ideas.

- *Persistence*. Creative people have persistence, which is based on a higher need for achievement, a strong motivation from the task itself, and a moderate or high degree of self-esteem. Persistence is vital because people need this motivation to continue working on and investing in a project in spite of failures and advice from others to quit. In fact, people have a general tendency to dismiss or criticize creative ideas, so creative people need persistence to withstand these negative social forces.[69]

- *Knowledge and experience*. Creative people require a foundation of knowledge and experience to discover or acquire new knowledge.[70] However, this expertise is a double-edged sword. As people acquire knowledge and experience about a specific topic, their mental models tend to become more rigid. They are less adaptable to new information or rules about that knowledge domain. Some writers suggest that expertise also increases "mindless behavior" because expertise reduces the tendency to question why things happen.[71] To overcome the limitations of expertise, some corporate leaders like to hire people from other industries and areas of expertise.

- *Independent imagination*. Creative people possess a cluster of personality traits and values that support an independent imagination: high openness to experience, moderately low need for affiliation, and strong values around self-direction and stimulation.[72] Openness to experience is a Big Five personality dimension representing the extent to which a person is imaginative, curious, sensitive, open-minded, and original (see Chapter 2). Creative people have a moderately

low need for affiliation so they are less embarrassed when making mistakes. Self-direction includes the values of creativity and independent thought; stimulation includes the values of excitement and challenge. Together, these values form openness to change—representing the motivation to pursue innovative ways (see Chapter 2).

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SELF-ASSESSMENT 7.3: Do You Have a Creative Personality?

Everyone is creative to some extent, but some people have personality traits and personal values that give them higher creative potential. You can discover the extent to which you have a creative personality by locating this self-assessment in Connect if it is assigned by your instructor.

ORGANIZATIONAL CONDITIONS SUPPORTING CREATIVITY

learning orientation
beliefs and norms that support the acquisition, sharing, and use of knowledge as well as work conditions that nurture these learning processes

Intelligence, persistence, expertise, and independent imagination represent a person's creative potential, but the extent to which these characteristics produce more creative output depends on how well the work environment supports the creative process.[73] Several job and workplace characteristics have been identified in the literature, and different combinations of situations can equally support creativity; there isn't one best work environment.[74]

One of the most important conditions for creativity is a **learning orientation.** The workplace supports a learning orientation when reasonable mistakes are tolerated and expected as part of the discovery process. A second condition for creativity is motivation from the job itself.[75] Employees tend to be more creative when they believe their work benefits the organization and/or larger society (i.e., task significance) and when they have the freedom to pursue novel ideas without bureaucratic delays (i.e., autonomy). Creativity is about changing things, and change is possible only when employees have the authority to experiment. More generally, jobs encourage creativity when they are challenging and aligned with the employee's knowledge and skills.

BNY Mellon is America's oldest bank, yet it is striving for the creativity of a financial technology start-up company (fintech). BNY Mellon already has innovation centers in Silicon Valley, Jersey City, London, India, and most recently in Pittsburgh (see photo). These centers generate ideas and prototypes of emerging client services and business processes through design thinking. The bank also sparks creativity through innovation jams, hackathons, and open innovation forums. "Our ambition is to combine the creativity and energy of Silicon Valley with the banking acumen of the financial capitals of the world," enthuses Suresh Kumar, BNY Mellon's senior executive vice president and chief information officer. Kumar suggests that the bank further supports creativity through a learning orientation culture. "Being innovative also requires an embrace of failure and an ability to shake it off, learn from it, adjust, and try again" he says.[78]
© BNY Mellon

Along with a learning orientation and intrinsically motivating jobs, creativity blossoms through open communication and sufficient resources. Creative organizations also provide a comfortable degree of job security, which explains why creativity suffers during times of downsizing and corporate restructuring.[76] Some companies also support creativity by designing nontraditional workspaces, such as unique building design or unconventional office areas.[77] Google is one example. The Internet innovator has funky offices in several countries that include hammocks, gondola- and hive-shaped privacy spaces, slides, and brightly painted walls.

To some degree, creativity also improves with support from leaders and coworkers. One study reported that effective product champions provide enthusiastic support for new ideas. Other studies suggest that coworker support can

improve creativity in some situations whereas competition among coworkers improves creativity in other situations.[79] Similarly, it isn't clear how much pressure should be exerted on employees to produce creative ideas. Extreme time pressures are well-known creativity inhibitors, but lack of pressure doesn't seem to produce the highest creativity either.

ACTIVITIES THAT ENCOURAGE CREATIVITY

We have described two cornerstones of creativity in organizations: hiring people with strong creative potential and providing a work environment that supports creativity. The third cornerstone is activities that help employees think more creatively. Four types of creativity-building activities are: redefine the problem, associative play, cross-pollination, and design thinking.

Redefining the problem is a potentially powerful way to unleash creative thinking. One approach is to revisit projects that have been set aside. After a period of neglect, these projects might be seen in new ways.[80] You can also see the problem from different perspectives by asking coworkers unfamiliar with the issue to explore the problem. You state the objectives and give some facts and then let the other person ask questions to further understand the situation. By verbalizing the problem, listening to questions, and hearing what others think, you are more likely to view the problem in a new light.[81]

A second set of creativity-building activities, collectively known as associative play, have a few variations. One variation is to literally play games, particularly with unusual twists to the traditional equipment or rules. Creative thinking emerges naturally from playful activities, and then carries over to work-related problem solving.[82] Another associative play activity, called morphological analysis, involves systematically investigating all combinations of characteristics of a product, event, or other target.[83] For instance, employees at a food manufacturer might investigate all combinations of yogurt-based products by considering the contents (fruit, low-fat, etc.), occasion (breakfast, dessert, etc.), target group (children, older adults, etc.), size, and packaging. Carefully examining all combinations may produce a novel, yet commercially successful, innovation. A third associative play activity is a challenge to use existing unrelated products (e.g., blow dryer and electric toothbrush) to create something new with a specific purpose (e.g., cleaning cutlery).

Cross-pollination is a third way to generate more creativity.[84] Cross-pollination occurs when people from different areas of the organization exchange ideas or when new people are brought into an existing team. Creative agency Mother applies this practice by having its 350 employees in both London and New York relocate to another area of the building every three months. "It encourages cross-pollination of ideas," explains one of Mother's founding partners. "You have people working on the same problem from different perspectives."[85] Cross-pollination highlights the fact that creativity rarely occurs alone. Some creative people may be individualistic, but most creative ideas are generated through teams and informal social interaction.

design thinking
a human-centered, solution-focused creative process that applies both intuition and analytical thinking to clarify problems and generate innovative solutions

Design Thinking   The opening case study for this chapter described how Infosys, the Indian technology firm, is transforming the way it solves client problems through design thinking principles and practices. **Design thinking** is a human-centered, solution-focused creative process that applies both intuition and analytical thinking to clarify problems and generate innovative solutions. In spite of its label, design thinking isn't just for people in design jobs. Rather, it is a tangible scaffolding that guides all employees through the decision-making process using creative thinking, logical analysis, empathy, and intuition.

DESIGN THINKING RULE	DESCRIPTION
Human rule	• Involve several people so the issue and possible solutions are viewed from several angles. • Include clients and end users to enable an iterative process of problem identification and solution development.
Ambiguity rule	• Preserve ambiguity rather than seek clarity too quickly. • Question and refine the stated problem. • Develop more than one solution to the problem.
Re-design rule	• Review past solutions to understand how those inventions tried to satisfy human needs. • Use foresight tools to imagine better solutions for the future.
Tangible rule	• Build several low-cost prototypes to test ideas. • Don't analyze alternatives at a purely conceptual level. • Tolerate failure; embrace a learning orientation.

There are several models and guidelines for design thinking, but one of the most respected frameworks identifies the four rules outlined in Exhibit 7.6 and summarized below:[86]

- The Human Rule—Design thinking is a team activity. It depends on collaboration among several people with diverse knowledge and experiences so the issue and its possible solutions are viewed from several angles. Design thinking is also human-centered because designers need to empathize with clients and end users and involve them in the design process.[87] Client involvement facilitates redefinition of the original problem statement (such as the client's briefing) and more dynamic discovery and refinement of potential solutions. As ideas and prototypes develop, clients and end users can provide real-time feedback on the product experience.

- The Ambiguity Rule—Creativity and experimentation are possible only when there is ambiguity in the problem and its potential solutions. Therefore, design thinkers preserve ambiguity rather than seek clarity too quickly. Designers do not assume the client's original problem statement is accurate. Instead, the stated problem should be questioned and refined with the client. Design thinkers also avoid the natural temptation to solve the problem too quickly with one solution. Instead, they continually question possible solutions even after one seems likely. They also develop more than one solution to the problem.

- The Re-Design Rule—No creative solution is completely original, because the needs being served have existed since the beginning of humanity. Therefore, designers review past solutions to understand how those inventions tried to satisfy human needs. They find out how those solutions tried to work as well as understand their flaws and limitations. Designers then use foresight tools to imagine better solutions for the future. Environmental scanning, context mapping, and other foresight tools help designers visualize possible futures, such as emerging trends and changes to conditions and rules of the future context.

- The Tangible Rule—Design thinking spends less time planning and more time doing. Designers build several low-cost prototypes of their ideas rather than analyze those ideas at a purely conceptual level.[88] Prototypes represent a rich form of communication that does not exist in conceptual planning.

One design thinking mantra is "fail fast, fail often," meaning that prototypes are made quickly and frequently along the journey to the final result. This statement also recognizes that design thinking tolerates failure and embraces a learning orientation.

Employee Involvement in Decision Making

7-5

employee involvement
the degree to which employees influence how their work is organized and carried out

Infosys has made numerous changes in leadership and internal culture over the past few years. As we described at the beginning of this chapter, those changes include more actively and systematically involving employees in decisions that guide the future of the Indian technology services giant. **Employee involvement** (also called *participative management*) refers to the degree to which employees influence how their work is organized and carried out.[89] Employee involvement has become a natural process in every organization, but the level of involvement varies with the situation.[90] A low level of involvement occurs where employees are individually asked for specific information but the problem is not described to them. Somewhat higher involvement occurs where the problem is described and employees are asked individually or collectively for information relating to that problem.

Moving further up the involvement scale, the problem is described to employees, who are collectively given responsibility for developing recommendations. However, the decision maker is not bound to accept those recommendations. At the highest level of involvement, the entire decision-making process is handed over to employees. They identify the problem, discover alternative solutions, choose the best alternative, and implement that choice. The original decision maker serves only as a facilitator to guide the team's decision process and keep everyone on track.

BENEFITS OF EMPLOYEE INVOLVEMENT

For the past half century, organizational behavior experts have advised that employee involvement potentially improves decision-making quality and commitment.[91] To begin with, it improves the identification of problems and opportunities. Employees are, in many respects, the sensors of the organization's environment. When the organization's activities misalign with customer expectations, employees are usually the first to know. Employee involvement provides a conduit for organizational leaders to be alerted to such problems.[92] Employee involvement can also potentially improve the number and quality of solutions generated. In a well-managed meeting, team members create synergy by pooling their knowledge to form new alternatives. In other words, several people working together can potentially generate better solutions than the same people working alone.

A third benefit of employee involvement is that, under specific conditions, it improves the evaluation of alternatives. Numerous studies on participative decision making, task conflict, and team dynamics have found that involvement brings out more diverse perspectives, tests ideas, and provides more valuable knowledge, all of which help the decision maker select the best alternative.[93] A mathematical theorem introduced in 1785 by the Marquis de Condorcet states that the alternative selected by the team's majority is more likely to be correct than is the alternative selected by any team member individually.[94]

Along with improving decision quality, involvement tends to strengthen employee commitment to the decision. Rather than viewing themselves as agents of someone else's decision, those who participate in a decision feel personally responsible for its success. Involvement also has positive effects on employee motivation, satisfaction, and turnover. It also increases skill variety, feelings of autonomy, and task identity, all of which increase job enrichment and potentially employee motivation. Participation is also a critical practice in organizational change because employees are more motivated to implement the decision and less likely to resist changes resulting from the decision.[95]

global connections 7.2

Brasilata, the Ideas Company

Brasilata has become one of the most innovative and productive manufacturing businesses in Brazil by encouraging employee involvement. Each year, the steel can manufacturer receives more than 150,000 ideas—an average of more than 150 ideas per employee—on a wide range of themes, from how to improve production efficiency to new product designs. Ideas are so important that Brasilata employees are called "inventors," and everyone signs an "innovation contract" that reinforces their commitment to continuous improvement.[96]

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CONTINGENCIES OF EMPLOYEE INVOLVEMENT

If employee involvement is so wonderful, why don't leaders leave all decisions to employees? The answer is that there is an optimal level of employee involvement, and that ideal level depends on the situation. The employee involvement model shown in Exhibit 7.7 lists four contingencies: decision structure, source of decision knowledge, decision commitment, and risk of conflict in the decision process.[97]

- *Decision structure*. At the beginning of this chapter, we learned that some decisions are programmed whereas others are nonprogrammed. Programmed decisions are less likely to need employee involvement because the solutions are already worked out from past incidents. In other words, the benefits of employee involvement increase with the novelty and complexity of the problem or opportunity.

EXHIBIT 7.7

Model of Employee Involvement in Decision Making

Contingencies of employee involvement

- Decision structure
- Source of decision knowledge
- Decision commitment
- Risk of conflict

Employee involvement

Outcomes of employee involvement

- Better problem identification
- More/better choices generated
- More likely to select the best alternative
- Stronger commitment to the decision
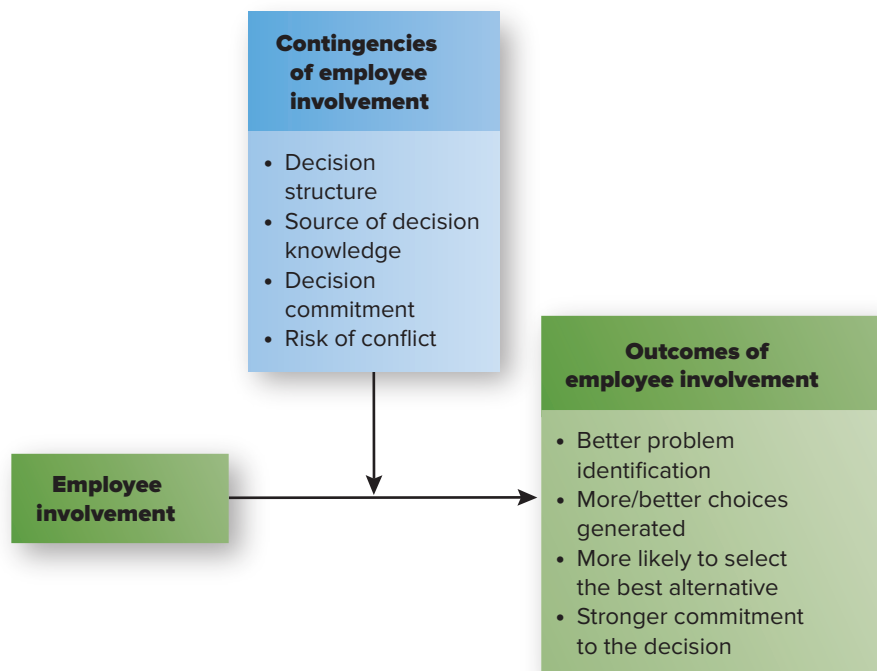
debating point

SHOULD ORGANIZATIONS PRACTICE DEMOCRACY?

Most organizational experts recommend some degree of employee involvement, but a few go further by proposing that organizations should operate like democracies rather than hierarchical fiefdoms. Organizational democracy consists of the highest form of involvement, whereby employees have real institutionalized control—either directly or through representation—over organizational decisions. In addition, no one in a democratic enterprise holds higher authority except where such power is explicitly granted by the others (such as through employee election of the company's leaders). Democracy also gives all organizational members protection against arbitrary or unjust decisions (such as protection against being fired without cause).[98]

Some readers might think workplace democracy is an extreme way to run an organization, but advocates point out that it is the principle on which many societies have operated for centuries and most others aspire. Democratic governance has been established in several high-profile and successful companies, such as Semco SA and W. L. Gore & Associates, as well as many employee-owned firms and worker cooperatives. Legislation in several countries (particularly in continental Europe) requires companies to give employees control over some organizational decisions through works councils or board membership.[99]

Advocates point out that as a form of participation, workplace democracy can improve the quality of organizational decisions and employee commitment to those decisions. Indeed, democracy inherently advocates shared leadership (where everyone should be a leader in various ways), which is increasingly recommended for improved decision making and organizational effectiveness. Democratic enterprises might also be more flexible and innovative. Rather than obediently follow management's standard operating procedures, employees in democratic organizations have the opportunity—and usually the expectation—to adapt and experiment with new work practices as circumstances change. This form of organization also encourages more organizational learning.[100]

A final argument is that the democratic enterprise is ethically superior to the traditional hierarchical organization.[101] It respects individual rights and dignity, more fully satisfies the standards of ethical conduct, and is more likely than traditional management to adopt the multiple stakeholder approach expected by society. Indeed, some European governments have debated the notion that organizational democracy is a potentially effective way to minimize corporate wrongdoing because it actively monitors top decision makers and continually holds them accountable for their actions.

The democratic enterprise model has a number of vocal advocates but few practitioners. There is somewhat more employee involvement today than a few decades ago, but still far from the democratic ideal. Most firms operate with the traditional model that management retains control and employees have few rights. There may be reasons for this intransigence. One argument against organizational democracy is that employees have a contractual rather than ownership relationship with the organization. They have no legal right to receive citizenship-level control over the business. A second consideration is that employees might emphasize their own interests to the detriment of other stakeholders. In contrast, traditional organizations give management an explicit obligation to serve multiple stakeholders to ensure the organization's survival and success.

Another concern is that workplace democracy might dilute accountability. Although moderate levels of employee involvement can improve decision-making quality and commitment, there is a real risk that no one will take responsibility for decisions when everyone has a say in them. In addition, democracy often results in slower decision making, which could lead to a lethargic corporate response to changes in the external environment. Finally, the democratic enterprise model presumes that employees want to control their organizations, but some research suggests that employees prefer a more moderate level of workplace involvement. For this reason (and others noted above), employee-owned companies often maintain a more traditional hierarchical worker–management relationship.[102]

- *Source of decision knowledge*. Subordinates should be involved in some level of decision making when the leader lacks sufficient knowledge and subordinates have additional information to improve decision quality. In many cases, employees are closer to customers and production activities, so they often know where the company can save money, improve product or service quality, and realize opportunities. This is particularly true for complex decisions where employees are more likely to possess relevant information.

- *Decision commitment*. Participation tends to improve employee commitment to the decision. If employees are unlikely to accept a decision made without their involvement, some level of participation is usually necessary.

- *Risk of conflict.* Two types of conflict undermine the benefits of employee involvement. First, if employee goals and norms conflict with the organization's goals, only a low level of employee involvement is advisable. Second, the degree of involvement depends on whether employees will agree with each other on the preferred solution. If conflict is likely to occur, high involvement (i.e., employees make the decision) would be difficult to achieve.

Employee involvement is an important component of the decision-making process. To make the best decisions, we need to involve people who have valuable information and who will be more motivated to implement the decision. Employee involvement is a formative stage of team dynamics, so it carries many of the benefits and challenges of working in teams. The next chapter provides a closer look at team dynamics, including processes for making decisions in teams.

chapter summary

7-1   Describe the elements of rational choice decision making.

Decision making is a conscious process of making choices among one or more alternatives with the intention of moving toward some desired state of affairs. Rational choice decision making identifies the best choice by calculating the expected valence of numerous outcomes and the probability of those outcomes. It also follows the logical process of identifying problems and opportunities, choosing the best decision style, developing alternative solutions, choosing the best solution, implementing the selected alternative, and evaluating decision outcomes.

7-2   Explain why people differ from rational choice decision making when identifying problems/opportunities, evaluating/choosing alternatives, and evaluating decision outcomes.

Solution-focused problem identification, decisive leadership, stakeholder framing, perceptual defense, and mental models affect our ability to objectively identify problems and opportunities. We can minimize these challenges by being aware of the human limitations and discussing the situation with colleagues.

Evaluating and choosing alternatives is often challenging because organizational goals are ambiguous or in conflict, human information processing is incomplete and subjective, and people tend to satisfice rather than maximize. Decision makers also short-circuit the evaluation process when faced with an opportunity rather than a problem. People generally make better choices by systematically evaluating alternatives. Scenario planning can help make future decisions without the pressure and emotions that occur during real emergencies.

Confirmation bias and escalation of commitment make it difficult to evaluate decision outcomes accurately. Escalation is mainly caused by the self-justification effect, self-enhancement effect, the prospect theory effect, and sunk costs effect. These problems are minimized by separating decision choosers from decision evaluators, establishing a preset level at which the decision is abandoned or reevaluated, relying on more systematic and clear feedback about the project's success, and involving several people in decision making.

7-3   Discuss the roles of emotions and intuition in decision making.

Emotions shape our preferences for alternatives and the process we follow to evaluate alternatives. We also listen in on our emotions for guidance when making decisions. This latter activity relates to intuition—the ability to know when a problem or opportunity exists and to select the best course of action without conscious reasoning. Intuition is both an emotional experience and a rapid, nonconscious, analytic process that involves pattern matching and action scripts.

7-4   Describe employee characteristics, workplace conditions, and specific activities that support creativity.

Creativity is the development of original ideas that make a socially recognized contribution. The four creativity stages are preparation, incubation, illumination, and verification. Incubation assists divergent thinking, which involves reframing the problem in a unique way and generating different approaches to the issue.

Four of the main features of creative people are intelligence, persistence, expertise, and independent imagination. Creativity is also strengthened for everyone when the work environment supports a learning orientation, the job has high intrinsic motivation, the organization provides a reasonable level of job security, and project leaders provide appropriate goals, time pressure, and resources. Four types of activities that encourage creativity are redefining the problem, associative play, cross-pollination, and design thinking. Design thinking is a human-centered, solution-focused creative process that applies

both intuition and analytical thinking to clarify problems and generate innovative solutions. Four rules guide this process: human rule, ambiguity rule, re-design rule, and tangible rule.

7-5 **Describe the benefits of employee involvement and identify four contingencies that affect the optimal level of employee involvement.**

Employee involvement refers to the degree that employees influence how their work is organized and carried out. The level of participation may range from an employee providing specific information to management without knowing the problem or issue, to complete involvement in all phases of the decision process. Employee involvement may lead to higher decision quality and commitment, but several contingencies need to be considered, including the decision structure, source of decision knowledge, decision commitment, and risk of conflict.

key terms

anchoring and adjustment heuristic, p. 188
availability heuristic, p. 189
bounded rationality, p. 187
cognitive dissonance, p. 188
confirmation bias, p. 188
creativity, p. 196
decision making, p. 182

design thinking, p. 200
divergent thinking, p. 197
employee involvement, p. 202
escalation of commitment, p. 194
implicit favorite, p. 188
intuition, p. 191
learning orientation, p. 199

prospect theory effect, p. 194
representativeness heuristic, p. 189
satisficing, p. 189
scenario planning, p. 193
self-enhancement, p. 194

critical thinking questions

1. A management consultant is hired by a manufacturing firm to determine the best site for its next production facility. The consultant has had several meetings with the company's senior executives regarding the factors to consider when making the recommendation. Discuss the decision-making problems that might prevent the consultant from choosing the best site location.

2. You have been asked to personally recommend a new travel agency to handle all airfare, accommodation, and related travel needs for your organization of 500 staff. One of your colleagues, who is responsible for the company's economic planning, suggests that the best travel agent could be selected mathematically by inputting the relevant factors for each agency and the weight (importance) of each factor. What decision-making approach is your colleague recommending? Is this recommendation a good idea in this situation? Why or why not?

3. Intuition is both an emotional experience and a nonconscious analytic process. One problem, however, is that not all emotions signaling that there is a problem or opportunity represent intuition. Explain how we would know if our "gut feelings" are intuition or not, and if not intuition, suggest what might be causing them.

4. A developer received financial backing for a new business financial center along a derelict section of the waterfront, a few miles from the current downtown area of a large European city. The idea was to build several high-rise structures, attract large businesses to those

sites, and have the city extend transportation systems out to the new center. Over the next decade, the developer believed that others would build in the area, thereby attracting the regional or national offices of many financial institutions. Interest from potential business tenants was much lower than initially predicted and the city did not build transportation systems as quickly as expected. Still, the builder proceeded with the original plans. Only after financial support was curtailed did the developer reconsider the project. Using your knowledge of escalation of commitment, discuss three possible reasons why the developer was motivated to continue with the project.

5. Ancient Book Company has a problem with new book projects. Even when others are aware that a book is far behind schedule and may engender little public interest, sponsoring editors are reluctant to terminate contracts with authors whom they have signed. The result is that editors invest more time with these projects than on more fruitful projects. As a form of escalation of commitment, describe two methods that Ancient Book Company can use to minimize this problem.

6. A fresh graduate is offered a job by an employer she admires even before she can start her job search. The student thinks it is an opportunity and jumps to it. Do you think there is an effect of emotions in her decision making?

7. Think of a time when you experienced the creative process. Maybe you woke up with a brilliant (but usually

sketchy and incomplete) idea, or you solved a baffling problem while doing something else. Describe this incident to your class and explain how the experience followed the creative process.

8. Two characteristics of creative people are that they have relevant experience and are persistent in their quest. Does this mean that people with the most experience and the highest need for achievement are the most creative? Explain your answer.

9. Employee involvement applies just as well to the classroom as to the office or factory floor. Explain how student involvement in classroom decisions typically made by the instructor alone might improve decision quality. What potential problems may occur in this process?

📖 CASE STUDY: EMPLOYEE INVOLVEMENT CASES

Scenario 1: The Productivity Dividend Decision

As head of the transmission/distribution group (TD group) in the city's water agency (a government corporation), you have been asked to reduce costs over the next year by a minimum of 3 percent without undermining service. Your department employs about 300 people, who are responsible for constructing and maintaining water lines throughout the city. Although you have an engineering background, the work is complex and involves several professions and trades. Even the TD group's first-line supervisors (one or two levels below you in the hierarchy) are not fully knowledgeable of all aspects of the business.

You believe that most employees support or at least accept the city's recent mandate to reduce costs (called the "productivity dividend initiative"). The city leaders have stated that this initiative will not result in any layoffs this year. However, the labor union representing most nonmanagement staff in the water agency (including most of your employees) is concerned that the productivity dividend initiative will reduce employment numbers over time and increase employee workloads. Although the TD group is a separate department within the city's water agency, it affects most other work units in the agency. It is possible, for example, that ideas that reduce costs in the TD group might increase costs elsewhere. The TD group employees may be unaware of or care little about these repercussions, because there is limited interaction with or social bonding by employees across the departments.

Scenario 2: The Sugar-Substitute Research Decision

You are the head of research and development (R&D) for a major beer company. While working on a new beer product, one of the scientists in your unit seems to have tentatively identified a new chemical compound that has few calories but tastes closer to sugar than current sugar substitutes. The company has no foreseeable need for this product, but it could be patented and licensed to manufacturers in the food industry.

The sugar-substitute discovery is in its preliminary stages and would require considerable time and resources before it would be commercially viable. This means that it would necessarily take some resources away from other projects in the lab. The sugar-substitute project is beyond your technical expertise, but some of the R&D lab researchers are familiar with that field of chemistry. As with most forms of research, it is difficult to determine the amount of research required to further identify and perfect the sugar substitute. You do not know how much demand is expected for this product. Your department has a decision process for funding projects that are behind schedule. However, there are no rules or precedents about funding projects that would be licensed but not used by the organization.

The company's R&D budget is limited, and other scientists in your work group have recently complained that they require more resources and financial support to get their projects completed. Some of these R&D projects hold promise for future beer sales. You believe that most researchers in the R&D unit are committed to ensuring that the company's interests are achieved.

Scenario 3: Coast Guard Cutter Decision

You are the captain of a 200-foot Coast Guard cutter, with a crew of 16, including officers. Your mission is general at-sea search and rescue. At 2:00 a.m. today, while en route to your home port after a routine 28-day patrol, you received word from the nearest Coast Guard station that a small plane had crashed 60 miles offshore. You obtained all the available information concerning the location of the crash, informed your crew of the mission, and set a new course at maximum speed for the scene to commence a search for survivors and wreckage.

You have now been searching for 20 hours. Your search operation has been increasingly impaired by rough seas, and there is evidence of a severe storm building. The atmospherics associated with the deteriorating weather have made communications with the Coast Guard station impossible. A decision must be made shortly about whether to abandon the search and place your vessel on a course that would ride out the storm (thereby protecting the vessel and your crew, but relegating any possible survivors to almost certain death from exposure) or to continue a potentially futile search and the risks it would entail.

Before losing communications, you received an update weather advisory concerning the severity and duration of the storm. Although your crew members are extremely conscientious about their responsibility, you believe that they would be divided on the decision of leaving or staying.

Scenario 4: The Social Media Policy Decision

The industry initiatives agency is a group of 120 professionals responsible for marketing your state as a good place for companies to operate their business or open new operations. Although you report to the head of the state's employment and commerce department, your agency is semi-autonomous in its policies and practices from the parent department. One of your highest priorities is to recruit and retain young, well-educated, high-potential employees for this growing agency. During a recent recruiting drive at universities and polytechnics, some potential applicants candidly stated that the state government seems out of touch with the younger generation, particularly their use of technology. A few observed that your agency's website doesn't provide much recruitment information, and they couldn't find the department's Facebook or Twitter sites.

These comments led you to think about having a social media policy in the industry initiatives agency, particularly whether or to what degree the agency should allow or possibly even encourage its staff to have work-related Facebook sites, personal blogs, and Twitter sites, and to participate in those sites during work hours. You personally know very little about emerging social media, though many of your direct reports (functional managers and team leaders) have varying degrees of knowledge about them. A few even have their own personal Facebook sites, and one manager has her own travel blog. Some direct reports are strongly opposed to social media in the workplace, whereas others are likely very supportive. However, you believe that all of their views are in the agency's best interests.

This social media policy decision would be within your mandate; unlike most governments, neither this state government nor the employment and commerce department has such a policy or restrictions on any policy that is designed by your agency. However, a few specific government departments prohibit Facebook and texting activity during work and, due to concerns about breaches of confidentiality and employer reputation, do not allow employees to mention work-related matters in any social media. Your decision is to develop a policy specifying whether and, if so, to what degree agency staff should be allowed or encouraged to engage in social network site activity during work hours.

Discussion Questions (for all four scenarios)

Four scenarios are presented in this exercise. Assume you are the manager or person in charge. For each scenario, identify the preferred level of employee involvement from one of the five levels described below:

1. *Decide alone*. Use your personal knowledge and insight to complete the entire decision process without conferring with anyone else.
2. *Receive information from individuals*. Ask specific individuals for information. They do not make recommendations and might not even know what the problem is about.
3. *Consult with individuals*. Describe the problem to selected individuals and seek both their information and recommendations. The final decision is made by you, and you may or may not take the advice from others into account.
4. *Consult with the team*. You bring together a team of people (all department staff or a representation of them if the department is large), who are told about the problem and provide their ideas and recommendations. You make the final decision, which may or may not reflect the team's information.
5. *Facilitate the team's decision*. The entire decision-making process is handed over to a team or committee of subordinates. You serve only as a facilitator to guide the decision process and keep everyone on track. The team identifies the problem, discovers alternative solutions, chooses the best alternative, and implements their choice.

For each scenario, explain what factors led you to choose this level of employee involvement rather than the others. Also, be prepared to discuss what problems might occur with less or more involvement in this case (where possible).

TEAM EXERCISE: WHERE IN THE WORLD ARE WE?

PURPOSE This exercise is designed to help you understand the potential advantages of involving others in decisions rather than making decisions alone.

MATERIALS Students require an unmarked copy of the map of the United States with grid marks (Exhibit 2).

Students are not allowed to look at any other maps or use any other materials. The instructor will provide a list of communities located somewhere on Exhibit 2. The instructor will also provide copies of the answer sheet after students have individually and in teams estimated the locations of communities.

INSTRUCTIONS

Step 1: Write down in Exhibit 1 the list of communities identified by your instructor. Then, working alone, estimate the location in Exhibit 2 of these communities, all of which are in the United States. For example, mark a small "1" in Exhibit 2 on the spot where you believe the first community is located. Mark a small "2" where you think the second community is located, and so on. Please be sure to number each location clearly and with numbers small enough to fit within one grid space.

Step 2: The instructor will organize students into approximately equal-sized teams (typically five or six people per team). Working with your team members, reach a consensus on the location of each community listed in Exhibit 1. The instructor might provide teams with a separate copy of this map, or each member can identify the team's numbers using a different colored pen on their individual maps. The team's decision for each location should occur by consensus, not voting or averaging.

Step 3: The instructor will provide or display an answer sheet showing the correct locations of the communities. Using this answer sheet, students will count the minimum number of grid squares between the location they individually marked and the true location of each community. Write the number of grid squares in the second column of Exhibit 1, then add up the total. Next, count the minimum number of grid squares between the location the team marked and the true location of each community. Write the number of grid squares in the third column of Exhibit 1, then add up the total.

Step 4: The instructor will ask for information about the totals, and the class will discuss the implications of these results for employee involvement and decision making.

EXHIBIT 1 List of Selected Communities in the United States of America

NUMBER	COMMUNITY	INDIVIDUAL DISTANCE IN GRID UNITS FROM THE TRUE LOCATION	TEAM DISTANCE IN GRID UNITS FROM THE TRUE LOCATION
1			
2			
3			
4			
5			
6			
7			
8			
		Total:	Total:

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EXHIBIT 2 Map of the United States of America

CLASS EXERCISE: THE HOPPING ORANGE

PURPOSE This exercise is designed to help students understand the dynamics of creativity and team problem solving.

INSTRUCTIONS You will be placed in teams of six students. One student serves as the official timer for the team and must have a watch, preferably with a stopwatch timer.

The instructor will give each team an orange (or similar object) with a specific task involving use of the orange. The objective is easily understood and nonthreatening, and it will be described by the instructor at the beginning of the exercise. Each team will have a few opportunities to achieve the objective more efficiently. To maximize the effectiveness of this exercise, no other information is provided here.

CLASS EXERCISE: CREATIVITY BRAINBUSTERS

PURPOSE This exercise is designed to help students understand the dynamics of creativity and team problem solving.

INSTRUCTIONS (LARGE OR SMALL CLASS) The instructor describes the problem, and students are asked to figure out the solution working alone. When enough time has passed, the instructor may then ask specific students who think they have the solution to describe (or show using projection technology) their answer. The instructor will review the solutions and discuss the implications of this exercise. In particular, be prepared to discuss what you needed to solve these puzzles and what may have prevented you from solving them more quickly.

1. *Double-circle problem*. Draw two circles, one inside the other, with a single line and with neither circle touching the other (as shown below). In other words, you must draw both of these circles without lifting your pen (or other writing instrument).
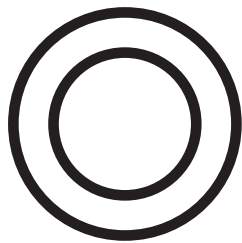
2. *Nine-dot problem*. Below are nine dots. Without lifting your pencil, draw no more than four straight lines that pass through all nine dots.
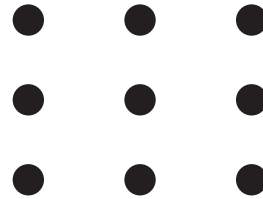
3. *Nine-dot problem revisited*. Referring to the nine-dot exhibit above, describe how, without lifting your pencil, you could pass a pencil line through all dots with three or fewer straight lines.

4. *Word search*. In the following line of letters, cross out five letters so that the remaining letters, without altering their sequence, spell a familiar English word.

   CFRIVEELATETITEVRSE

5. *Burning ropes*. You have two pieces of rope of unequal lengths and a box of matches. In spite of their different lengths, each piece of rope takes one hour to burn; however, parts of each rope burn at unequal speeds. For example, the first half of one piece might burn in 10 minutes. Use these materials to accurately determine when 45 minutes has elapsed.

Team Dynamics

After studying this chapter, you should be able to:

8-1 Explain why employees join informal groups, and discuss the benefits and limitations of teams.

8-2 Outline the team effectiveness model and discuss how task characteristics, team size, and team composition influence team effectiveness.

8-3 Discuss how the four team processes—team development, norms, cohesion, and trust—influence team effectiveness.

8-4 Discuss the characteristics and factors required for the success of self-directed teams and virtual teams.

8-5 Identify four constraints on team decision making and discuss the advantages and disadvantages of four structures aimed at improving team decision making.

A major power tools company had less than nine months to design and manufacture a new product for a national retailer, or lose the order for an entire year. Industrial Molds Group, the award-winning Rockford, Illinois, company that designs, engineers, and builds injection molds, agreed to deliver the complex tooling mold in just 70 days. The 60-person company immediately formed a project team (shown in this photo with the completed industrial mold and the client on the right) and worked closely with teams at four other firms in extrusions, resins, and design work. Industrial Molds' team efficiently completed the tooling mold within the challenging time frame even with a few unexpected changes in product design and resin composition. "It takes years to develop the talents and relationships necessary to meet these kinds of demands," says accounts manager Kerry Smith (third from left in photo).

Industrial Molds Group has flourished by adopting a team approach to manufacturing industrial molds. "In the late 1990s, we started the transition to a team-oriented approach in design engineering and mold development to shorten lead times, improve quality, and meet customer requirements for faster time-to-market," explains co-owner and vice

president Tim Peterson. "You have to collaborate, communicate, and work well together to make sure the work is done correctly."

Industrial Molds' team orientation today is a sharp contrast to its individually focused work environment of the past. "Our history was built on a superstar mentality," admits Peterson. "It wasn't a very fun place to work at that time. It was competitive; there was a lot of contention." Today, everyone at Industrial Molds has a team orientation. "If someone isn't a team player, they won't like our culture," says Peterson. "The employees really do help each other and foster teamwork, getting things done."[1]

Industrial Molds Group and many other firms have organized employees into teams to improve work efficiency, flexibility, and quality. This trend toward teamwork is increasingly common across most industries. More than half of American organizations polled in one survey use teams to a high or very high extent to conduct day-to-day business. By comparison, only 50 percent of executives a decade ago said their work was done in teams. Two decades ago, only 20 percent of those executives said they worked in teams.[2] Teamwork has also become more important in scientific research. A study of almost 20 million research publications reported that the percentage of journal articles written by teams rather than individuals has increased substantially over the past five decades. Team-based articles also had a much higher number of subsequent citations, suggesting that journal articles written by teams are superior to articles written by individuals.[3]

Why are teams becoming so important, and how can organizations strengthen their potential for organizational effectiveness? We find the answers to these and other questions in this chapter on team
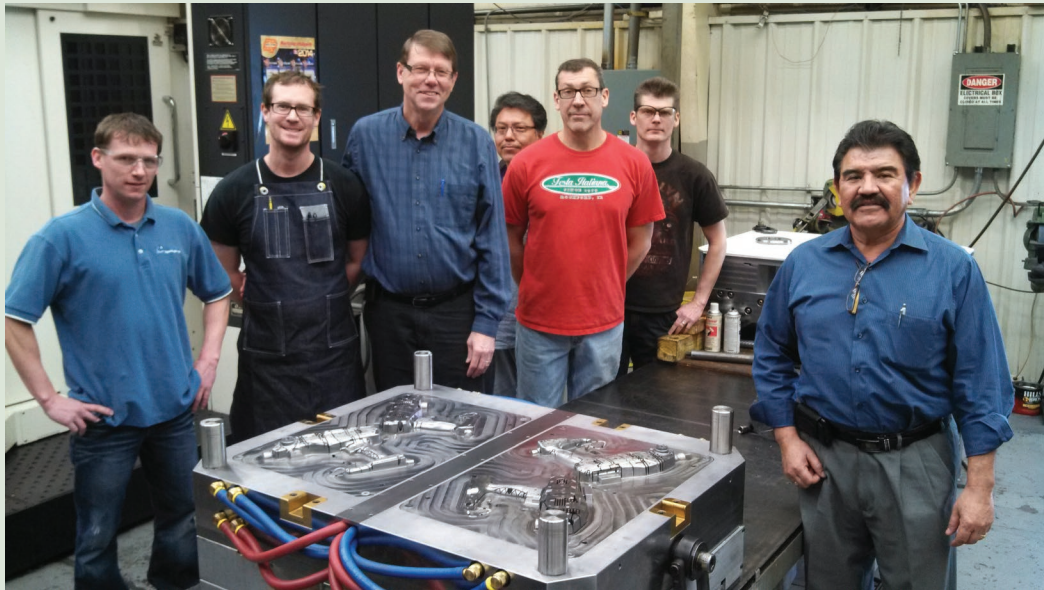
© Industrial Molds

Industrial Molds Group has flourished by adopting a team approach to designing, engineering, and manufacturing industrial molds.

dynamics. This chapter begins by defining *teams,* examining the reasons why organizations rely on teams, and explaining why people join informal groups in organizational settings. A large segment of this chapter examines a model of team effectiveness, which includes team and organizational environment, team design, and the team processes of development, norms, cohesion, and trust. We then turn our attention to two specific types of teams: self-directed teams and virtual teams. The final section of this chapter looks at the challenges and strategies for making better decisions in teams.

Teams and Informal Groups

8-1

teams
groups of two or more people who interact with and influence each other, are mutually accountable for achieving common goals associated with organizational objectives, and perceive themselves as a social entity within an organization

Teams are groups of two or more people who interact with and influence each other, are mutually accountable for achieving common goals associated with organizational objectives, and perceive themselves as a social entity within an organization.[4] This definition has a few important components worth repeating. First, all teams exist to fulfill some purpose, such as creating an industrial mold, assembling a product, designing a new social welfare program, or making an important decision. Second, team members are held together by their interdependence and need for collaboration to achieve common goals. All teams require some form of communication so that members can coordinate and share common objectives. Third, team members influence each other, although some members may be more influential than others regarding the team's goals and activities. Finally, a team exists when its members perceive themselves to be a team. They feel connected to each other through a common interest or purpose.

There are many types of teams in organizations, and each type can be distinguished by three characteristics: team permanence, skill diversity, and authority dispersion (see Exhibit 8.1).[5] Team permanence refers to how long that type of team usually exists. Accounting, marketing, and other departments are usually long-lasting structures, so these teams have high permanence. In contrast, task forces usually have low permanence because most are formed temporarily to solve a problem, realize an opportunity, or design a product or service. An emerging trend is the formation of teams that exist even more briefly, sometimes only for one eight-hour shift.[6]

A second distinguishing characteristic is the team's skill diversity. A team has high skill diversity when its members possess different skills and knowledge, whereas low diversity exists when team members have similar abilities and, therefore, are interchangeable. Most functional departments have low skill diversity because they organize employees around their common skill sets (e.g., people with accounting expertise are located in the accounting department). In contrast, self-directed teams, which we discuss later in this chapter, are responsible for producing an entire product or service, which usually requires members with dissimilar skills and knowledge to perform the diverse tasks in that work. Cross-training increases interchangeability of team members to some extent, but moderately high skill diversity is still likely where the team's work is complex.

Authority dispersion, the third distinguishing characteristic of teams, refers to the degree that decision-making responsibility is distributed throughout the team (high dispersion) or is vested in one or a few members of the team (low dispersion). Departmental teams tend to have low authority dispersion because power is somewhat concentrated in a formal manager. Self-directed teams usually have high authority dispersion because the entire team makes key decisions and hierarchical authority is limited.

EXHIBIT 8.1   Team Permanence, Skill Diversity, and Authority Dispersion for Selected Team Types

TEAM TYPE	DESCRIPTION	TYPICAL CHARACTERISTICS
Departmental teams	Teams that consist of employees who have similar or complementary skills and are located in the same unit of a functional structure; usually minimal task interdependence because each person works with clients or with employees in other departments.	*Team permanence:* High—departments continue indefinitely. *Skill diversity:* Low to medium—departments are often organized around common skills (e.g., accounting staff located in the accounting department). *Authority dispersion:* Low—departmental power is usually concentrated in the departmental manager.
Self-directed teams	Teams whose members are organized around work processes that complete an entire piece of work requiring several interdependent tasks and have substantial autonomy over the execution of those tasks (i.e., they usually control inputs, flow, and outputs with little or no supervision).	*Team permanence:* High—teams are usually assigned indefinitely to a specific cluster of production or service activities. *Skill diversity:* Medium to high—members typically perform different tasks requiring diverse skill sets, but cross-training can somewhat reduce skill diversity. *Authority dispersion:* High—team members share power, usually with limited hierarchical authority.
Task force (project) teams	Cross-functional teams whose members are usually drawn from several disciplines to solve a specific problem, realize an opportunity, or design a product or service.	*Team permanence:* Low—teams typically disband on completion of a specific project. *Skill diversity:* Medium to high—members are typically drawn from several functional specializations associated with the complexity of the problem or opportunity. *Authority dispersion:* Medium—teams often have someone with formal authority (project leader), but members also have moderate power due to their expertise and functional representation.

INFORMAL GROUPS

This chapter mainly focuses on formal teams, but employees also belong to informal groups. All teams are groups; however, many groups do not satisfy our definition of teams. Groups include people assembled together, whether or not they have any interdependence or organizationally focused objective. The friends you meet for lunch are an *informal group,* but they wouldn't be called a team because they have little or no interdependence (each person could just as easily eat lunch alone) and no organizationally mandated purpose. Instead, they exist primarily for the benefit of their members. Although the terms are used interchangeably, *teams* has largely replaced *groups* in the language of business when referring to employees who work together to complete organizational tasks.[7]

Why do informal groups exist? One reason is that human beings are social animals. Our drive to bond is hardwired through evolutionary development, creating a need to belong to informal groups.[8] This is evident by the fact that people invest considerable time and effort forming and maintaining social relationships without any special circumstances or ulterior motives. A second reason why people join informal groups is provided by social identity theory, which states that individuals define themselves by their group affiliations (see Chapter 3). Thus, we join groups—particularly those that are viewed favorably by others and that have values similar to our own—because they shape and reinforce our self-concept.[9]

A third reason why informal groups exist is that they accomplish personal objectives that cannot be achieved by individuals working alone. For example, employees will sometimes congregate to oppose organizational changes because this collective effort has more power than individuals who try to bring about change alone. These informal groups, called *coalitions*, are discussed in Chapter 10. A fourth explanation for informal groups is that we are comforted by the mere presence of other people and are therefore

motivated to be near them in stressful situations. When in danger, people congregate near each other even though doing so serves no protective purpose. Similarly, employees tend to mingle more often after hearing rumors that the company might be acquired by a competitor. As Chapter 4 explained, this social support minimizes stress by providing emotional and/or informational resources to buffer the stress experience.[10]

Informal Groups and Organizational Outcomes   Informal groups are not created to serve corporate objectives, yet they have a profound influence on the organization and its employees. Informal groups potentially minimize employee stress because, as mentioned, group members provide emotional and informational social support. This stress-reducing capability of informal groups improves employee well-being, which potentially increases organizational effectiveness. Informal groups are also the backbone of *social networks,* which are important sources of trust building, information sharing, power, influence, and employee well-being in the workplace.[11] Chapter 9 describes the increasing popularity of enterprise social networking sites similar to Facebook and LinkedIn that encourage employees to form informal groups. Chapter 10 explains how social networks are a source of influence in organizational settings. Employees with strong informal networks tend to have more power and influence because they receive better information and preferential treatment from others and their talent is more visible to key decision makers.

Advantages and Disadvantages of Teams

Menlo Innovations is an extreme team-based organization. Most of the 50 employees at the Ann Arbor, Michigan, software company work in pairs throughout the week. In "pair programming," two employees share one computer. One person (called the driver) writes code while the other (called the navigator) offers guidance and proofs the work. The two switch roles throughout the week and have ongoing discussions about where to take the work next. Each Monday, Menlo reassigns employees to different partners and often moves them to a different part of the project or to another project altogether.[12]

Why are teams so important at Menlo Innovations and so many other companies around the world? The answer to this question has a long history.[13] Early research on British coal mining in the 1940s, the Japanese economic miracle of the 1970s, and a huge number of investigations since then have revealed that *under the right conditions,* teams make better decisions, develop better products and services, and create a more engaged workforce than do employees working alone.[14] Similarly, team members can quickly share information and coordinate tasks, whereas these processes are slower and prone to more errors in traditional departments led by supervisors. Teams typically provide superior customer service because they offer clients more knowledge and expertise than individuals working alone can offer.

In many situations, people are potentially more motivated when working in teams than when working alone.[15] One reason for this motivation is that, as we mentioned a few paragraphs ago, employees have a drive to bond and are motivated to fulfill the goals of groups to which they belong. This motivation is stronger when the team is part of the employee's social identity.

A second reason why people are more motivated in teams is their accountability to fellow team members, who monitor performance more closely than a traditional supervisor. This is particularly true where the team's performance depends on the worst performer, such as on an assembly line where the team's performance is determined by the slowest employee. A third reason why employees tend to work harder when near others is because coworkers become benchmarks of comparison. Employees are also motivated to work harder because of apprehension that their performance will be compared to others' performance.

THE CHALLENGES OF TEAMS

Teams are potentially very productive, but they are not always as effective as individuals working alone.[17] The main problem is that teams have additional costs called **process losses**—resources (including time and energy) expended on team development and maintenance rather than on performing the task.[18] Team members need time and effort to resolve their disagreements, develop mutual understanding of their goals, determine the best strategy for accomplishing those goals, negotiate their specific roles, and agree on informal rules of conduct. An employee working alone on a project does not have these disagreements, misunderstandings, divergent viewpoints, or coordination problems within himself or herself (at least, not nearly as much as with other people). Teams may be necessary when the work is so complex that it requires knowledge and skills from several people. But when the work can be performed by one person, process losses can make a team less effective than an individual working alone.

Process losses are amplified when more people are added or replace others on the team.[19] The new team members consume time and effort figuring out how to work well with other team members. Performance also suffers among current team members while their attention is diverted from task performance to accommodating and integrating the newcomer. Process losses tend to increase as the team adds more members, because a larger team requires more coordination, more time for conflict resolution, and so forth. The software industry even has a name for the problems of adding people to a team: **Brooks's law** says that adding more people to a late software project only makes it later! Although process losses are well known, research has found that managers consistently underestimate these costs when adding more people to an existing team.[20]

Social Loafing   The process losses just described mainly refer to coordination challenges, but teams also suffer from motivational process losses. The best-known motivational process loss is **social loafing,** which occurs when people exert less effort (and usually perform at a lower level) in teams than working alone.[21]

Social loafing is more pervasive under several

process losses	Brooks's law	social loafing
resources (including time and energy) expended toward team development and maintenance rather than the task	the principle that adding more people to a late software project only makes it later	the problem that occurs when people exert less effort (and usually perform at a lower level) when working in teams than when working alone

conditions.[22] Social loafing is more likely to occur when individual performance is hidden or difficult to distinguish from the performance of other team members. In team settings, individual performance is less visible in larger rather than smaller teams. It is also hidden when the team produces a single output (e.g., solving a client's problem) rather than separate outputs for each team member (e.g., each member reviews several accounting reports per day). Second, social loafing is more common when the work is boring or the team's overall task has low task significance (see Chapter 6). Third, individual characteristics explain why some people are more likely to engage in social loafing. For instance, social loafing is more prevalent among team members with low conscientiousness and low agreeableness personality traits as well as low collectivist values.

Fourth, social loafing is more prevalent when employees lack motivation to help the team achieve its goals. This lack of motivation occurs when individual members have low social identity with the team and the team has low cohesion. Lack of motivation also occurs when employees believe other team members aren't pulling their weight. In other words, social loafers provide only as much effort as they believe others will provide, which is their way of maintaining fairness in work allocation. Employees also exert less effort when they believe they have little control over the team's success, such as when the team is large (their contribution has minimal effect on the team's performance) and when the team is dependent on other members with known performance problems.

By understanding the causes of social loafing, we can identify ways to minimize this problem. Some of the strategies listed below reduce social loafing by making each member's performance more visible. Others increase each member's motivation to perform his or her tasks within the group.

- *Form smaller teams*—Splitting the team into several smaller groups reduces social loafing because each person's performance becomes more noticeable and important for team performance. "When the group is smaller, there's nowhere to hide," explains Strategic Investments principal David Zebro. "You have to pull your weight."[23] A smaller group also potentially increases individual commitment to and identity with the team.

- *Specialize tasks*—Individual effort is easier to observe when each team member performs a different work activity. For example, rather than pooling their effort for all incoming customer inquiries, each customer service representative might be assigned a particular type of client.

- *Measure individual performance*—Social loafing is minimized when each member's contribution is measured. This is possible when each member can perform parallel tasks, such as serving different customers. But the recommendation is difficult to implement when the team produces a single output, such as solving a client's problem.

- *Increase job enrichment*—Social loafing is minimized when each team member's task has high motivation potential, such as requiring more skill variety or having direct contact with clients. More generally, social loafing is less common when the team's overall objective has high task significance.

- *Select motivated, team-oriented employees*—Social loafing can be minimized by carefully selecting team members who will form a bond or identity with the team, have at least moderately high conscientiousness and agreeableness personality traits, and have a somewhat collectivist value orientation. Social loafing is also minimized by selecting team members who are self-motivated, because these people perform their tasks well even when their personal work output is difficult to measure.

Overall, teams can be very powerful forces for competitive advantage, or they can be much more trouble than they are worth. To understand when teams are better than

individuals working alone, we need to more closely examine the conditions that make teams effective or ineffective. The next few sections of this chapter discuss the model of team effectiveness.

A Model of Team Effectiveness

8-2

Why are some teams effective while others fail? To answer this question, we first need to clarify the meaning of team effectiveness. A team is effective when it benefits the organization and its members, and survives long enough to accomplish its mandate.[24] First, teams exist to serve some organizational purpose, so effectiveness is partly measured by the achievement of that objective. Second, a team's effectiveness relies on the satisfaction and well-being of its members. People join groups to fulfill their personal needs, so effectiveness is partly measured by this need fulfillment. Finally, team effectiveness includes the team's ability to survive long enough to fulfill its purpose. Earlier, we pointed out that very short-lived teams are an emerging trend in organizations. Yet even these "flash teams" could fall apart literally (people refuse to join or stay with the team) or cognitively (members become emotionally disengaged from the team).

Researchers have developed several models over the years to identify the features or conditions that make some teams more effective than others.[25] Exhibit 8.2 integrates the main components of these team effectiveness models. We will closely examine each component over the next several pages. This exhibit is a meta-model because each component (team development, team cohesion, etc.) includes its own set of theories to explain how that component operates.

ORGANIZATIONAL AND TEAM ENVIRONMENT

The organizational and team environment represents all conditions beyond the team's boundaries that influence its effectiveness. The environment is typically viewed as a resource pool that either supports or inhibits the team's ability to function and achieve its objectives.[26] Team members tend to work together more effectively when they receive

EXHIBIT 8.2   Team Effectiveness Model

Team Design
- Task characteristics
- Team size
- Team composition

Organizational and Team Environment
- Rewards
- Communication
- Organizational structure
- Organizational leadership
- Physical space

Team Processes
- Team development
- Team norms
- Team cohesion
- Team trust

Team Effectiveness
- Accomplish tasks
- Satisfy member needs
- Maintain team survival
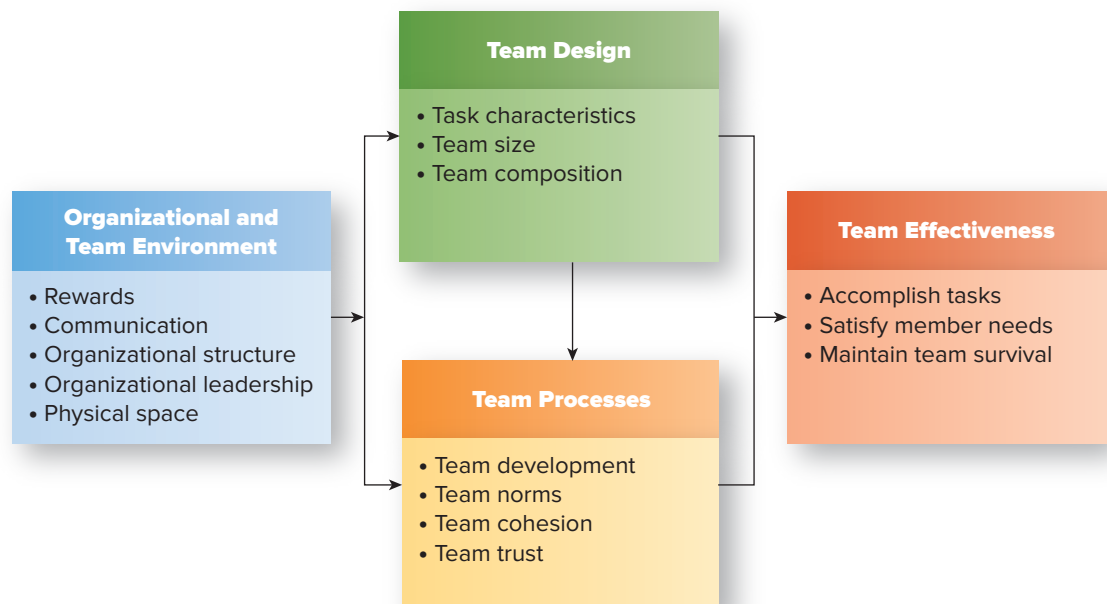
global connections 8.1

European Firms Enhance Team Performance with Obeya Rooms

Many years ago, Toyota Motor Company discovered that it can speed up new car design and manufacturing engineering by forming a cross-functional team and having the team members meet regularly in an "obeya"—Japanese for "large room." Companies throughout Europe have recently introduced obeya rooms to improve team performance on complex problems through face-to-face interaction. The obeya room at PSA Peugeot Citroën is a command central. The walls are plastered with graphs and notes so team members can visualize progress and document key issues. The French automaker recently added virtual whiteboards so remote team members can be involved in the obeya process. Nike's European Distribution Center in Belgium installed an obeya a few years ago. It was so successful that the sports footwear and apparel company's European information technology group recently built its own obeya space.

Siemens DF Motion Control group throughout Europe has introduced obeya rooms to support product development and production process decision making. In Congleton, UK, for example, Siemens employees congregate in the obeya room, where they are given the challenge of finding more efficient ways to manufacture specific products. One obeya session came up with 260 improvements

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for a single product. Other obeya sessions have found ways to cut production costs by 40 percent. Siemens quality systems manager Annemarie Kreyenberg noticed that the obeya room at her worksite in Germany has changed the company's culture. "The behavior of people in this [obeya] room was an excellent reflection of the progress of the cultural change," she observes. "Teams and managers experimented with new behaviors, creating role models and examples for the entire organization."[27]

some team-based rewards, when the organization's structure assigns discrete clusters of work activity to teams, when information systems support team coordination, and when the physical layout of the team's workspace encourages frequent communication. The team's leadership also plays an important role, such as by supporting teamwork rather than "star" individuals and by valuing the team's diversity.[28]

Along with being a resource, the environment generates drivers for change within teams. External competition is an environmental condition that affects team dynamics, such as increasing motivation of team members to work together. Another environmental driver would be changing societal expectations, such as higher safety standards, which require teams to alter their norms of behavior. These external forces for change not only motivate teams to redesign themselves, they also refocus the team's attention. For instance, teams develop better ways of working together so they provide better customer service.

Team Design Elements

Even when it operates in a team-friendly environment, the team's effectiveness will fall short of its potential if the task characteristics, team size, and team composition are poorly designed.

TASK CHARACTERISTICS

The case study at the beginning of this chapter stated that Industrial Molds Group shifted from an individual "superstar mentality" to a team-based work process. The main reason for this shift to teamwork is that industrial molds for plastic parts have become much

more complex to design, engineer, and manufacture. Complex work requires skills and knowledge beyond one person's abilities. Teams are particularly well suited for complex work that can be divided into more specialized roles, and where the people in those specialized roles are able to coordinate frequently with each other.

Task complexity demands teamwork, but teams work better when the work is well structured rather than ambiguous or novel. Team members on an automobile assembly line have well-structured tasks. They perform the same set of tasks each day—they have low *task variability* (see Chapter 5)—and the work is predictable enough for well-established procedures (low *task analyzability*). The main benefit of well-structured tasks is that it is easier to coordinate the work among several people.

In contrast, ambiguous and unpredictable tasks are more difficult to coordinate among team members, which leads to higher process losses and errors. Fortunately, teams can perform these less structured tasks reasonably well when their roles are well defined. During surgery, for example, medical team members—the surgeon, scrub technicians, operating room nurses, anesthesiologist, and others—have enough role clarity and associated expertise to generally know what to expect of each other and how to coordinate even when unique situations arise.[29]

Another task-related influence on team effectiveness is **task interdependence**—the extent to which team members must share materials, information, or expertise to perform their jobs.[30] Apart from complete independence, there are three levels of task interdependence, as illustrated in Exhibit 8.3. The lowest level of interdependence, called *pooled interdependence,* occurs when an employee or work unit shares a common resource, such as machinery, administrative support, or a budget, with other employees or work units. This interdependence exists when each member works alone but shares raw materials or machinery to perform her or his otherwise independent tasks. Interdependence is higher under *sequential interdependence,* in which the output of one person becomes the direct input for another person or unit. Employees on an assembly line typically have sequential interdependence because each team member's output is forwarded to the next person on the line for further assembly of the product or service.

task interdependence
the extent to which team members must share materials, information, or expertise in order to perform their jobs

EXHIBIT 8.3

Levels of Task Interdependence
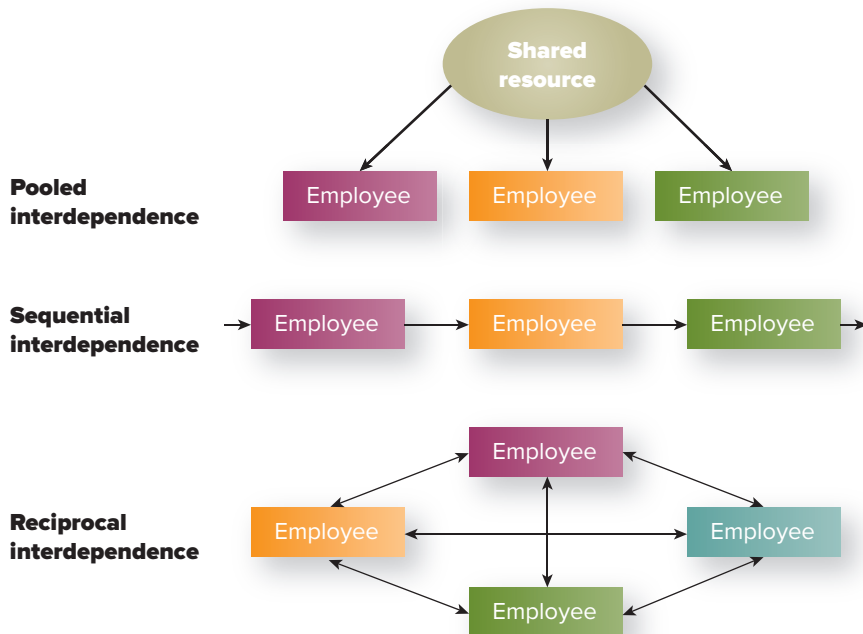
Reciprocal interdependence, in which work output is exchanged back and forth among individuals, produces the highest degree of interdependence. People who design a new product or service would typically have reciprocal interdependence because their design decisions affect others involved in the design process. Any decision made by the design engineers would influence the work of the manufacturing engineer and purchasing specialist, and vice versa. Employees with reciprocal interdependence should be organized into teams to facilitate coordination in their interwoven relationship.

As a rule, the higher the level of task interdependence, the greater the need to organize people into teams rather than have them work alone. A team structure improves interpersonal communication and thus results in better coordination. High task interdependence also motivates most people to be part of the team. However, the rule that a team should be formed when employees have high interdependence applies when team members have the same task goals, such as serving the same clients or collectively assembling the same product. When team members have different goals (such as serving different clients) but must depend on other team members to achieve those unique goals, teamwork might create excessive conflict. Under these circumstances, the company should try to reduce the level of interdependence or rely on supervision as a buffer or mediator among employees.

TEAM SIZE

What is the ideal size for a team? Online retailer Amazon relies on the "two-pizza team" rule, namely that a team should be small enough to be fed comfortably with two large pizzas. This works out to between five and seven employees. At the other extreme, a few experts suggest that tasks are becoming so complex that many teams need to have more than 100 members.[31] Unfortunately, the former piece of advice (two-pizza teams) is too simplistic, and the latter seems to have lost sight of the meaning and dynamics of real teams.

Generally, teams should be large enough to provide the necessary abilities and viewpoints to perform the work, yet small enough to maintain efficient coordination and meaningful involvement of each member.[32] "You need to have a balance between having enough people to do all the things that need to be done, while keeping the team small enough so that it is cohesive and can make decisions effectively and speedily," says Jim Hassell, Group CEO of BAI Communications, which designs, builds, and operates global telecommunications networks.[33] Small teams (say, less than a dozen members) operate effectively because they have less process loss. Members of smaller teams also tend to feel more engaged because they have more influence on the group's norms and goals and feel more responsible for the team's successes and failures. Also, members of smaller teams get to know each other better, which improves mutual trust as well as perceived support, help, and assistance from those team members.[34]

Should companies have 100-person teams if the task is highly complex? The answer is that a group this large probably isn't a team, even if management calls it one. A team exists when its members interact and influence each other, are mutually accountable for achieving common goals associated with organizational objectives, and perceive themselves as a social entity within an organization. It is very difficult for everyone in a 100-person work unit to influence each other and perceive themselves as members of the same team. However, such complex tasks can usually be divided into several smaller teams.

TEAM COMPOSITION

Team effectiveness depends on the qualities of the people who are members of those teams.[35] Teams perform better when their members are highly motivated, possess the required abilities, and have clear role perceptions to perform the assigned task activities (see MARS model in Chapter 2). But effective teams demand more than just high-performing individuals who happen to be working together. Teams also need people who are motivated and able to work effectively in teams. For this reason, job

applicants in many firms are assessed for their team member behaviors, not just for their motivation and ability to perform the work alone. For example, most Southwest Airlines employees work in teams, so the company asks job applicants to describe a time when they went above and beyond job requirements to help a coworker succeed. This question helps the airline identify which applicants have the strongest team member behaviors.[36]

The most frequently mentioned team member behaviors are depicted in the "Five Cs" model illustrated in Exhibit 8.4: cooperating, coordinating, communicating, comforting, and conflict handling. The first three sets of behaviors are mainly (but not entirely) task-related, while the last two primarily assist team maintenance:[37]

Cooperating. Effective team members are willing and able to work together rather than alone. This includes sharing resources and being sufficiently adaptive or flexible to accommodate the needs and preferences of other team members, such as rescheduling use of machinery so that another team member with a tighter deadline can use it.

Coordinating. Effective team members actively manage the team's work so that it is performed efficiently and harmoniously. For example, effective team members keep the team on track and help integrate the work performed by different members. This typically requires that effective team members know the work of other team members, not just their own.

Communicating. Effective team members transmit information freely (rather than hoarding), efficiently (using the best channel and language), and respectfully (minimizing arousal of negative emotions).[38] They also listen actively to coworkers.

Comforting. Effective team members help coworkers maintain a positive and healthy psychological state. They show empathy, provide emotional comfort, and build coworker feelings of confidence and self-worth.

Conflict handling. Conflict is inevitable in social settings, so effective team members have the skills and motivation to resolve disagreements among team members. This requires effective use of various conflict-handling styles as well as diagnostic skills to identify and resolve the structural sources of conflict.

IMPORTANCE OF EFFECTIVE TEAM BEHAVIORS IN JOB APPLICANTS, COWORKERS, AND BOSS[39]

44% of more than 40,000 employees surveyed in 300 global companies identify teamwork as the most important attribute when rating their coworkers.

60% of 2,138 American hiring managers and human resource professionals surveyed say that being team-oriented is an important characteristic they look for in job applicants.

15% of 97,000 employees surveyed across 30 countries identify teamwork as the most important characteristic of a good boss.

Photo: © Ingram Publishing RF

Team Diversity   Diversity, another important dimension of team composition, has both positive and negative effects on teams.[40] The main advantage of diverse teams is that they make better decisions than do homogeneous teams in some situations. One reason is that people from different backgrounds tend to see a problem or opportunity from different angles. Team members have different mental models, so they are more likely to identify viable solutions to difficult problems. A second reason is that diverse team members have a broader pool of technical abilities. Financial services teams consist of people with expertise in diverse areas, such as stocks, bonds, derivatives, cash management, and other asset classes. Some teams also have diverse investment philosophies (fundamentals, technical, momentum, etc.) and expertise across regions of the world.

The financial services industry has shifted away from individual "stars" to teams. More than 80 percent of the top 400 financial adviser firms in the United States work in teams. On average, these teams have 11 people, such as analysts, sales assistants, and client relationship managers. This transition to teams has occurred because wealth management services has become too complex for financial advisers working alone. Instead, diverse teams provide more breadth of knowledge to effectively serve high-income clients. Scott Magnesen, who leads a team at Morgan Stanley Wealth Management in the Chicago area, explains: "Lots of successful teams have people with different backgrounds, so they can hit those different areas of client needs."[41]

© Thomas Barwick/Getty Images RF

Another advantage of diverse teams is that they often provide better representation of the team's constituents, such as other departments or clients from similarly diverse backgrounds. This representation brings different viewpoints to the decision; it also gives stakeholders a belief that they have a voice in that decision process. As we learned in Chapter 5, voice is an important ingredient in procedural justice, so stakeholders are more likely to believe the team's decision is fair when the team mirrors the surface or deep-level diversity of its constituents.

Against these advantages are a number of challenges created by team diversity. Employees with diverse backgrounds take longer to become a high-performing team. This occurs partly because bonding is slower among people who are different from each other, especially when teams have deep-level diversity (i.e., different beliefs and values). Diverse teams are susceptible to "faultlines"—hypothetical dividing lines that may split a team into subgroups along gender, ethnic, professional, or other dimensions.[42] These faultlines undermine team effectiveness by reducing the motivation to communicate and coordinate with teammates on the other side of the hypothetical divisions. In contrast, members of teams with minimal diversity experience higher satisfaction, less conflict, and better interpersonal relations. As a result, homogeneous teams tend to be more effective on tasks requiring a high degree of cooperation and coordination, such as emergency response teams.

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SELF-ASSESSMENT 8.1: Are You a Team Player?

Some people would like to work in teams for almost every aspect of their work, whereas other people would like to keep as far away from teams as possible. Most of us fall somewhere in between. You can discover where you place along the team player continuum by locating this self-assessment in Connect if it is assigned by your instructor.

Team Processes

8-3

The third set of elements in the team effectiveness model, collectively known as *team processes,* includes team development, norms, cohesion, and trust. These elements represent characteristics of the team that continuously evolve.

TEAM DEVELOPMENT

Team members must resolve several issues and pass through several stages of development before emerging as an effective work unit. They need to get to know and trust each other, understand and agree on their respective roles, discover appropriate and inappropriate behaviors, and learn how to coordinate with each other. The longer team members work together, the better they develop common or complementary mental models, mutual understanding, and effective performance routines to complete the work.

A popular model that captures many team development activities is shown in Exhibit 8.5.[43] The diagram shows teams moving systematically from one stage to the next, while the dashed lines illustrate that teams might fall back to an earlier stage of development as new members join or other conditions disrupt the team's maturity. *Forming,* the first stage of team development, is a period of testing and orientation in which members learn about each other and evaluate the benefits and costs of continued membership. People tend to be polite, will defer to authority, and try to find out what is expected of them and how they will fit into the team. The *storming* stage is marked by interpersonal conflict as members become more proactive and compete for various team roles. Members try to establish norms of appropriate behavior and performance standards.

EXHIBIT 8.5   Stages of Team Development
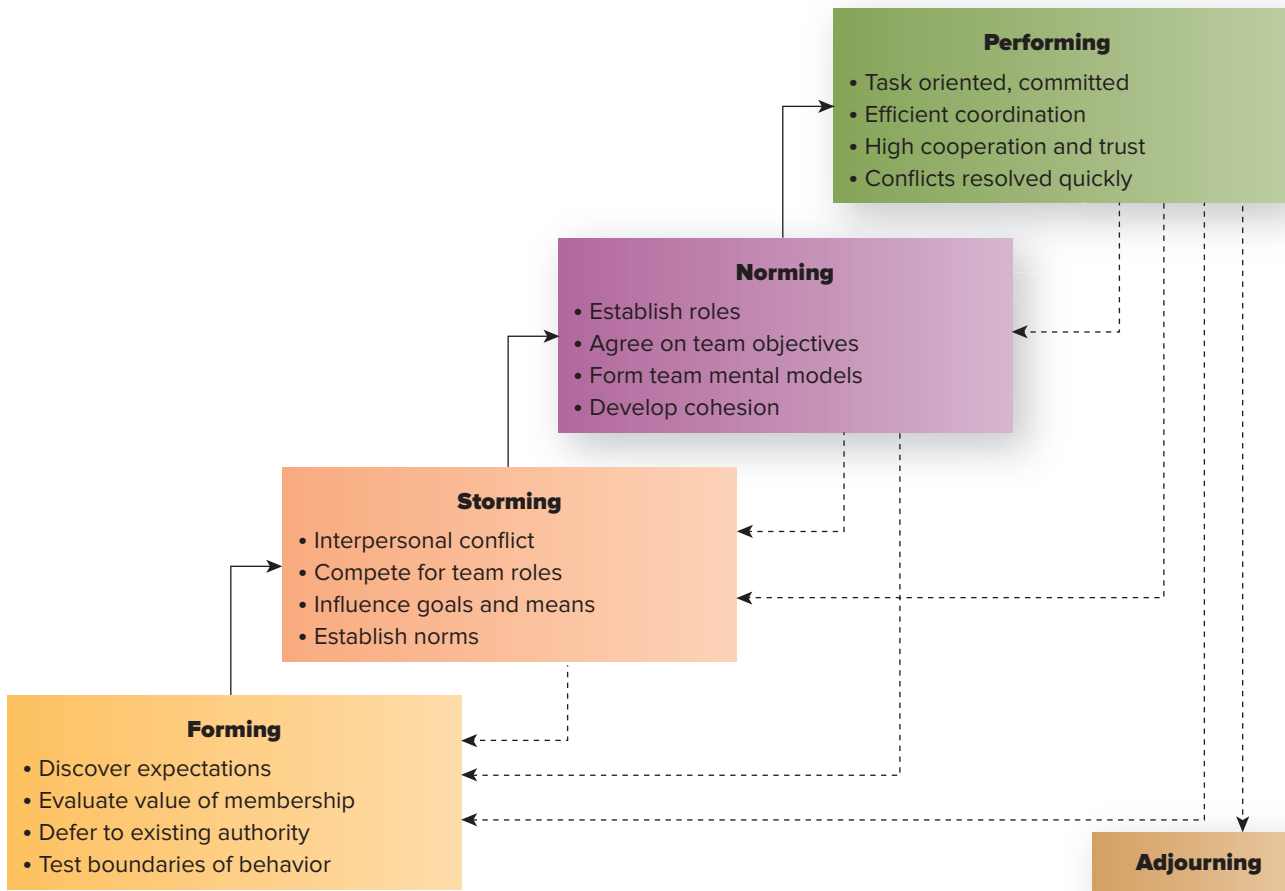
During the *norming* stage, the team develops its first real sense of cohesion as roles are established and a consensus forms around group objectives and a common or complementary team-based mental model. By the *performing* stage, team members have learned to efficiently coordinate and resolve conflicts. In high-performance teams, members are highly cooperative, have a high level of trust in each other, are committed to group objectives, and identify with the team. Finally, the *adjourning* stage occurs when the team is about to disband. Team members shift their attention away from task orientation to a relationship focus.

Developing Team Identities and Mental Models   Although this model depicts team development fairly well, it is not a perfect representation of the process. For instance, it does not show that some teams remain in a particular stage longer than others and does not explain why teams sometimes regress back to earlier stages of development. The model also masks two sets of processes that are the essence of team development: developing team identity and developing team mental models and coordinating routines.[44]

- *Developing team identity*. Team development is apparent when its members shift from viewing the team as something "out there" to something that is part of themselves. In other words, team development occurs when employees make the team part of their social identity and take ownership of the team's success.[45]

The 36th Contingency Response Group (CRG) is a rapid-deployment unit that establishes and maintains airfield operations before the main units arrive in humanitarian and disaster relief situations. The 44 team members achieve this efficiency through shared mental models and routines of coordination. They know their roles, each other's roles, and what an efficient operation should look like. Following Nepal's devastating earthquake, for example, the 36th CRG crew flew from Andersen Air Force Base, Guam, and within an hour of arrival was moving cargo off the Kathmandu airfield. Over the next month, they and the Nepalese army unloaded more than 200 aircraft. "Our diverse team strives to keep aircraft ground times to a minimum which is what allows a larger throughput of aircraft and humanitarian aid," explains 36th CRG operations officer Capt. Brint Ingersoll. "We team up with other professionals to make this a very fluid, very efficient process." This photo shows 36th CRG crew members during their flight to the Nepal deployment.[48] Source: U.S. Air Force photo by Maj. Ashley Conner/Released

role
a set of behaviors that people are expected to perform because they hold certain positions in a team and organization

- *Developing team mental models and coordinating routines*. Team development includes forming shared mental models of the work and team relationship.[46] Team mental models are knowledge structures mutually held by team members about expectations and ideals of the collective task and team dynamics. These mental models are shared or complementary. They include expectations and ideals about how the work should be accomplished as well as how team members should support each other. As team members form shared mental models, they also develop coordinating routines.[47] Each member develops habitual work practices that coordinate almost automatically with other members. They also develop action scripts to quickly adjust work behaviors in response to changes in activity by other team members.

Team Roles   An important part of the team development process is forming and reinforcing team roles. A **role** is a set of behaviors that people are expected to perform because they hold formal or informal positions in a team and organization.[49] Some roles help the team achieve its goals; other roles maintain relationships within the team. Team members are assigned specific roles within their formal job responsibilities. For example, team leaders are usually expected to initiate discussion, ensure that everyone has an opportunity to present his or her views, and help the team reach agreement on the issues discussed.

Many team roles aren't formally embedded in job descriptions. Instead, they are informally assigned or claimed as part of the team development process. Team members are attracted to informal roles that suit their personality and values as well as the wishes of other team members. These informal roles are shared, but many are eventually associated with specific team members through subtle positioning and negotiation. Several experts have tried to categorize the various team roles. One recent model identifies six role categories: organizer, doer, challenger, innovator, team builder, and connector.[50]

connect

SELF-ASSESSMENT 8.2: What Team Roles Do You Prefer?

All teams depend on their members to fill various roles. Some roles are assigned through formal jobs, but many team roles are distributed informally. Informal roles are often claimed by team members whose personality and values are compatible with those roles. You can discover which roles you prefer in meetings and similar team activities by locating this self-assessment in Connect if it is assigned by your instructor.

team building

a process that consists of formal activities intended to improve the development and functioning of a work team

Accelerating Team Development through Team Building

Team development takes time, but organizations often try to accelerate this process through **team building,** which consists of formal activities to improve the development and functioning of a work team.[51] Team building may be applied to new teams, but it is more commonly introduced for existing teams that have regressed to earlier stages of team development due to membership turnover or loss of focus. Team development is a complex process so, not surprisingly, there are several types of team building to serve different objectives. Team-building interventions are often organized into the following four categories; some team-building activities include two or more of these categories:[52]

- *Goal setting:* Some interventions help team members clarify the team's performance goals, increase the team's motivation to accomplish these goals, and establish a mechanism for systematic feedback on the team's goal performance. For example, a team-building program for a junior league ice hockey team in Finland included at the beginning of the season identifying distant goals (e.g., to be among the league's top three teams) and then specific goals to reach those distant goals. Each week throughout the season, subteams of three to six players reflected on these team goals and identified related individual goals and training.[53]

- *Problem solving:* This type of team building focuses on decision making, including how the team identifies problems and searches for alternatives. It also potentially develops critical thinking skills. Some team-building interventions are simulation games in which teams practice problem solving in hypothetical situations.

- *Role clarification:* This type of team building clarifies and reconstructs each member's perceptions of her or his role as well as the role expectations of other team members. Role-definition team building also helps the team develop the shared mental models that we discussed earlier, such as how to interact with clients, maintain machinery, and participate productively in meetings.

- *Interpersonal relations:* This is the oldest and still the most common type of team building. It tries to help team members learn more about each other, build trust in each other, manage conflict within the team, and strengthen team members' social identity with the team.[54] Some of the most popular team-building interventions today, such as those described in Exhibit 8.6, attempt to improve interpersonal relations within the team.

EXHIBIT 8.6   Popular Team-Building Activities[55]

Team-Building Activity	Description	Example
Team volunteering events	Teams of employees who spend a day providing a public service to the community.	Nicor Gas employees in Illinois volunteer their time in teams to help the community, such as building a house for Habitat for Humanity.
Team scavenger/ treasure hunt competitions	Teams that follow instructions to find clues or objects collected throughout the community.	Goldman Sachs employees work in teams ($50,000 minimum fund-raising for each team to join) to solve 24 puzzles around Manhattan over 16 hours.
Team sports/exercise competitions	A wide variety of sports or health activities, such as sports tournaments across departments.	E-commerce software developer Shopify holds an annual beach Volleyball Day, in which employee teams wear themed clothing (e.g., lumberjacks) and later enjoy a huge banquet picnic.
Team music ensemble events	A large team of employees who learn how to play drums or other musical instruments.	Employees at several GlaxoSmithKline offices in Europe and Asia have participated in drum circle team-building events.

Do team-building interventions improve team development and effectiveness? The answer is that all four types of team building are potentially effective, but some interventions work better than others and in some situations more than others. One major review identified role clarification and goal setting as the most successful types of team building. One study found that team-building interventions are most effective when participants receive training on specific team skills, such as coordinating, conflict resolving, and communicating.[56]

However, many team-building activities are less successful.[57] One problem is that team-building interventions are used as general solutions to general team problems. A better approach is to begin with a sound diagnosis of the team's health and then select team-building interventions that address specific weaknesses.[58] Another problem is that team building is applied as a one-shot medical inoculation that every team should receive when it is formed. In truth, team building is an ongoing process, not a three-day jump start.[59] Finally, we must remember that team building occurs on the job, not just on an obstacle course or in a national park. Organizations should encourage team members to reflect on their work experiences and to experiment with just-in-time learning for team development.

TEAM NORMS

norms
the informal rules and shared expectations that groups establish to regulate the behavior of their members

Norms are the informal rules and shared expectations that groups establish to regulate the behavior of their members. Norms apply only to behavior, not to private thoughts or feelings. Furthermore, norms exist only for behaviors that are important to the team.[60] Norms are enforced in various ways. Coworkers display their displeasure if we are late for a meeting or if we don't have our part of a project completed on time. Norms are also directly reinforced through praise from high-status members, more access to valued resources, or other rewards available to the team. These forms of peer pressure and reinforcement can occur even when team members work remotely from each other. But team members often conform to prevailing norms without direct reinforcement or punishment because they identify with the group and want to align their behavior with the team's expectations. The more closely the person's social identity is connected to the group, the more the individual is motivated to avoid negative sanctions from that group.[61]

How Team Norms Develop   Norms develop during team formation because people need to anticipate or predict how others will act. Even subtle events during the team's initial interactions, such as where team members sit in the first few meetings, can plant norms that are later difficult to change. Norms also form as team members discover behaviors that help them function more effectively, such as the need to respond quickly to text messages.[62] A critical event in the team's history, such as an injury or lost contract, is often a powerful foundation for a new norm. Third, norms are influenced by the experiences and values that members bring to the team. If members of a new team value work–life balance, they will likely develop norms that discourage long hours and work overload.[63]

Preventing and Changing Dysfunctional Team Norms   The best way to establish desirable norms is to clearly state them when the team is created. Another approach is to select people with appropriate values. As an example, if organizational leaders want their teams to have strong safety norms, they should hire people who already value safety and who clearly identify the importance of safety when the team is formed.

The suggestions so far refer to new teams, but how can organizational leaders maintain desirable norms in older teams? Various studies suggest that team norms can be organizationally induced. That is, leaders can potentially introduce new norms and alter existing ones.[64] By speaking up or actively coaching the team, they may be able to subdue dysfunctional norms while developing useful norms. A second suggestion is to introduce team-based rewards that counter dysfunctional norms. However, studies report that employees might continue to abide by a dysfunctional team norm (such as restricting their work performance) even though this behavior reduces their paycheck. Finally, if dysfunctional norms are deeply ingrained and the previous solutions don't work, it may be necessary to disband the group and form a new team whose members have more favorable norms.

TEAM COHESION

Team cohesion refers to the degree of attraction people feel toward the team and their motivation to remain members. It is a characteristic of the team, including the extent to which its members are attracted to the team, are committed to the team's goals or tasks, and feel a collective sense of team pride.[65] Thus, team cohesion is an emotional experience, not just a calculation of whether to stay or leave the team. It exists when team members make the team part of their social identity. Team development tends to improve cohesion because members strengthen their identity to the team during the development process.

Influences on Team Cohesion   Six of the most important influences on team cohesion are described below. Some of these conditions strengthen the individual's social identity with the team; others strengthen the individual's belief that team membership will fulfill personal needs.

- *Member similarity.* A well-established research finding is that we are attracted more to coworkers who are similar to us.[66] This similarity-attraction effect occurs because we assume that people are more trustworthy and more likely to accept us if they look and act like us. We also believe that these similar others will create fewer conflicts and violations of our expectations. Thus, teams have higher cohesion or become cohesive more quickly when members are similar to each other. In contrast, high cohesion is more difficult and takes longer for teams with diverse members. This difficulty depends on the form of diversity, however. Teams consisting of people from different job groups seem to gel together just as well as teams of people from the same job.[67]

- *Team size.* Smaller teams tend to have more cohesion than larger teams. One reason is that it is easier for a few people to agree on goals and coordinate work activities. Another reason is that members have more influence in smaller teams, so they feel a greater sense of involvement and ownership in the team. However, small teams have less cohesion when they lack enough qualified members to perform the required tasks.

- *Member interaction.* Teams tend to have more cohesion when their members interact with each other fairly regularly. More frequent interaction occurs when team members perform highly interdependent tasks and work in the same physical area.

- *Somewhat difficult entry.* Teams tend to have more cohesion when entry to the team is restricted. The more elite the team, the more prestige it confers on its members, and the more they tend to value their membership in the unit. At the same time, research suggests that severe initiations can weaken team cohesion because of the adverse effects of humiliation, even for those who successfully endure the initiation.[68]

- *Team success.* Team cohesion increases with the team's level of success because people are attracted to groups that fulfill their needs and goals.[69] Furthermore, individuals are more likely to attach their social identity to successful teams than to those with a string of failures.

- *External competition and challenges.* Teams tend to have more cohesion when they face external competition or a challenging objective that is important. Employees value their membership on the team because of its ability to overcome the threat or competition and as a form of social support. However, cohesion can dissipate when external threats are severe because these threats are stressful and cause teams to make less effective decisions.[70]

global connections 8.2

Communal Meals Build Team Cohesion

When Patrick Mathieu became a firefighter at the Fire Rescue Department in Waterloo, Ontario, Canada, he soon learned that communal meals support the team's cohesion and trust. "In the fire service, we pride ourselves on teamwork and unity," says Mathieu (second from right in this photo). "Eating and cooking is part of our firefighter culture and I have seen the immense team-building benefits that result from a platoon cooking together."

A recent study supports Mathieu's observations. It found that fire stations in the United States where the team usually ate together performed better than stations where firefighters ate alone. The higher performance was attributed to better cooperation, trust, and other outcomes of high cohesion.

Mathieu has become a popular chef at his fire station in Waterloo and recently competed in a Canada-wide cooking contest. But the favorite dish among firefighters in his platoon is jalapeño kettle chip fish tacos, partly because everyone is involved in its creation. "With everyone in the kitchen, we talk, laugh, joke and create something special together," he says. "It brings us in for bonding, just like a family dinner." Mathieu notes that there is one risk of cooking great meals in a firehouse.

© Waterloo firefighters and *The FireHouse Chef Cookbook* author Patrick Mathieu, @stationhousecco, stationhouse_

"You make the call for everyone to come to dinner. Boom—the alarm goes off. Yep, the meal sits and waits until we come back."[71]

Consequences of Team Cohesion   Teams with higher cohesion tend to perform better than those with low cohesion.[72] In fact, the team's existence depends on a minimal level of cohesion because it motivates team members to remain members and to help the team achieve its objectives. Members of high-cohesion teams spend more time together, share information more frequently, and are more satisfied with each other. They provide each other with better social support in stressful situations and work to minimize dysfunctional conflict.[73] When conflict does arise, high-cohesion team members tend to resolve their differences swiftly and effectively.

However, the relationship between team cohesion and team performance depends on two conditions. First, team cohesion has less effect on team performance when the team has low task interdependence.[74] High cohesion motivates employees to coordinate and cooperate with other team members. But people don't need to cooperate or coordinate as much when their work doesn't depend on other team members (low task interdependence), so the motivational effect of high cohesion is less relevant in teams with low interdependence.

Second, the effect of cohesion on team performance depends on whether the team's norms are compatible with or opposed to the organizational objectives.[75] As Exhibit 8.7 illustrates, teams with high cohesion perform better when their norms are aligned with the organization's objectives, whereas higher cohesion can potentially reduce team performance when norms are counterproductive. This effect occurs because cohesion motivates employees to perform at a level more consistent with team norms. If a team's norm tolerates or encourages absenteeism, employees will be more motivated to take unjustified sick leave. If the team's norm discourages absenteeism, employees are more motivated to avoid taking sick leave.

One last comment about team cohesion and performance: Earlier in this section we said that team success (performance) increases cohesion, whereas we are now saying

Team norms support company goals	Moderately high task performance	High task performance
Team norms conflict with company goals	Moderately low task performance	Low task performance

Low   High
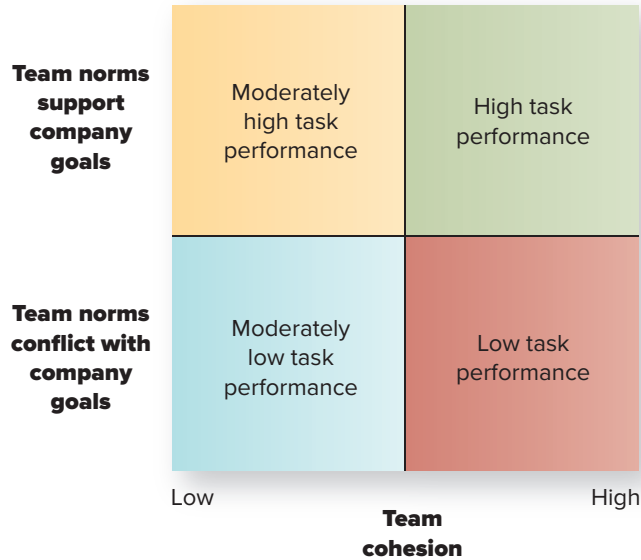
Team cohesion

that team cohesion causes team performance. Both statements are correct. Teams with higher cohesion perform better, and teams with better performance become more cohesive. A major review of past studies indicated that both effects are about the same. However, most teams in those studies likely had fairly low cohesion because they involved short-lived student teams, whereas cohesion takes considerable time to fully develop. When studying teams with a much longer life span, team cohesion has a much stronger effect on team performance than the effect of team performance on team cohesion.[76]

TEAM TRUST

Any relationship—including the relationship among team members—depends on a certain degree of trust. *Trust* refers to positive expectations one person has toward another person in situations involving risk (see Chapter 4).[77] Trust is ultimately perceptual; we trust others on the basis of our beliefs about their ability, integrity, and benevolence. Trust is also an emotional event; we experience positive feelings toward those we trust.[78] Trust is built on three foundations: calculus, knowledge, and identification (see Exhibit 8.8).[79]

Calculus-based trust represents a logical calculation that other team members will act appropriately because they face sanctions if their actions violate reasonable expectations.[80] It offers the lowest potential trust and is easily broken by a violation of

Type of Trust	Description
Identification-based trust	• Based on common mental models and values • Increases with person's social identity with team
Knowledge-based trust	• Based on predictability and competence • Fairly robust
Calculus-based trust	• Based on deterrence • Fragile and limited potential because dependent on punishment

High ↑
Potential level of trust
Low ↓
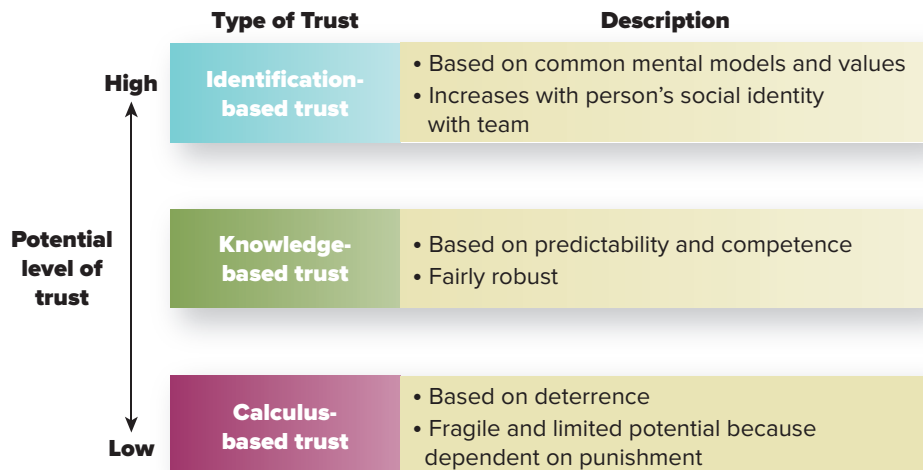
expectations. Some scholars suggest that calculus-based trust is not trust at all. Instead, it might be trust in the system rather than in the other person. In any event, calculus-based trust alone cannot sustain a team's relationship because it relies on deterrence.

Knowledge-based trust is based on the predictability of another team member's behavior. This predictability refers only to "positive expectations" as the definition of trust states because you would not trust someone who tends to engage in harmful or dysfunctional behavior. Knowledge-based trust includes our confidence in the other person's abilities, such as the confidence that exists when we trust a physician.[81] Knowledge-based trust offers a higher potential level of trust and is more stable because it develops over time.

Identification-based trust is based on mutual understanding and an emotional bond among team members. It occurs when team members think, feel, and act like each other. High-performance teams exhibit this level of trust because they share the same values and mental models. Identification-based trust is potentially the strongest and most robust of all three types of trust. The individual's self-concept is based partly on membership in the team, and he or she believes the members' values highly overlap, so any transgressions by other team members are quickly forgiven. People are more reluctant to acknowledge a violation of this high-level trust because it strikes at the heart of their self-concept.

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SELF-ASSESSMENT 8.3: How Trusting Are You?

Some people have a tendency to trust others, even if they have never met them before, whereas others take a long time to develop a comfortable level of trust. This propensity to trust is due to each individual's personality, values, and socialization experiences. You can discover your level of propensity to trust by locating this self-assessment in Connect if it is assigned by your instructor.

Dynamics of Team Trust   Employees typically join a team with a moderate or high level—not a low level—of trust in their new coworkers.[82] The main explanation for the initially high trust (called *swift trust*) in organizational settings is that people usually believe fellow team members are reasonably competent (knowledge-based trust) and they tend to develop some degree of social identity with the team (identification-based trust). Even when working with strangers, most of us display some level of trust, if only because it supports our self-concept of being a good person. However, trust is fragile in new relationships because it is based on assumptions rather than well-established experience. Studies report that trust tends to decrease rather than increase over time. This is unfortunate because employees become less forgiving and less cooperative toward others as their level of trust decreases, and this undermines team and organizational effectiveness.[83]

The team effectiveness model is a useful template for understanding how teams work— and don't work—in organizations. With this knowledge in hand, let's briefly investigate two types of teams that have emerged over the past couple of decades to become important forms of teamwork in organizations: self-directed teams and virtual teams.[84]

Self-Directed Teams

8-4

Whole Foods Market is not your typical grocery store. But it's not just its products that make the difference. Unlike most food retailers, Whole Foods relies on self-directed teams to get the work done. Each store has about 10 teams, such as the prepared-foods team, the cashier/front-end team, and the seafood team. Teams are "self-directed" because team members make decisions about their work unit with minimal interference from management. "Teams make their own decisions regarding hiring, the selection of

global connections 8.3

Buurtzorg Nederland's Self-Directed Nursing Teams

Buurtzorg Nederland employs approximately 8,000 professionals (mostly registered nurses) in more than 700 self-directed teams across the Netherlands. "There are no managers to call for help or to take responsibility; teams resolve issues for themselves," observes a British nurse who recently studied the nonprofit community health care organization's self-directed team structure. In fact, the company's motto is (translated): "How do you manage professionals? You don't!" The head office has only 45 people in administration and another 15 coaches to help teams improve their work relationships.

Each self-directed team consists of up to 12 nurses responsible for between 50 and 60 home care patients, most of whom are elderly, disabled, or terminally ill. Patients are usually served by a subteam of employees rather than by one team member alone. Team members have considerable autonomy to care for patients. Issues are discussed and creatively resolved by team members at weekly meetings. During one meeting, for example, a team developed a strategy to ensure one of its patients with dementia took her daily medication. Team members also use the company's secure social network system to share information and solutions with other Buurtzorg teams.

Buurtzorg measures performance at the team level, including patient satisfaction, work efficiency, and cost

© Buurtzorg

savings. Every employee can view a dashboard that provides feedback on the team's performance compared with other teams across the organization. Independent studies have reported that the company's self-directed teams are significantly more cost-efficient than traditional (mostly non-team) services, even though Buurtzorg employees have higher education and more training. Buurtzorg's employees also enjoy the team structure. The company has been the top employer in the Netherlands for several consecutive years.[85]

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many products, merchandising, and even compensation," explains Whole Foods Market cofounder John Mackey.[86]

Self-directed teams (SDTs) are cross-functional groups organized around work processes that complete an entire piece of work requiring several interdependent tasks and have substantial autonomy over the execution of those tasks.[87] This definition captures two distinct features of SDTs. First, these teams complete an entire piece of work requiring several interdependent tasks. This type of work arrangement clusters the team members together while minimizing interdependence and interaction with employees outside the team. The result is a close-knit group of employees who depend on each other to accomplish their individual tasks. The second distinctive feature of SDTs is that they have substantial autonomy over the execution of their tasks. In particular, these teams plan, organize, and control work activities with little or no direct involvement of a higher-status supervisor.

Self-directed teams are found in several industries, ranging from petrochemical plants to aircraft parts manufacturing. Most of the top-rated manufacturing firms in North America apparently rely on SDTs.[88] Indeed, self-directed teams have become such a popular way to organize employees that many companies don't realize they have them. The popularity of SDTs is consistent with research indicating that they potentially increase both productivity and job satisfaction.[89] For instance, one study found that car dealership service shops with SDTs were significantly more profitable than shops where employees worked without a team structure. In another study, both short- and long-term measures of customer satisfaction increased after street cleaners in a German city were organized into SDTs.

self-directed teams (SDTs)
cross-functional work groups that are organized around work processes, complete an entire piece of work requiring several interdependent tasks, and have substantial autonomy over the execution of those tasks

SUCCESS FACTORS FOR SELF-DIRECTED TEAMS

The successful implementation of self-directed teams depends on several factors.[90] SDTs should be responsible for an entire work process, such as making an entire product or providing a service. This structure keeps each team sufficiently independent from other teams, yet it demands a relatively high degree of interdependence among employees within the team.[91] SDTs should also have sufficient autonomy to organize and coordinate their work. Autonomy allows them to respond more quickly and effectively to client and stakeholder demands. It also motivates team members through feelings of empowerment. Finally, SDTs are more successful when the work site and technology support coordination and communication among team members and increase job enrichment.[92] Too often, management calls a group of employees a "team," yet the work layout, assembly-line structure, and other technologies isolate the employees from each other.

Virtual Teams

virtual teams

teams whose members operate across space, time, and organizational boundaries and are linked through information technologies to achieve organizational tasks

Virtual teams are teams whose members operate across space, time, and organizational boundaries and are linked through information technologies to achieve organizational tasks.[93] Virtual teams differ from traditional teams in two ways: (1) Their members are not usually co-located (they don't work in the same physical area), and (2) due to their lack of co-location, members of virtual teams depend primarily on information technologies rather than face-to-face interaction to communicate and coordinate their work effort. Teams have degrees of *virtuality*.[94] Team virtuality increases with the geographic dispersion of team members, percentage of members who work apart, and percentage of time that members work apart. For example, a team has low virtuality when all of its members live in the same city and only one or two members work from home each day. High virtuality exists when team members are spread around the world and only a couple of members have ever met in person.

Virtual teams have become commonplace in most organizations. In global companies such as IBM, almost everyone in knowledge work is part of a virtual team. One reason virtual teams have become so widespread is that information technologies have made it easier than ever before to communicate and coordinate with people at a distance.[95] The shift from production-based to knowledge-based work is a second reason why virtual teamwork is feasible. It isn't yet possible to make a physical product when team members are located apart, but most of us are now in jobs that mainly process knowledge.

Information technologies and knowledge-based work make virtual teams *possible,* but organizational learning and globalization are two reasons why they are increasingly *necessary*. In Chapter 1, we learned that organizational learning is one of four perspectives of organizational effectiveness. Virtual teams represent a natural part of the organizational learning process because they encourage employees to share and use knowledge where geography limits more direct forms of collaboration. Globalization makes virtual teams increasingly necessary because employees are spread around the planet rather than around one building or city. Thus, global businesses depend on virtual teamwork to leverage the potential of their employees.

SUCCESS FACTORS FOR VIRTUAL TEAMS

Virtual teams face all the challenges of traditional teams, compounded by problems arising from time and distance. These challenges increase with the team's virtuality, particularly when the team exists for only a short time.[96] Fortunately, OB research has identified the following strategies to minimize most virtual team problems.[97] First, virtual team members need to apply the effective team behaviors described earlier in this chapter.

debating point

ARE VIRTUAL TEAMS MORE TROUBLE THAN THEY'RE WORTH?

Virtual teams were rare before the Internet was born. Today, they are almost as commonplace as face-to-face teams. Virtual teams are increasingly possible because more of us are employed in knowledge, and because information technologies make it easier to communicate instantaneously with coworkers around the globe. Organizations increasingly depend on virtual teams because knowledge has become the currency of organizational success and this knowledge is scattered around the world.

In spite of the importance of virtual teams, there are a few arguments against them. Critics don't deny the potential value of sharing knowledge through virtual teams. Rather, they have added up the negative features and concluded that they outweigh the benefits. In fact, when chief information officers were asked to identify the top challenges of globalization, 70 percent listed managing virtual teams as the top concern.[98]

One persistent problem with virtual teams is that they lack the richness of face-to-face communication. We'll provide more detail about this important matter in Chapter 9, but no information technology to date equals the volume and variety of information transmitted among people located in the same room. Toyota, PSA Peugeot Citroën, and other companies arrange for teams to meet in the same physical space. They can exchange information in larger volumes, much faster, and more accurately compared with the clumsy methods currently available to virtual teams. Multiperson video chat is getting closer to face-to-face, but it requires considerable bandwidth and still falls short on communication richness.

Another problem is that virtual team members either have lower trust compared with co-located team members, or their trust is much more fragile. In fact, experts offer one main recommendation to increase trust among virtual team members—have them spend time together as co-located teams. "When you're starting a company,

everybody needs to be on the same page about what is important," warns Leonard Speiser, a serial Internet entrepreneur who has also worked at Yahoo! and eBay. "You have to be able to get together and talk, get to know each other. It takes great effort to do that virtually."

A third drawback with virtual teams is that the farther away people are located, the more they differ in experiences, beliefs, culture, and expectations. These differences can be advantageous for some decisions, of course, but they can also be a curse for team development and performance. "Everyone must have the same picture of what success looks like," advises Rick Maurer, a leadership consultant in Arlington, Virginia. "Without that laser-like focus, it is too easy for people in Bangalore to develop a different picture of success than the picture held by their colleagues in Brussels. Now multiply that by a couple more locations and you've got a mess."

Here's one more reason why companies should think twice before relying on virtual teams: People seem to have less influence or control over distant than over co-located coworkers. A team member who stops by your cubicle to ask how your part of the report is coming along has much more effect than an impersonal—or even a flaming—email from afar.

Perhaps that is why surveys reveal less satisfaction with virtual team members than co-located team members. One study reported that distant colleagues received two to three times as many complaints as co-located colleagues about working halfheartedly (or not at all) on shared projects, falling behind on projects, not making deadlines, failing to warn about missing deadlines, making changes without warning, and providing misleading information. When asked how long it takes to resolve these problems, more than half of the respondents indicated a few days for co-located team members, whereas most estimated a few weeks or longer for distant team members.

They also require good communication technology skills, strong self-leadership skills to motivate and guide their behavior without peers or bosses nearby, and higher emotional intelligence so that they can decipher the feelings of other team members from email and other limited communication media.

Second, virtual teams should have a toolkit of communication channels (email, virtual whiteboards, videoconferencing, etc.) as well as the freedom to choose the channels that work best for them. This may sound obvious, but unfortunately senior management tends to impose technology on virtual teams, often based on advice from external consultants, and expects team members to use the same communication technology throughout their work. In contrast, research suggests that communication channels gain and lose importance over time, depending on the task and level of trust.

Third, virtual teams need plenty of structure. In one review of effective virtual teams, many of the principles for successful virtual teams related mostly to creating these structures, such as clear operational objectives, documented work processes, and

agreed-on roles and responsibilities.[99] The final recommendation is that virtual team members should meet face-to-face fairly early in the team development process. This idea may seem contradictory to the entire notion of virtual teams, but so far, no technology has replaced face-to-face interaction for high-level bonding and mutual understanding.[100]

Team Decision Making

8-5

Self-directed teams, virtual teams, and practically all other groups are expected to make decisions. Under certain conditions, teams are more effective than individuals at identifying problems, choosing alternatives, and evaluating their decisions. To leverage these benefits, however, we first need to understand the constraints on effective team decision making. Then, we look at specific team structures that try to overcome these constraints.

CONSTRAINTS ON TEAM DECISION MAKING

Anyone who has spent enough time in the workplace can recite several ways in which teams stumble in decision making. The four most common problems are time constraints, evaluation apprehension, pressure to conform, and overconfidence.

Time Constraints   There's a saying that committees keep minutes and waste hours. This reflects the fact that teams take longer than individuals to make decisions.[101] Teams consume time organizing, coordinating, and maintaining relationships (i.e., process losses). Team members require time to build rapport, agree on rules and norms of behavior in the decision process, and understand each other's ideas.

Another time-related constraint in most team structures is that only one person can speak at a time.[102] This problem, known as **production blocking,** undermines idea generation in a few ways. First, team members need to listen in on the conversation to find an opportune time to speak up, but this monitoring makes it difficult for them to concentrate on their own ideas. Second, ideas are fleeting, so the longer they wait to speak up, the more likely their flickering ideas will die out. Third, team members might remember their fleeting thoughts by concentrating on them, but this causes them to pay less attention to the conversation. By ignoring what others are saying, team members miss other potentially good ideas.

Evaluation Apprehension   Team members are often reluctant to mention ideas that seem silly because they believe (often correctly) that other team members are silently evaluating them.[103] This **evaluation apprehension** is based on the individual's desire to create a favorable self-presentation and need to protect self-esteem. It is most common when meetings are attended by people with different levels of status or expertise or when members formally evaluate each other's performance throughout the year (as in 360-degree feedback). Creative ideas often sound bizarre or illogical when first presented, so evaluation apprehension tends to discourage employees from mentioning them in front of coworkers.

Pressure to Conform   Team cohesion leads employees to conform to the team's norms. This control keeps the group organized around common goals, but it may also cause team members to suppress their dissenting opinions, particularly when a strong team norm is related to the issue. When someone does state a point of view that violates the majority opinion, other members might punish the violator or try to persuade him or her that the opinion is incorrect. Conformity can also be subtle. To some extent, we depend on the opinions that others hold to validate our own views. If coworkers don't agree with us, we begin to question our own opinions even without overt peer pressure.

production blocking
a time constraint in team decision making due to the procedural requirement that only one person may speak at a time

evaluation apprehension
a decision-making problem that occurs when individuals are reluctant to mention ideas that seem silly because they believe (often correctly) that other team members are silently evaluating them

Overconfidence (Inflated Team Efficacy)   Teams are more successful when their members have collective confidence in how well they work together and the likely success of their team effort.[104] This **team efficacy** is similar to the power of individual self-efficacy, which we discussed in Chapter 3. High-efficacy teams set more challenging goals and are more motivated to achieve them, both of which increase team performance. Unfortunately, teams make worse decisions when they become overconfident and develop a false sense of invulnerability.[105] In other words, the team's efficacy far exceeds reality regarding its abilities and the favorableness of the situation. Overconfident teams are less vigilant when making decisions, partly because they have more positive than negative emotions and moods during these events. They also engage in less constructive debate and are less likely to seek out or accept information located outside the team, both of which undermine the quality of team decisions.

Why do teams become overconfident? The main reason is a team-level variation of self-enhancement (see Chapter 3), whereby team members have a natural motivation to believe the team's capabilities and situation are above average. Overconfidence is more common in highly cohesive teams because people engage in self-enhancement for things that are important to them (such as a cohesive team). It is also stronger when the team has external threats or competition because these adversaries generate "us–them" differentiation. Team efficacy is further inflated by the mutually reinforcing beliefs of the team. We develop a clearer and higher opinion of the team when other team members echo that opinion.

IMPROVING CREATIVE DECISION MAKING IN TEAMS

Team decision making is fraught with problems, but several solutions also emerge from these bad-news studies. Team members need to be confident in their decision making but not so confident that they collectively feel invulnerable. This calls for team norms that encourage critical thinking as well as team membership with sufficient diversity. Checks and balances need to be in place to prevent the leader or other individuals from dominating the discussion. The team should also be large enough to possess the collective knowledge to resolve the problem yet small enough that the team doesn't consume too much time or restrict individual input.

Along with these general recommendations, OB studies have identified four team structures that encourage creativity in a team setting: brainstorming, brainwriting, electronic brainstorming, and nominal group technique. These four structures emphasize idea creation (the central focus of creativity), but some also include team selection of alternatives.

Google applied its legendary deep analytics to find out why some teams worked better than others and made better decisions. Google researchers eventually discovered that team composition is less important than the team norm of psychological safety. In other words, teams make better decisions when all team members feel comfortable speaking up and are sensitive to the feelings of their fellow employees. From these results, Google created a checklist urging team leaders to actively listen during meetings, avoid interrupting teammates, rephrase what team members have said, and discourage anyone from being judgmental toward others. "I'm so much more conscious of how I model listening now, or whether I interrupt, or how I encourage everyone to speak," says Sagnik Nandy, who leads one of Google's largest teams.[106]
© Justin Sullivan/Getty Images

Brainstorming   **Brainstorming** is a team event in which participants try to think up as many ideas as possible.[107] The process was introduced by advertising executive Alex Osborn in 1939 and has four simple rules to maximize the number and quality of ideas presented: (1) Speak freely—describe even the craziest ideas; (2) don't criticize others or their ideas; (3) provide as many ideas as possible—the quality of ideas increases with the quantity of ideas; and (4) build on the ideas that others have presented.

Brainstorming rules are supposed to encourage divergent thinking while minimizing evaluation apprehension and other team dynamics problems. That thesis is not supported by lab studies with student participants, which specifically report that production blocking and evaluation apprehension undermine creative team decision making.[108] However, field research and the experiences of several leading companies suggest that brainstorming can be effective under specific conditions, such as having an experienced facilitator and participants who work together in a supportive culture.[109]

Brainwriting   **Brainwriting** is a variation of brainstorming that minimizes the problem of production blocking by removing conversation during idea generation.[110] There are many forms of brainwriting, but they all have the common feature that individuals write down their ideas rather than verbally describe them. In one version, participants write their ideas on cards and place them in the center of the table. At any time, participants can pick up one or more cards in the center to spark their thinking or further build (piggyback) on those ideas. In another variation, each person writes one idea on a card, then passes the card to the person on their right. The receiving person writes a new idea on a second card, both cards are sent to the next person, and the process is repeated. The limited research on brainwriting suggests that it produces more and better-quality ideas than brainstorming due to the lack of production blocking.

Electronic Brainstorming   **Electronic brainstorming** is similar to brainwriting but uses computer technology rather than handwritten cards to document and share ideas. After receiving the question or issue, participants enter their ideas using special computer software. The ideas are distributed anonymously to other participants, who are encouraged to piggyback on those ideas. Team members eventually vote electronically on the ideas presented. Face-to-face discussion usually follows. Electronic brainstorming can be quite effective at generating creative ideas with minimal production blocking, evaluation apprehension, or conformity problems.[111] It can be superior to brainwriting because ideas are generated anonymously and they are viewed by other participants more easily. Despite these numerous advantages, electronic brainstorming is rarely used because it is often considered too structured and technology-bound.

Nominal Group Technique   **Nominal group technique** is another variation of brainwriting that adds a verbal element to the process.[112] The activity is called "nominal" because participants are a group in name only during two of the three steps. After the problem is described, team members silently and independently write down as many solutions as they can. In the second stage, participants describe their solutions to the

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brainstorming
a freewheeling, face-to-face meeting where team members aren't allowed to criticize but are encouraged to speak freely, generate as many ideas as possible, and build on the ideas of others

brainwriting
a variation of brainstorming whereby participants write (rather than speak about) and share their ideas

electronic brainstorming
a form of brainwriting that relies on networked computers for submitting and sharing creative ideas

nominal group technique
a variation of brainwriting consisting of three stages in which participants (1) silently and independently document their ideas, (2) collectively describe these ideas to the other team members without critique, and then (3) silently and independently evaluate the ideas presented

other team members, usually in a round-robin format. As with brainstorming, there is no criticism or debate, although members are encouraged to ask for clarification of the ideas presented. In the third stage, participants silently and independently rank-order or vote on each proposed solution. Nominal group technique has been applied in numerous laboratory and real-world settings, such as identifying ways to improve tourism in various countries.[113] This method tends to generate more and better-quality ideas than occur in traditional interacting and possibly brainstorming groups.[114] However, production blocking and evaluation apprehension still occur to some extent. Training improves this structured approach to team decision making.[115]

chapter summary

8-1   Explain why employees join informal groups, and discuss the benefits and limitations of teams.

Teams are groups of two or more people who interact and influence one another, are mutually accountable for achieving common goals associated with organizational objectives, and perceive themselves as a social entity within an organization. All teams are groups, because they consist of people with a unifying relationship; not all groups are teams, because some groups do not exist to serve organizational objectives.

People join informal groups (and are motivated to be on formal teams) for four reasons: (1) They have an innate drive to bond, (2) group membership is an inherent ingredient in a person's self-concept, (3) some personal goals are accomplished better in groups, and (4) individuals are comforted in stressful situations by the mere presence of other people. Teams have become popular because they tend to make better decisions, support the knowledge management process, and provide superior customer service. Teams are not always as effective as individuals working alone. Process losses and social loafing drag down team performance.

8-2   Outline the team effectiveness model and discuss how task characteristics, team size, and team composition influence team effectiveness.

Team effectiveness includes the team's ability to achieve its objectives, fulfill the needs of its members, and maintain its survival. The model of team effectiveness considers the team and organizational environment, team design, and team processes. Three team design elements are task characteristics, team size, and team composition. Teams tend to be better suited for situations in which the work is complex yet tasks are well-structured and have high task interdependence. Teams should be large enough to perform the work yet small enough for efficient coordination and meaningful involvement. Effective teams are composed of people with the competencies and motivation to perform tasks in a team environment. Team member diversity has advantages and disadvantages for team performance.

8-3   Discuss how the four team processes—team development, norms, cohesion, and trust—influence team effectiveness.

Teams develop through the stages of forming, storming, norming, performing, and eventually adjourning. Within these stages are two distinct team development processes: developing team identity and developing team mental models and coordinating routines. Team development can be accelerated through team building—any formal activity intended to improve the development and functioning of a work team. Teams develop norms to regulate and guide member behavior. These norms may be influenced by initial experiences, critical events, and the values and experiences that team members bring to the group.

Team cohesion—the degree of attraction people feel toward the team and their motivation to remain members—increases with member similarity, smaller team size, higher degree of interaction, somewhat difficult entry, team success, and external challenges. Cohesion increases team performance when the team has high interdependence and its norms are congruent with organizational goals. Trust refers to positive expectations one person has toward another person in situations involving risk. People trust others on the basis of three foundations: calculus, knowledge, and identification.

8-4   Discuss the characteristics and factors required for the success of self-directed teams and virtual teams.

Self-directed teams (SDTs) complete an entire piece of work requiring several interdependent tasks, and they have substantial autonomy over the execution of their tasks. Members of virtual teams operate across space, time, and organizational boundaries and are linked through information technologies to achieve organizational tasks. Virtual teams are more effective when the team members have certain competencies, the team has the freedom to choose the preferred communication channels, and the members meet face-to-face fairly early in the team development process.

8-5   Identify four constraints on team decision making and discuss the advantages and disadvantages of four structures aimed at improving team decision making.

Team decisions are impeded by time constraints, evaluation apprehension, conformity to peer pressure, and overconfidence. Four structures potentially improve decision making in team settings: brainstorming, brainwriting, electronic brainstorming, and nominal group technique.

key terms

critical thinking questions

1. Informal groups exist in almost every form of social organization. What types of informal groups exist in your classroom? Why are students motivated to belong to these informal groups?

2. The late management guru Peter Drucker once said: "The now-fashionable team in which everybody works with everybody on everything from the beginning rapidly is becoming a disappointment." Discuss three problems associated with teams.

3. You have been put in charge of a cross-functional task force that will develop enhanced Internet banking services for retail customers. The team includes representatives from marketing, information services, customer service, and accounting, all of whom will move to the same location at headquarters for three months. Describe the behaviors you might observe during each stage of the team's development.

4. You have just been transferred from the Kansas office to the Denver office of your company, a national sales organization of electrical products for developers and contractors. In Kansas, team members regularly called customers after a sale to ask whether the products arrived on time and whether they are satisfied. But when you moved to the Denver office, no one seemed to make these follow-up calls. A recently hired coworker explained that other coworkers discouraged her from making those calls. Later, another coworker suggested that your follow-up calls were making everyone else look lazy. Give three possible reasons why the norms in Denver might be different from those in the Kansas office, even though the customers, products, sales commissions, and other characteristics of the workplace are almost identical.

5. A software engineer in the United States needs to coordinate with four team members in geographically dispersed areas of the world. What team challenges might the team experience, and how will they affect the team design elements?

6. You have been assigned to a class project with five other students, none of whom you have met before, and some of whom come from different countries. To what extent would team cohesion improve your team's performance on this project? What actions would you recommend to build team cohesion among student team members in this situation?

7. Suppose you are put in charge of a virtual team whose members are located in different cities around the world. What tactics could you use to build and maintain team trust and performance, as well as minimize the decline in trust and performance that often occurs in teams?

8. You are responsible for convening a major event in which senior officials from several state governments will try to come to an agreement on environmental issues. It is well known that some officials take positions to make themselves appear superior, whereas others are highly motivated to solve the environmental problems that cross adjacent states. What team decision-making problems are likely to be apparent in this government forum, and what actions can you take to minimize these problems?

9. The chief marketing officer of Sawgrass Widgets wants marketing and sales staff to identify new uses for its products. Which of the four team structures for creative decision making would you recommend? Describe and justify this process to Sawgrass' chief marketing officer.

📖 CASE STUDY: CONIFER CORP.

By Steven L. McShane, Curtin University (Australia) and University of Victoria (Canada); and David Lebeter

Conifer Corp. is a sawmill operation in Oregon that is owned by a major forest products company but operates independently of the parent company. It was built 30 years ago and completely updated with new machinery five years ago. Conifer receives raw logs from the area for cutting and planing into building-grade lumber, mostly 2-by-4 and 2-by-6 pieces of standard lengths. Higher-grade logs leave Conifer's sawmill department in finished form and are sent directly to the packaging department. The remaining 40 percent of sawmill output are cuts from lower-grade logs, requiring further work by the planing department.

Conifer has 1 general manager, 16 supervisors and support staff, and 180 unionized employees. The unionized employees are paid an hourly rate specified in the collective agreement, whereas management and support staff are paid a monthly salary. The mill is divided into six operating departments: boom, sawmill, planer, packaging, shipping, and maintenance. The sawmill, boom, and packaging departments operate a morning shift starting at 6:00 a.m. and an afternoon shift starting at 2:00 p.m. Employees in these departments rotate shifts every two weeks. The planer and shipping departments operate only morning shifts. Maintenance employees work the night shift (starting at 10:00 p.m.).

Each department, except for packaging, has a supervisor on every work shift. The planer supervisor is responsible for the packaging department on the morning shift, and the sawmill supervisor is responsible for the packaging department on the afternoon shift. However, the packaging operation is housed in a separate building from the other departments, so supervisors seldom visit the packaging department. This is particularly true for the afternoon shift, because the sawmill supervisor is the furthest distance from the packaging building.

Packaging Quality Ninety percent of Conifer's product is sold nationally and internationally through Westboard, Inc., a large marketing agency. Westboard represents all forest products mills owned by Conifer's parent company as well as several other clients in the region. The market for building-grade lumber is very price competitive, because there are numerous mills selling a relatively undifferentiated product. However, some differentiation does occur in product packaging and presentation. Buyers will look closely at the packaging when deciding whether to buy from Conifer or another mill.

To encourage its clients to package their products better, Westboard sponsors a monthly package quality award. The marketing agency samples and rates its clients' packages daily, and the sawmill with the highest score at the end of the month is awarded a framed certificate of excellence. Package quality is a combination of how the lumber is piled (e.g., defects turned in), where the bands and dunnage are placed, how neatly the stencil and seal are applied, the stencil's accuracy, and how neatly and tightly the plastic wrap is attached.

Conifer won Westboard's packaging quality award several times over the past five years, and received high ratings in the months that it didn't win. However, the mill's ratings have started to decline over the past year or two, and several clients have complained about the appearance of the finished product. A few large customers switched to competitors' lumber, saying that the decision was based on the substandard appearance of Conifer's packaging when it arrived in their lumber yard.

Bottleneck in Packaging The planing and sawmilling departments have significantly increased productivity

over the past couple of years. The sawmill operation recently set a new productivity record on a single day. The planer operation has increased productivity to the point where last year it reduced operations to just one (rather than two) shifts per day. These productivity improvements are due to better operator training, fewer machine breakdowns, and better selection of raw logs. (Sawmill cuts from high-quality logs usually do not require planing work.)

Productivity levels in the boom, shipping, and maintenance departments have remained constant. However, the packaging department has recorded decreasing productivity over the past couple of years, with the result that a large backlog of finished product is typically stockpiled outside the packaging building. The morning shift of the packaging department is unable to keep up with the combined production of the sawmill and planer departments, so the unpackaged output is left for the afternoon shift. Unfortunately, the afternoon shift packages even less product than the morning shift, so the backlog continues to build. The backlog adds to Conifer's inventory costs and increases the risk of damaged stock.

Conifer has added Saturday overtime shifts as well as extra hours before and after the regular shifts for the packaging department employees to process this backlog. Last month, the packaging department employed 10 percent of the workforce but accounted for 85 percent of the overtime. This is frustrating to Conifer's management, because time and motion studies recently confirmed that the packaging department is capable of processing all of the daily sawmill and planer production without overtime. With employees earning one and a half or two times their regular pay on overtime, Conifer's cost competitiveness suffers.

Employees and supervisors at Conifer are aware that people in the packaging department tend to extend lunch by 10 minutes and coffee breaks by 5 minutes. They also typically leave work a few minutes before the end of their shift. This abuse has worsened recently, particularly on the afternoon shift. Employees who are temporarily assigned to the packaging department also seem to participate in this time loss pattern after a few days. Although they are punctual and productive in other departments, these temporary employees soon adopt the packaging crew's informal schedule when assigned to that department.

Discussion Questions

1. What symptom(s) in this case suggest(s) that something has gone wrong?
2. What are the main causes of the symptom(s)?
3. What actions should executives take to correct the problem(s)?

TEAM EXERCISE: TEAM TOWER POWER

PURPOSE This exercise is designed to help you understand team roles, team development, and other issues in the development and maintenance of effective teams.

MATERIALS The instructor will provide enough Lego pieces or similar materials for each team to complete the assigned task. All teams should have identical (or very similar) amounts and types of pieces. The instructor will need a measuring tape and stopwatch. Students may use writing materials during the design stage (see instructions). The instructor will distribute a "Team Objectives Sheet" and "Tower Specifications Effectiveness Sheet" to all teams.

INSTRUCTIONS The instructor will divide the class into teams. Depending on class size and space availability, teams may have between four and seven members, but all should be approximately equal in size.

Each team has 20 minutes to design a tower that uses only the materials provided, is freestanding, and provides an optimal return on investment. Team members may wish to draw their tower on paper or a flip-chart to facilitate the tower's design. Teams are free to practice building their tower during this stage. Preferably, each team will have a secluded space so that the design can be created privately.

During this stage, each team will complete the Team Objectives Sheet distributed by the instructor. This sheet requires the Tower Specifications Effectiveness Sheet, also distributed by the instructor.

Each team will show the instructor that it has completed its Team Objectives Sheet. Then, with all teams in the same room, the instructor will announce the start of the construction phase. The time allowed for construction will be closely monitored, and the instructor will occasionally call out the time elapsed (particularly if there is no clock in the room).

Each team will advise the instructor as soon as it has completed its tower. The team will write down the time elapsed, as determined by the instructor. The team also may be asked to assist the instructor by counting the number of blocks used and measuring the height of the tower. This information gets added to the Team Objectives Sheet. Then, the team calculates its profit.

After presenting the results, the class will discuss the team dynamics elements that contribute to team effectiveness. Team members will discuss their strategy, division of labor (team roles), expertise within the team, and other elements of team dynamics.

Source: Several published and online sources describe variations of this exercise, but there is no known origin to this activity.

TEAM EXERCISE: HUMAN CHECKERS

PURPOSE This exercise is designed to help you understand the importance and application of team dynamics and decision making.

MATERIALS None, but the instructor has more information about each team's task.

INSTRUCTIONS
1. Form teams of eight students. If possible, each team should have a private location, where team members can plan and practice the required task without being observed or heard by other teams.
2. All teams receive special instructions in class about their assigned task. All teams have the same task and the same amount of time to plan and practice the task. At the end of this planning and practice period, each team will be timed while completing the task in class. The team that completes the task in the least time wins.
3. No special materials are required or allowed (see rules below) for this exercise. Although the task is not described here, students should learn the following rules for planning and implementing the task:
   a. You cannot use any written form of communication or any props to assist in the planning or implementation of this task.

   b. You may speak to other students in your team at any time during the planning and implementation of this task.
   c. When performing the task, you can move only forward, not backward. (You are not allowed to turn around.)
   d. When performing the task, you can move forward to the next space, but only if it is vacant. In Exhibit 1, the individual (black dot) can move directly into an empty space (white dot).
   e. When performing the task, you can move forward two spaces if that space is vacant. In other words, you can move around a person who is one space in front of you to the next space if that space is vacant. (In Exhibit 2, two people occupy the black dots, and the white dot is an empty space. A person can move around the person in front to the empty space.)

Exhibit 1

Exhibit 2

4. When all teams have completed their task, the class will discuss the implications of this exercise for team dynamics and decision making.

Discussion Questions

1. Identify the team dynamics and decision-making concepts that the team applied to complete this task.

2. What personal theories of people and work teams were applied to complete this task?

3. What other organizational behavior issues occurred, and what actions were (or should have been) taken to solve them?

TEAM EXERCISE: SURVIVAL ON THE MOON

PURPOSE This exercise is designed to help you understand the importance and dynamics of team decision making.

MATERIALS All materials are provided below. They include the "Survival on the Moon Scenario" and the "Survival on the Moon Scoring Sheet" for ranking items individually and as a team.

SURVIVAL ON THE MOON SCENARIO The year is 2025. You and your crew are traveling toward the Moon in the *Orion* spacecraft. *Orion* is a gumdrop-shaped spacecraft designed to carry people from Earth to the Moon. *Orion* is similar in shape, but larger than the capsules used during the Apollo program. Attached, or docked, to *Orion* is the Lunar Surface Access Module (LSAM), which you alone will use to land on the Moon (other crew members remain onboard the *Orion*).

As your spacecraft enters lunar orbit, you spot the lunar outpost. This outpost has grown, having been built piece by piece during past missions. You are excited to see the outpost. It is located on a crater rim near the lunar south pole, in near-constant sunlight. This location is not far from supplies of water ice that can be found in the cold, permanently shadowed part of the crater.

After transferring into the LSAM and separating from *Orion*, you prepare to descend to the lunar surface. Suddenly, you notice that there is a problem with the thrusters. You land safely, but off course, about 80 kilometers (50 miles) from the lunar outpost. Looking across the charcoal-gray, dusty surface of the Moon, you realize that your survival depends on reaching the outpost, finding a way to protect yourself until someone can reach you, or meeting a rescue party somewhere between your landing site and the outpost.

You know the Moon has basically no atmosphere or magnetosphere to protect you from space radiation. The environment is unlike any found on Earth. The regolith, or lunar soil, is a mixture of materials that includes sharp, glassy particles. The gravity field on the Moon is only one-sixth as strong as Earth's. More than 80 percent of the Moon is made up of heavily cratered highlands. Temperatures vary widely on the Moon. It can be as cold as –193°C (–315°F) at night at its poles and as hot as 111°C (232°F) during the day at its equator.

INSTRUCTIONS Survival will depend on your mode of transportation and ability to navigate. Your basic needs for food, shelter, water, and air must be considered. Your challenge is to choose items that will help you survive.

Part I: Individual Decision The scoring sheet below lists 15 items in alphabetical order that are available to you. In the "Your Ranking" column, rank these items from 1 to 15 according to your own beliefs and knowledge about their importance to you and your team (other members of the crew). Place the number 1 beside the most important item and continue ranking the items to number 15, the least important. Be prepared to explain why you gave each item the rank it received and how you plan to use the item to help you survive.

Survival on the Moon Scoring Sheet

ITEMS (ALPHABETICAL ORDER)	YOUR RANKING	TEAM RANKING	EXPERT RANKING	YOUR SCORE	TEAM SCORE
First aid kit: a basic kit with pain medication and medicine for infection	_____	_____	_____	_____	_____
Food: dehydrated concentrate to which water is added	_____	_____	_____	_____	_____
Life raft: a self-inflatable flotation device	_____	_____	_____	_____	_____
Magnetic compass: a tool that uses a magnetic field to determine direction	_____	_____	_____	_____	_____
Map: document showing the Moon's surface/terrain	_____	_____	_____	_____	_____

ITEMS (ALPHABETICAL ORDER)	YOUR RANKING	TEAM RANKING	EXPERT RANKING	YOUR SCORE	TEAM SCORE
Matches (box of): wooden sticks with sulfur-treated heads	_____	_____	_____	_____	_____
Oxygen: two 45.5-kilogram (100-pound) tanks	_____	_____	_____	_____	_____
Parachute: a large piece of silk cloth	_____	_____	_____	_____	_____
Portable lights: with solar-powered rechargeable batteries	_____	_____	_____	_____	_____
Radio receiver-transmitter: a solar-powered communication instrument	_____	_____	_____	_____	_____
Rope: 15 meters (approx. 50 feet) of nylon rope	_____	_____	_____	_____	_____
Signal mirror: a handheld mirror	_____	_____	_____	_____	_____
Space blanket: a thin sheet of plastic material that is coated with a metallic reflecting layer	_____	_____	_____	_____	_____
Space suit repair kit: kit with materials to repair tiny holes in fabric	_____	_____	_____	_____	_____
Water: one 38-liter (10-gallon) container	_____	_____	_____	_____	_____
TOTAL SCORE: (sum scores within the column)				_____	_____

Part II: Team Decision After everyone working alone has ranked these 15 items, the instructor will organize students into approximately equal sized teams. Team members should try to reach a consensus on the rank order of each of these 15 items. Place the number 1 beside the most important item and continue ranking the items to number 15, the least important. Record this ranking of items in the "Team Ranking" column. Your survival depends on the team's ability to agree on the importance of these items, as well as logical explanation of their value and how to use them.

Part III: Total Scores After the items have been ranked by teams, your instructor will report how the 15 items were ranked NASA scientists (experts). Write these rankings under the "Expert Ranking" column. Next, calculate the absolute difference (remove the negative sign) between your ranking and the expert's ranking for each of the 15 items and record these scores in the "Your Score" column. Sum these 15 absolute differences to determine your personal total score. Determine your team's score in the same manner using the "Team Score" column. Write these scores and summary statistics into the spaces at the bottom of the scoring sheet for those two columns.

Discussion Questions

1. Did most team members have higher (worse) or lower (better) total scores than the total "team score"? Why did this difference occur?
2. In what situations, if any, would someone's total personal score be very similar to the total team score? Did this occur for anyone on your team? Why?
3. When the team was ranking items, which items had the most difference of opinion regarding the item's importance? Why did this disagreement occur, and how was it resolved by the team?
4. While the team was determining the collective ranking of items, did specific team members take on specific roles, such as leading the discussion, encouraging opinions from quieter members, managing conflict, and so forth? If so, why do you think these people took on these roles?
5. Was your team composed mostly of people you have worked with previously in teams? If so, do you think the discussion was more effective or less effective than when making decisions with people who are new to you? Why?

Communicating in Teams and Organizations

learning objectives

After studying this chapter, you should be able to:

9-1 Explain why communication is important in organizations, and discuss four influences on effective communication encoding and decoding.

9-2 Compare and contrast the advantages of and problems with electronic mail, other verbal communication media, and nonverbal communication.

9-3 Discuss the relevance of synchronicity, social presence, social acceptance, and media richness when choosing the preferred communication channel.

9-4 Discuss various barriers (noise) to effective communication, including cross-cultural and gender-based differences in communication.

9-5 Explain how to get your message across more effectively, and summarize the elements of active listening.

9-6 Summarize effective communication strategies in organizational hierarchies, and review the role and relevance of the organizational grapevine.

S tewart Butterfield dislikes email. "When I open my email it's a giant casserole of email from family, friends, people we work with outside our organization. . . . It's garbled," complains the Silicon Valley entrepreneur who cofounded Flickr and more recently Slack. Butterfield (shown in photo) also dislikes how email directs messages to specific people that others cannot later access. "In email-based organizations, whether you are the chief executive or a junior employee, you have a very narrow slice and everything else is forever opaque for you."

Butterfield believes that the future of organizational communication is a real-time channel-based platform, such as Slack, in which anyone can create a channel and invite others into its conversations. "It's a messaging app for teams that is meant to encompass the whole spectrum of communications," Butterfield enthuses. "It's all your communication

in one place, instantly searchable, and available wherever you go." Slack is mainly instant messaging with fun emojis (smileys) and automated links to other information sources, but it will soon include video messages and video calls. With more than 3 million daily users just two years after its launch, Slack is the fastest-growing platform for internal organizational communication.

Slack says its platform boosts team productivity by about one-third, mainly by reducing internal email and meetings. However, a few users claim that this communication medium produces information overload. Real-time, channel-based communication assumes employees are always there to respond to messages across dozens of conversation channels. "With Slack, we were more connected than we ever were before," says Dave Teare, founder of password protection firm AgileBits. "[But] being connected doesn't magically enable effective communication. . . . It multiplexed my brain and left me in a constant state of anxiety." AgileBits reluctantly abandoned Slack for other platforms with less communication intensity.

According to one estimate, Slack cuts traditional meetings by 25 percent. Yet even the most digitally savvy companies using Slack still value face-to-face communication. "When my engineering team has to decide what they want to build in the next two weeks, this is hard to do without meetings," admits Octavian Costache, cofounder and chief technology officer of Manhattan shopping start-up Spring. "There's so much

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Slack and other channel-based platforms have become hugely popular communication tools in contemporary organizations, but they also have limitations that are minimized by including more traditional forms of communication.

volume of information [in face-to-face gatherings] . . . I have this image of a giant pipe, so much richness. It couldn't go on Slack."[1]

Organizations are currently experiencing a turbulent change in how employees communicate with each other. High-quality videoconferences, channel-based text messaging systems, sophisticated corporate-strength social media, smartphone videos and messages, and other methods didn't exist a decade ago. Indeed, many organizations in the United States and other countries are still struggling with whether—let alone determining how—to incorporate these new ways of interacting in the workplace. Emerging communication channels offer significant potential for information sharing and social bonding. Equally important, the workforce increasingly uses and expects organizations to provide these communication channels.

Communication refers to the process by which information is transmitted and *understood* between two or more people. We emphasize the word *understood* because transmitting the sender's intended meaning is the essence of good communication. This chapter begins by discussing the importance of effective communication, outlining the communication process model, and discussing factors that improve communication coding and decoding. Next, we identify types of communication channels, including email and social media, followed by factors to consider when choosing a communication medium. The chapter then identifies barriers to effective communication. The latter part of the chapter looks at communication in organizational hierarchies and offers insight about the pervasive organizational grapevine.

communication
the process by which information is transmitted and *understood* between two or more people

The Importance of Communication

9-1

Effective communication is vital to all organizations, so much so that no company could exist without it. The reason? Recall from Chapter 1 that organizations are defined as groups of people who work interdependently toward some purpose. People work interdependently only when they can communicate with each other. Although organizations rely on a variety of coordinating mechanisms (which we discuss in Chapter 13), frequent, timely, and accurate communication remains the primary means through which employees and work units effectively synchronize their work.[2] Chester Barnard, a telecommunications CEO and a pioneer in organizational behavior theory, made this observation back in 1938: "An organization comes into being when there are persons able to communicate with each other."[3]

In addition to coordination, communication is critical for organizational learning. It is the means through which knowledge enters the organization and is distributed to employees.[4] A third function of communication is decision making. Imagine the challenge of making a decision without any information about the decision context, the alternatives available, the likely outcomes of those options, or the extent to which the decision is achieving its objectives. All of these ingredients require communication from coworkers

HOW WELL DO ORGANIZATIONS SUPPORT INTERNAL COMMUNICATION?[5]

55% of 1,562 American employees surveyed say they are satisfied with their employer's communication practices.

46% of 1,200 Canadian employees surveyed say they are satisfied with the quality of internal communication in their company.

49% of 1,100 British managers surveyed agree that top leaders in their organization spend sufficient time communicating with staff.

61% of 376,577 U.S. federal government employees surveyed agree that managers in their organization communicate the goals and priorities of the organization.

Photo: © Rawpixel.com/Shutterstock RF

and stakeholders in the external environment. For example, airline cockpit crews make much better decisions—and thereby cause far fewer accidents—when the captain encourages the other pilots to openly share information.[6]

A fourth function of communication is to change behavior.[7] When conveying information to others, we are often trying to alter their beliefs, feelings, and ultimately their behavior. This influence process might be passive, such as merely describing the situation more clearly and fully. But communication is often a deliberate attempt to change someone's thoughts and actions. We will discuss the topic of persuasion later in this chapter.

A fifth function of communication is to support employee well-being.[8] One way communication minimizes stress is by conveying knowledge that helps employees better manage their work environment. For instance, research shows that new employees adjust much better to the organization when coworkers communicate subtle nuggets of wisdom, such as how to complete work procedures correctly, find useful resources, handle difficult customers, and avoid office politics.[9] The second way communication minimizes stress is emotionally; talking with others can be a soothing balm during difficult times. Indeed, people are less susceptible to colds, cardiovascular disease, and other physical and mental illnesses when they have regular social interaction.[10] In essence, people have an inherent drive to bond, to validate their self-worth, and to maintain their social identity. Communication is the means through which these drives and needs are fulfilled.

A Model of Communication

To understand the key features of effective interpersonal communication, let's examine the model presented in Exhibit 9.1, which provides a useful "conduit" metaphor for thinking about the communication process.[11] According to this model, communication flows through one or more channels (also called *media*) between the sender and receiver. The sender forms a message and encodes it into words, gestures, voice intonations, and other symbols or signs. Next, the encoded message is transmitted to the intended receiver through voice, text, nonverbal cues, or other channels. The receiver senses and decodes the incoming message into something meaningful. Ideally, the decoded meaning is what the sender had intended.

In most situations, the sender looks for evidence that the other person received and understood the transmitted message. This feedback may involve the receiver repeating the message back to the sender or demonstrating awareness of the message indirectly through the receiver's subsequent actions. Notice that feedback repeats the communication process. Intended feedback is encoded, transmitted, received, and decoded from the receiver to the sender of the original message.

This model recognizes that communication is not a free-flowing conduit. Rather, the transmission of meaning from one person to another is hampered by *noise*—the psychological, social, and structural barriers that distort and obscure the sender's intended message. If any part of the communication process is distorted or broken, the sender and receiver will not have a common understanding of the message.

INFLUENCES ON EFFECTIVE ENCODING AND DECODING

According to the communication process model, effective communication depends on the sender's and receiver's ability, motivation, role clarity, and situational support to efficiently and accurately encode and decode information. Four main factors influence the effectiveness of this encoding–decoding process.[12]

First, the sender and receiver encode and decode more effectively when they have similar "codebooks," which are dictionaries of symbols, language, gestures, idioms, and other tools used to convey information. With similar codebooks, the communication participants are able to encode and decode more accurately because they assign the same or similar meaning to the transmitted symbols and signs. Communication efficiency also

EXHIBIT 9.1

The Communication Process Model
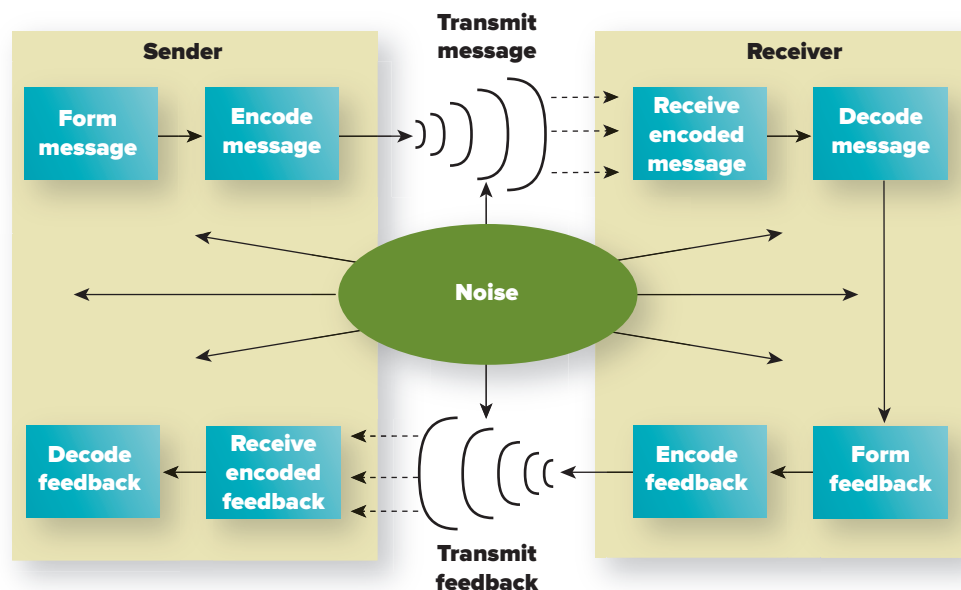
In most hospitals, medical staff must transmit medical orders and patient updates using internal phones and pagers. But hospital leaders at St. Luke's Medical Center in Boise, Idaho, discovered that the younger physicians and nurses were communicating through text messages using their personal smartphones. This practice was highly efficient and more comfortable for users, but it violated industry regulations because medical information was sent through public networks, which could potentially be stolen. Rather than banning text messages, St. Luke's set up a secure texting system for the hospital. A St. Luke's executive explains why: "When people are trying to do the best they can for the patient, they're going to try to find a workaround. . . . Let's not stop it. Let's figure out how we can do it legally and correctly." In other words, St. Luke's will likely experience better communication among medical staff because they are proficient and motivated to use text messages compared to phone calls and pagers.[14]

improves because there is less need for redundancy (repeating the message in different ways) and less need for confirmation feedback ("So, you are saying that…?").

Second, the encoding–decoding process improves with experience because the sender learns which words, symbols, voice intonations, and other features transmit the message more clearly and persuasively to others. Third, the encoding–decoding process is better when the sender and receiver are skilled and motivated to use the selected communication channel(s). Some people prefer face-to-face conversations, others prefer tweets and text messages, and still others prefer writing and receiving detailed reports. Even when the sender and receiver have the same codebooks, the message can get lost in translation when one or both parties use a channel that they dislike or don't know how to use very well.[13]

Fourth, the encoding–decoding process depends on the sender's and receiver's shared mental models of the communication context. Mental models are visual or relational images of the communication setting, whereas codebooks are symbols used to convey message content (see Chapter 3). For example, a Russian cosmonaut and American astronaut might have shared mental models about the layout and features of the international space station (communication context), yet they experience poor communication because of language differences (i.e., different codebooks). Shared mental models potentially enable more accurate transmission of the message content and reduce the need for communication about the message context.

Communication Channels

9-2

A central feature of the communication model is the channel (also called the *medium*) through which information is transmitted. There are two main types of channels: verbal and nonverbal. Verbal communication uses words, so it includes spoken or written channels. Nonverbal communication is any part of communication that does not use words. Spoken and written communication are both verbal (i.e., they both use words), but they are quite different from each other and have different strengths and weaknesses in communication effectiveness, which we discuss later in this section. Also, written communication has traditionally been much slower than spoken communication at transmitting messages, although electronic mail, Twitter tweets, and other online communication channels have significantly improved written communication efficiency.

INTERNET AND DIGITAL COMMUNICATION

In the early 1960s, with funding from the U.S. Department of Defense, university researchers began discussing how to collaborate better by connecting their computers through a network. Their rough vision of connected computers became a reality in 1969 as the Advanced Research Projects Agency Network (ARPANET). ARPANET initially had only a dozen or so connections and was very slow and expensive by today's standards, but it marked the birth of the Internet. Two years later, using that network, a computer engineer sent the first electronic mail (email) message between different computers on a network. By 1973, most communication on ARPANET was through email. ARPANET was mostly restricted to U.S. Defense–funded research centers, so in 1979 two graduate students at Duke University developed a public network system, called Usenet. Usenet allowed people to post information that could be retrieved by anyone else on the network, making it the first public computer-mediated social network.[15]

We have come a long way since the early days of ARPANET and Usenet. Instant messaging, social media, and other contemporary activities didn't exist in organizations a dozen years ago, whereas they are now gaining popularity. However, email is still the medium of choice in most workplaces.[16] Email messages can be written, edited, and transmitted quickly. Information can be effortlessly appended and conveyed to many people. Email is also asynchronous (messages are sent and received at different times), so there is no need to coordinate a communication session. With advances in computer search technology, email software has also become a somewhat efficient filing cabinet.[17]

Email is the preferred medium for sending well-defined information for decision making. It is also the first choice for coordinating work, although text messages may soon overtake email for this objective. The introduction of email has substantially altered the directional flow of information as well as increased the volume and speed of those messages throughout the organization.[18] In particular, email has reduced face-to-face and telephone communication but increased communication with people further up the hierarchy. Email potentially improves employee–manager relations, except where these messages are used by the manager to control employee behavior.

Several studies suggest that email reduces social and organizational status differences between sender and receiver, mainly because there are fewer cues to indicate these differences than in face-to-face interactions. However, status differences still exist to some extent in written digital communication.[19] For instance, one recent study found that managers signaled their status by replying to emails less quickly and with shorter messages. Even text messages can convey status differences. Emerging evidence suggests that people assign higher status to senders of messages that include an elite signature (e.g., "Sent from my iPhone").

Email and other forms of written digital communication potentially reduce stereotyping and prejudice because age, race, and other features of the participants are unknown or less noticeable.[20] Text messages and emails allow more time to craft diplomatic messages than in face-to-face interactions. However, diplomatic writing mainly occurs when there is potential conflict or perceived prejudice. In other situations, the lack of face-to-face contact may increase reliance on stereotypes and produce messages that reflect those biases.

PROBLEMS WITH EMAIL AND OTHER DIGITAL MESSAGE CHANNELS

Email, text messages, and other written digital message channels dominate organizational communication, but they have several limitations. Here are the top four complaints:

Poor Communication of Emotions   People rely on facial expressions and other nonverbal cues to interpret the emotional meaning of words; email and text messages lack this parallel communication channel. Indeed, people consistently and significantly

overestimate the degree to which they understand the emotional tone of digital messages.[21] Senders try to clarify the emotional tone of their messages by using expressive language ("Wonderful to hear from you!"), highlighting phrases in boldface or quotation marks, and inserting graphic faces (called emojis or "smileys") representing the desired emotion. Studies suggest that writers are getting better at using these emotion symbols. Still, they do not replace the full complexity of real facial expressions, voice intonation, and hand movements.[22]

Less Politeness and Respectfulness   Digital messages are often less diplomatic than written letters. Indeed, the term *flaming* has entered our language to describe messages that convey strong negative emotions. Receivers are partly to blame because they tend to infer a more negative interpretation of the digital message than was intended by the sender.[23] Even so, flame wars occur mostly because senders are more likely to send disparaging messages digitally than by other communication channels. One reason is that individuals can post digital messages before their emotions subside, whereas the sender of a traditional memo or letter would have time for sober second thoughts. A second reason why employees are more likely to send disrespectful messages digitally than in face-to-face conversation is that digital messages have low social presence (they are impersonal), which reduces the sender's empathy and sensitivity. Fortunately, organizations are responding with explicit norms and rules that minimize flaming and cyberbullying.[24]

Cumbersome Medium for Ambiguous, Complex, and Novel Situations
Digital messages are incredibly efficient for well-defined situations, such as confirming the location of a meeting or giving basic instructions for a routine activity. But this form of communication can be cumbersome and dysfunctional in ambiguous, complex, and novel situations. As we will describe later in this section, these circumstances require communication channels that transmit a larger volume of information with more rapid feedback. In other words, when the issue gets messy, stop emailing or texting and start talking, preferably face-to-face.

Contributes to Information Overload   Digital messages contribute to information overload.[25] The phenomenal growth of email is one culprit. Approximately 72 trillion emails—more than half of which are in business settings—are now transmitted annually around the world, up from just 1.1 trillion in 1998. Almost two-thirds of all emails are spam![26] The email glut occurs because messages are created and copied to many people without much effort. However, as the opening case study to this chapter noted, text messages from Slack and other emerging corporate communications platforms may become a greater source of information overload in future.

WORKPLACE COMMUNICATION THROUGH SOCIAL MEDIA

Although email still dominates most workplace communication, it may eventually be overtaken by emerging forms of social media. Social media are Internet- or mobile-based channels that allow users to generate and interactively share information. They cover a wide range of categories: social networks (Facebook, LinkedIn, Google+), microblogs (Twitter), blogs and blog communities (Typepad, BlogHer), site comments and forums (FlyerTalk, Whirlpool), multimedia sharing (YouTube, Pinterest), publishing (Wikipedia), and several others.

Unlike traditional websites that merely "push" information from the creator to the audience, social media are more conversational and reciprocally interactive between sender and receiver, resulting in a sense of community.[27] Social media are "social" because they encourage formation of communities through links, interactive conversations,

EXHIBIT 9.2   Functions of Communicating through Social Media

Wikis

Facebook
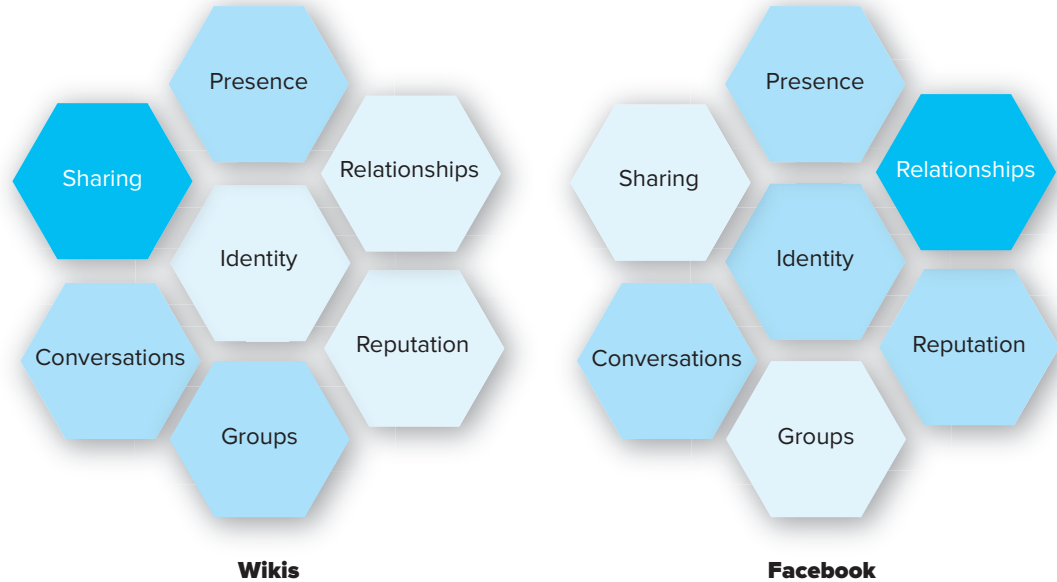
Source: Based on J.H. Kietzmann, K. Hermkens, I.P. McCarthy, and B.S. Silvestre, "Social Media? Get Serious! Understanding the Functional Building Blocks of Social Media," *Business Horizons* 54, no. 3 (2011): 241–51.

and (for some platforms) common space for collaborative content development. The audience can become participants in the conversation by contributing feedback and by linking someone else's content to their own social media spaces. Some social media platforms also enable users the right to develop a public identity.

Each type of social media serves a unique combination of functions, such as presenting the individual's identity, enabling conversations, sharing information, sensing the presence of others in the virtual space, maintaining relationships, revealing reputation or status, and supporting communities (see Exhibit 9.2).[28] For instance, Facebook has a strong emphasis on maintaining relationships but relatively low emphasis on sharing information or forming communities (groups). Wikis, on the other hand, focus on sharing information or forming communities but have a much lower emphasis on presenting the user's identity or reputation.

There is increasing evidence that enterprise social media platforms such as Yammer, IBM Connections, Facebook at Work, and Slack can improve knowledge sharing and socializing among employees under some conditions.[29] When a major credit card company introduced one of these enterprise social media platforms, its employees were 31 percent better at finding information and 71 percent better at finding the person with the original information. A large-scale study of Twitter tweets reported that this form of communication aided employees in transmitting knowledge, maintaining collegiality among coworkers, and strengthening their professional network. Many social media platforms enable feedback, which potentially gives employees more voice. One study found evidence of this voice, but only where these feedback mechanisms received management support.

Millennials are the strongest advocates of social media in the workplace, whereas one recent study reported that older employees remain skeptical. This may partly explain why most corporate leaders have been slow to adopt enterprise social media.[30] In fact, many companies simply ban employee access to any social media (usually after discovering excessive employee activity on Facebook) without thinking through the longer-term potential of these communication channels.

global connections 9.1

Bosch Employees Improve Collaboration through Social Media

A few years ago, Robert Bosch GmbH asked hundreds of its employees to describe their image of a future workplace that supports collaboration and idea generation. From this feedback, the German engineering and electronics company introduced Bosch Connect, an enterprise social media platform developed by IBM combined with Skype.

Bosch Connect includes several conditions to support collaboration. First, the online communities are self-organizing; employees set them up without seeking permission from management. Second, the communities are transparent, not hidden or restrictive. This means that any Bosch employee can join a community if it is public, or can ask to join if it is moderated. Third, employees are encouraged to ask questions and offer suggestions, even for communities outside their work specialization.

Bosch Connect has significantly boosted productivity and is now part of everyday work for most of the company's 300,000 employees. For example, one team completed a customer localization project in six days using Bosch Connect rather than email, compared to similar projects that took up to four weeks without Bosch

© Krisztian Bocsi/Bloomberg/Getty Images

Connect (i.e., mainly used email). Bosch's social media platform is particularly popular among younger employees. "I'm used to chatting electronically with friends and family and using various social media channels to communicate in my private life," says Ee Von Lim, a Bosch accounting manager in Singapore. "Now when I'm collaborating with colleagues, communication is just as intuitive. That makes me more productive—and my work more fun."[31]

NONVERBAL COMMUNICATION

Nonverbal communication includes facial gestures, voice intonation, physical distance, and even silence.[32] This communication channel is necessary where noise or physical distance prevents effective verbal exchanges and the need for immediate feedback precludes written communication. But even in quiet face-to-face meetings, most information is communicated nonverbally. Rather like a parallel conversation, nonverbal cues signal subtle information to both parties, such as reinforcing their interest in the verbal conversation or demonstrating their relative status in the relationship.[33] Unfortunately, we often transmit messages nonverbally without being aware of this conversation. For example, Exhibit 9.3 identifies 10 behaviors among job applicants that transmit negative nonverbal messages about their character.

Nonverbal communication differs from verbal (i.e., written and spoken) communication in a couple of ways. First, it is less rule-bound than verbal communication. We receive considerable formal training on how to understand spoken words, but very little on how to understand the nonverbal signals that accompany those words. Consequently, nonverbal cues are generally more ambiguous and susceptible to misinterpretation. At the same time, many facial expressions (such as smiling) are hardwired and universal, thereby providing the only reliable means of communicating across cultures.

The other difference between verbal and nonverbal communication is that the former is typically conscious, whereas most nonverbal communication is automatic and nonconscious. We normally plan the words we say or write, but we rarely plan every blink, smile, or other gesture during a conversation. Indeed, as we just mentioned, many of these facial expressions communicate the same meaning across cultures because they are hardwired, nonconscious responses to human emotions.[34] For example, pleasant emotions cause the brain center to widen the mouth, whereas negative emotions produce constricted facial expressions (squinting eyes, pursed lips, etc.).

EXHIBIT 9.3   **Top 10 Body Language Mistakes in Job Interviews**

Body Language Mistake	Percentage
Failing to make eye contact	67%
Failing to smile	39%
Playing with something on the table	33%
Bad posture	30%
Fidgeting too much in their chair	30%
Crossing their arms over their chest	29%
Playing with their hair or touching their face	27%
Handshake is weak	21%
Using too many hand gestures	11%
Handshake is too strong	7%
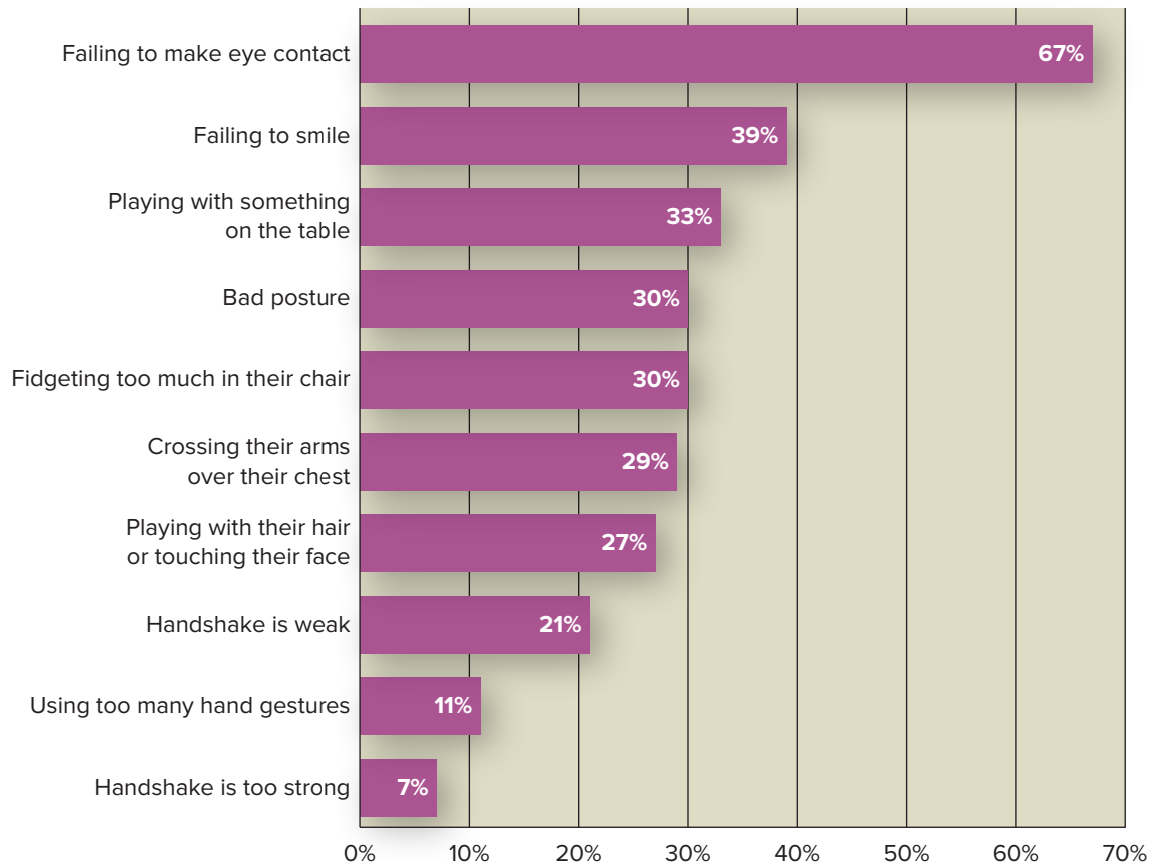
Note: Percentage of more than 2,500 U.S. human resource and hiring managers surveyed who identified each of these behaviors as the biggest body language mistakes made by job candidates during hiring interviews.[35]

emotional contagion
the nonconscious process of "catching" or sharing another person's emotions by mimicking that person's facial expressions and other nonverbal behavior

Emotional Contagion   One of the most fascinating aspects of nonverbal communication is **emotional contagion,** which is the automatic process of "catching" or sharing another person's emotions by mimicking that person's facial expressions and other nonverbal behavior. Technically, human beings have brain receptors that cause them to mirror what they observe. In other words, to some degree our brain causes us to act as though we are the person we are watching.[36]

Consider what happens when you see a coworker accidentally bang his or her head against a filing cabinet. Chances are, you wince and put your hand on your own head as if you had hit the cabinet. Similarly, while listening to someone describe a positive event, you tend to smile and exhibit other emotional displays of happiness. While some of our nonverbal communication is planned, emotional contagion represents nonconscious behavior—we automatically mimic and synchronize our nonverbal behaviors with other people.[37]

Emotional contagion influences communication and social relationships in three ways.[38] First, mimicry provides continuous feedback, communicating that we understand and empathize with the sender. To consider the significance of this, imagine employees remaining expressionless after watching a coworker bang his or her head! The lack of parallel behavior conveys a lack of understanding or caring. A second function is that mimicking the nonverbal behaviors of other people seems to be a way of receiving emotional meaning from those people. If a coworker is angry with a client, your tendency to frown and show anger while listening helps you experience that emotion more fully. In

other words, we receive meaning by expressing the sender's emotions as well as by listening to the sender's words.

The third function of emotional contagion is to fulfill the drive to bond that we mentioned earlier in this chapter and was introduced in Chapter 5. Bonding develops through each person's awareness of a collective sentiment. Through nonverbal expressions of emotional contagion, people see others share the same emotions that they feel. This strengthens relations among team members as well as between leaders and followers by providing evidence of their similarity.

Choosing the Best Communication Channel

9-3

Employees have more communication channels to choose from than ever before, ranging from physical and technological forms of face-to-face interaction to a multitude of ways to transmit written messages. Which communication channel is most appropriate in a particular situation? There are many factors to consider, but the four most important are summarized in Exhibit 9.4 and described in this section.

SYNCHRONICITY

synchronicity

the extent to which the channel requires or allows both sender and receiver to be actively involved in the conversation at the same time (synchronous) or at different times (asynchronous)

Communication channels vary in their **synchronicity,** that is, the extent to which they require or allow both sender and receiver to be actively involved in the conversation at the same time.[39] Face-to-face conversations are almost always synchronous, whereas other forms of communication can occur with each party participating at different times (asynchronous). Emails are typically asynchronous because the receiver doesn't need to be around when email messages are sent. Online texting can be asynchronous, but it often occurs as a synchronous conversation. Synchronous communication is better when the information is required quickly (high immediacy) or where the issue is complex and therefore requires the parties to address several related decisions. Asynchronous communication is better when the issue is simple, the issue has low time urgency, getting both parties together at the same time is costly, and/or the receiver would benefit from time to reflect on the message before responding.

EXHIBIT 9.4   **Factors in Choosing the Best Communication Channel**

CHANNEL CHOICE FACTOR	DESCRIPTION	DEPENDS ON . . .
Synchronicity	The channel requires or allows the sender and receiver to communicate with each other at the same time (synchronous) or at different times (asynchronous)	• Time urgency (immediacy) • Complexity of the topic • Cost of both parties communicating at the same time • Whether receiver should have time to reflect before responding
Social presence	The channel creates psychological closeness to others, awareness of their humanness, and appreciation of the interpersonal relationship	• Need to empathize with others • Need to influence others
Social acceptance	The channel is approved and supported by others (receiver, team, organization, or society)	• Organizational, team, and cultural norms • Each party's preferences and skills with the channel • Symbolic meaning of the channel
Media richness	The channel has high data-carrying capacity—the volume and variety of information that can be transmitted during a specific time	• Situation is nonroutine • Situation is ambiguous

SOCIAL PRESENCE

Social presence refers to how much the communication channel creates psychological closeness to others, awareness of their humanness, and appreciation of the interpersonal relationship.[40] Some communication channels make us more aware that there is another human being (or several others) in the conversation, and they produce a sense of mutual relationship. Face-to-face interactions almost always have the highest social presence, whereas low social presence would typically occur when sending an email to a large distribution list. Social presence is also stronger in synchronous communication because immediate responses by the other party to our messages increase the sense of connectedness with that person. Although social presence is mostly affected by specific channel characteristics, message content also plays a role. For example, social presence is affected by how casually or formally the message is conveyed and by how much personal information about the sender is included in the message.

A communication channel is valued for its social presence effect when the purpose of the dialogue is to understand and empathize with the other person or group. People are also more willing to listen and help others when there is a degree of interpersonal relationship or feeling of human connectedness. Therefore, channels with high social presence are better when the sender wants to influence the receiver.

SOCIAL ACCEPTANCE

Social acceptance refers to how well the communication medium is approved and supported by the organization, teams, and individuals involved in the exchange.[41] One social acceptance factor is the set of norms held by the organizational, team, and culture. Norms explain why face-to-face meetings are daily events among staff in some firms, whereas computer-based videoconferencing (such as Skype) and Twitter tweets are the media of choice in other organizations. Studies report that national culture plays an important role in preferences for specific communication channels.[42] For instance, Koreans are much less likely than Americans to email corporate executives because in Korea email is considered insufficiently respectful of the superior's status. Other research has found that the preference for email depends on the culture's emphasis on context, time, and space in social relationships.

A second social acceptance factor is the sender's and receiver's preferences for specific communication channels.[43] You may have noticed that some coworkers ignore (or rarely check) voice mail, yet they quickly respond to text messages or Twitter tweets. These preferences are due to personality traits as well as previous experience and reinforcement with particular channels.

A third social acceptance factor is the symbolic meaning of a channel.[44] Some communication channels are viewed as impersonal whereas others are more personal; some are considered professional whereas others are casual; some are "cool" whereas others are old-fashioned. For instance, phone calls and other synchronous communication channels convey a greater sense of urgency than do text messages and other asynchronous channels. The importance of a channel's symbolic meaning is perhaps most apparent in stories about managers who use emails or text messages to inform employees that they are fired or laid off. These communication events make headlines because email and text messages are considered inappropriate (too impersonal) for transmission of that particular information.[45]

MEDIA RICHNESS

In the opening case study for this chapter, Spring cofounder Octavian Costache commented that Slack and similar digital communication technologies don't work as well as face-to-face meetings for the intense, creative discussions he has with the company's engineering team. He specifically referred to the volume and richness of

EXHIBIT 9.5   **Media Richness Hierarchy**
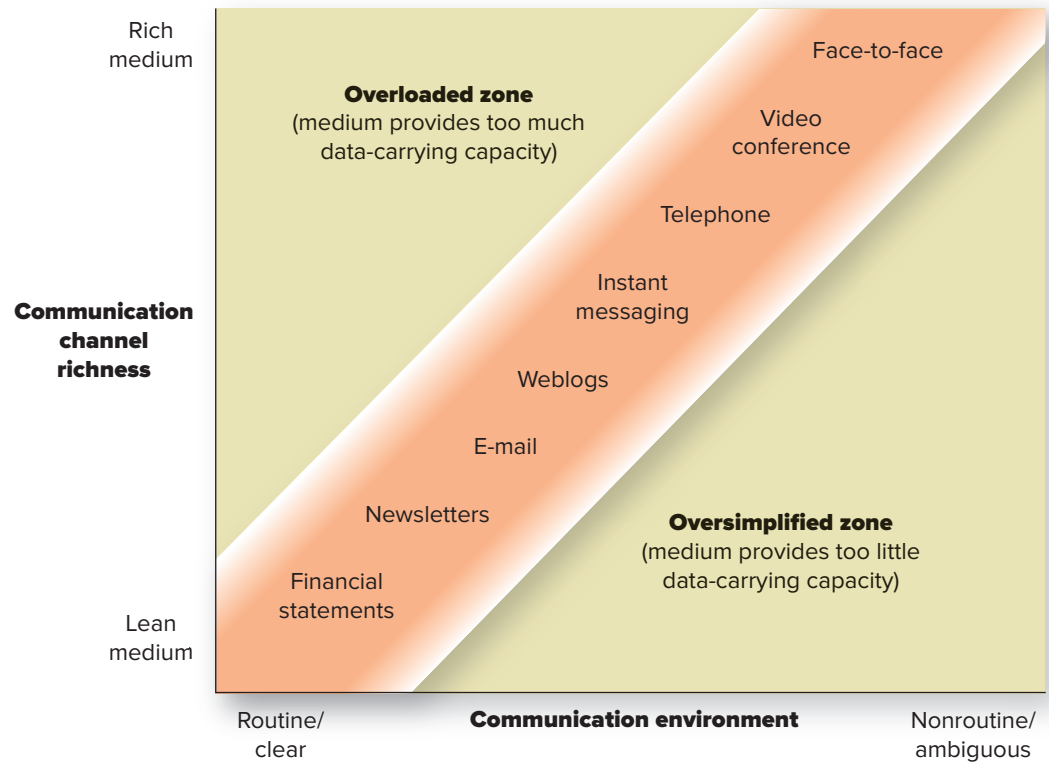
Sources: Based on R.H. Lengel and R.L. Daft, "The Selection of Communication Media as an Executive Skill," *Academy of Management Executive* 2, no. 3 (August 1988): 226; R.L. Daft and R.H. Lengel, "Information Richness: A New Approach to Managerial Behavior and Organization Design," *Research in Organizational Behavior* 6 (1984): 199.

media richness
a medium's data-carrying capacity—that is, the volume and variety of information that can be transmitted during a specific time

information exchange in these meetings that can't be handled as effectively through online text messages. Costache was describing the idea that communication channels vary in their level of media richness. **Media richness** refers to the medium's data-carrying capacity—the volume and variety of information that can be transmitted during a specific time.[46]

Exhibit 9.5 illustrates various communication channels arranged in a hierarchy of richness, with face-to-face interaction at the top and lean data-only reports at the bottom. A communication channel has high richness when it is able to convey multiple cues (such as both verbal and nonverbal information), allows timely feedback from receiver to sender, allows the sender to customize the message to the receiver, and makes use of complex symbols (such as words and phrases with multiple meanings).

Face-to-face communication has very high media richness because it allows us to communicate both verbally and nonverbally at the same time, to get feedback almost immediately from the receiver, to quickly adjust our message and style, and to use complex language such as metaphors and idioms (e.g., "spilling the beans"). For example, hospitals in many countries are encouraging employees to have brief daily huddles during which team members share information and expectations about the day's work.[47] Rich media tend to be synchronous and have high social presence, but not always.

According to media richness theory, rich media are better than lean media when the communication situation is nonroutine and ambiguous. In nonroutine situations (such as an unexpected and unusual emergency), the sender and receiver have little common experience, so they need to transmit a large volume of information with immediate feedback. Lean media work well in routine situations because the sender and receiver have common expectations through shared mental models. Ambiguous situations also require

Patient care is complex and potentially ambiguous, so medical and support teams throughout Tucson Medical Center (TMC) rely on daily huddles and other forms of media-rich communication to coordinate work and maintain shared mental models of their duties. Huddles are task-focused, stand-up gatherings, usually lasting 5 to 10 minutes, during which team members review key performance measures, workflow issues, and changes in patient care. TMC staff say these huddles make them feel more connected to the team and its purpose.[48]

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rich media because the parties must share large amounts of information with immediate feedback to resolve multiple and conflicting interpretations of their observations and experiences.[49]

Choosing the wrong medium reduces communication effectiveness. When the situation is routine or clear, using a rich medium—such as holding a special meeting—would be a waste of time.[50] On the other hand, if a unique and ambiguous issue is handled through email or another lean medium, then issues take longer to resolve and misunderstandings are more likely to occur.

Exceptions to the Media Richness Theory   Research generally supports media richness theory for traditional channels (face-to-face, written memos, etc.). However, the model doesn't fit reality nearly as well when digital communication channels are studied.[51] Three factors seem to explain why digital channels may have more media richness than media richness theory predicts:

1. *Ability to multicommunicate*. It is usually difficult (as well as rude) to communicate face-to-face with someone while simultaneously transmitting messages to another person using another medium. Most digital communication channels, on the other hand, require less social etiquette and attention, so employees can easily engage in two or more communication events at the same time. In other words, they can multicommunicate.[52] For example, people routinely scan web pages while talking to someone on the phone or video chat (e.g., Skype). Employees tap out text messages to a client while simultaneously listening to a discussion at a large meeting. Research consistently finds that people multitask less efficiently

global connections 9.2

Multicommunicating across the Pacific

Not long ago, Doug Stuart was skeptical that communication technology would be anywhere as good as a meeting with everyone in the same room. "If you had asked me that four years ago I would have rolled my eyes and said it is never going to work," says the chief information officer at IBM New Zealand.

Today, technology quality, together with the ability to multicommunicate during meetings, has dramatically improved the communication experience of virtual meetings. "I'm looking at my screen and seeing their presentations and hearing their voices," Stuart said while he remotely attended a meeting of IBM colleagues in the United States from his workplace in Wellington. "You have the ability to raise your hand, send real-time text messaging to the chair of the meeting . . . and blogs are active during these sessions as well."[53]

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than they assume,[54] but the volume of information transmitted simultaneously through two digital communication channels is sometimes greater than through one high media richness channel.

2. *Communication proficiency*. Earlier in this chapter we explained that communication effectiveness is partially determined by the sender's ability and motivation with the communication channel. People with higher proficiency can "push" more information through the channel, thereby increasing the channel's information flow. Experienced smartphone users, for instance, can whip through messages in a flash, whereas new users struggle to type notes and organize incoming messages. In contrast, there is less variation in the ability to communicate through casual conversation and other natural channels because most of us develop good levels of proficiency throughout life and possibly through hardwired evolutionary development.[55]

3. *Social presence effects*. Channels with high media richness tend to have more social presence.[56] However, high social presence also sensitizes both parties to their relative status and self-presentation, which can distort or divert attention away from the message.[57] Face-to-face communication has very high media richness, yet its high social presence can disrupt the efficient flow of information through that medium. During a personal meeting with the company's CEO, for example, you might concentrate more on your image to the CEO than on what the CEO is saying to you. In other words, the benefits of channels with high media richness may be offset by more social presence distractions, whereas lean media have much less social presence to distract or distort the transmitted information.

COMMUNICATION CHANNELS AND PERSUASION

persuasion
the use of facts, logical arguments, and emotional appeals to change another person's beliefs and attitudes, usually for the purpose of changing the person's behavior

Some communication channels are more effective than others for **persuasion,** that is, changing another person's beliefs and attitudes. Studies support the long-held view that spoken communication, particularly face-to-face interaction, is more persuasive than emails, websites, and other forms of written communication. There are three main reasons for this persuasive effect.[58] First, spoken communication is typically accompanied by nonverbal communication. People are persuaded more when they receive both emotional and logical messages, and the combination of spoken with nonverbal communication

provides this dual punch. A lengthy pause, raised voice tone, and (in face-to-face interaction) animated hand gestures can amplify the emotional tone of the message, thereby signaling the vitality of the issue.

A second reason why conversations are more persuasive is that spoken communication offers the sender high-quality, immediate feedback about whether the receiver understands and accepts the message (i.e., is being persuaded). This feedback allows the sender to adjust the content and emotional tone of the message more quickly than with written communication. A third reason is that people are persuaded more under conditions of high social presence than low social presence. Listeners have higher motivation to pay attention and consider the sender's ideas in face-to-face conversations (high social presence). In contrast, persuasive communication through a website, email, and other low social presence channels are less effective due to the higher degree of anonymity and psychological distance from the persuader.

Although spoken communication tends to be more persuasive, written communication can also persuade others to some extent. Written messages have the advantage of presenting more technical detail than can occur through conversation. This factual information is valuable when the issue is important to the receiver. Also, people experience a moderate degree of social presence in written communication with friends and coworkers, so written messages can be persuasive when sent and received with close associates.

Communication Barriers (Noise)

9-4

In spite of the best intentions of sender and receiver to communicate, several barriers (called "noise" earlier in Exhibit 9.1) inhibit the effective exchange of information. As author George Bernard Shaw once wrote, "The greatest problem with communication is the illusion that it has been accomplished." One barrier is that both sender and receiver have imperfect perceptual processes. As receivers, we don't listen as well as senders assume, and our needs and expectations influence what signals get noticed and ignored. We aren't any better as senders, either. Some studies suggest that we have difficulty stepping out of our own perspectives and stepping into the perspectives of others, so we overestimate how well other people understand the message we are communicating.[59]

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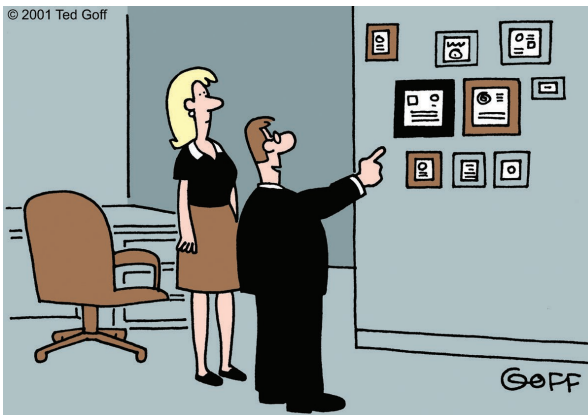
"That's my commendation for deciphering all the sales talk when we needed to upgrade the computer."

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Language issues can be huge sources of communication noise because sender and receiver might not have the same codebook. They might not speak the same language, or might have different meanings for particular words and phrases. The English language (among others) also has built-in ambiguities that cause misunderstandings. Consider the phrase "Can you close the door?" You might assume the sender is asking whether shutting the door is permitted. However, the question might be asking whether you are physically able to shut the door or whether the door is designed such that it can be shut. In fact, this question might not be a question at all; the person could be politely *telling* you to shut the door.[60]

The ambiguity of language isn't always dysfunctional noise.[61] Corporate leaders sometimes purposely use obscure language to reflect the ambiguity of the topic or to avoid unwanted emotional responses produced by more specific words. They might use metaphors to represent an abstract vision of the company's future, or use obtuse phrases such as "rightsizing" and "restructuring" to obscure the underlying message that people will be fired or laid off. Studies report that effective

communicators also use more abstract words and symbols when addressing diverse or distant (not well known to the speaker) audiences, because abstraction increases the likelihood that the message is understood across a broader range of listeners.

Jargon—specialized words and phrases for specific occupations or groups—is usually designed to improve communication efficiency. However, it is a source of communication noise when transmitted to people who do not possess the jargon codebook. Furthermore, people who use jargon excessively put themselves in an unflattering light. For example, Twitter cofounder and CEO Jack Dorsey recently fell into the jargon trap when attempting to gently tell hundreds of Twitter employees that they would be laid off. His email to all staff began: "We are moving forward with a restructuring of our workforce." After stating that "we plan to part ways with up to 336 people," he closed with: "We do so with a more purpose-built team, which we'll continue to build strength into over time, as we are now enabled to reinvest in our most impactful priorities." Dorsey's attempt to soften the blow with corporate speak didn't have the desired effect, even if employees did figure out what he meant.[62]

Another source of noise in the communication process is the tendency to filter messages. Filtering may involve deleting or delaying negative information or using less harsh words so the message sounds more favorable.[63] Filtering is less likely to occur when corporate leaders create a "culture of candor." This culture develops when leaders themselves communicate truthfully, seek out diverse sources for information, and protect and reward those who speak openly and truthfully.[64]

INFORMATION OVERLOAD

information overload
a condition in which the volume of information received exceeds the person's capacity to process it

Start with a daily avalanche of email, then add in cell phone calls, text messages, PDF file downloads, web pages, hard copy documents, some Twitter tweets, blogs, wikis, and other sources of incoming information. Altogether, you have created a perfect recipe for **information overload.**[65] As Exhibit 9.6 illustrates, information overload occurs whenever the job's information load exceeds the individual's capacity to get through it. Employees have a certain *information-processing capacity*—the amount of information that they are able to process in a fixed unit of time. At the same time, jobs have a varying

EXHIBIT 9.6

Dynamics of Information Overload
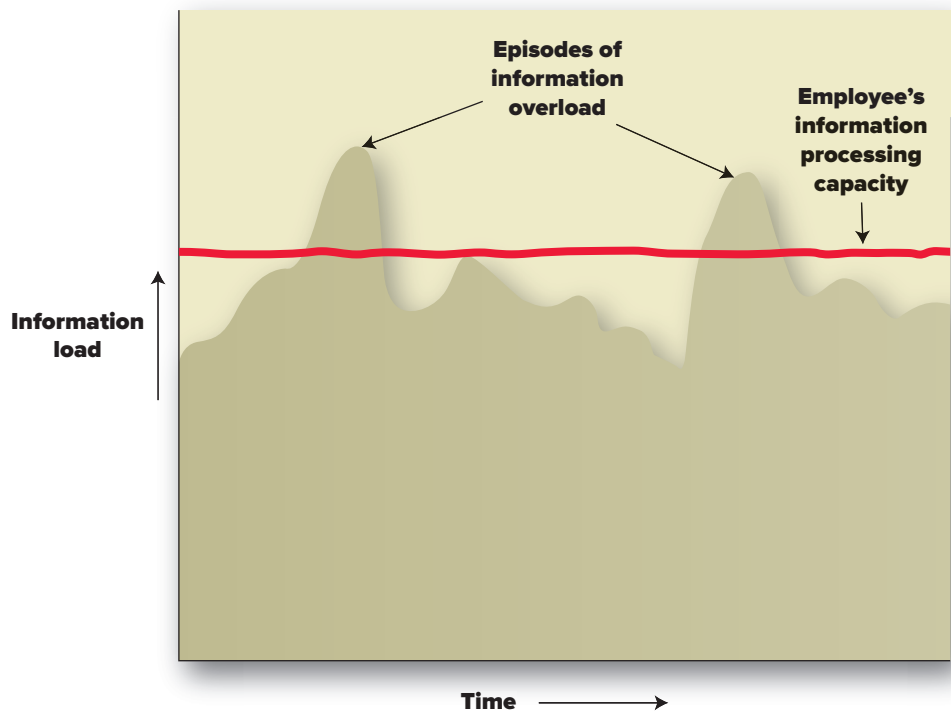
information load—the amount of information to be processed per unit of time. Information overload creates noise in the communication system because information gets overlooked or misinterpreted when people can't process it fast enough. The result is poorer-quality decisions as well as higher stress.[66]

Information overload problems can be minimized by increasing our information-processing capacity, reducing the job's information load, or through a combination of both. Studies suggest that employees often increase their information-processing capacity by temporarily reading faster, scanning through documents more efficiently, and removing distractions that slow information-processing speed. Time management also increases information-processing capacity. When information overload is temporary, employees can increase their information-processing capacity by working longer hours. Information load can be reduced by buffering, omitting, and summarizing. Buffering involves having incoming communication filtered, usually by an assistant. Omitting occurs when we decide to overlook messages, such as using software rules to redirect emails from distribution lists to folders that we rarely look at. Summarizing involves digesting a condensed version of the complete communication, such as reading an executive summary rather than the full report.

Cross-Cultural and Gender Communication

Increasing globalization and cultural diversity have created more cross-cultural communication issues.[67] Voice intonation is one form of cross-cultural communication barrier. How loudly, deeply, and quickly people speak varies across cultures, and these voice intonations send secondary messages that have different meanings in different societies.

Language is an obvious cross-cultural communication challenge. Words are easily misunderstood in verbal communication, either because the receiver has a limited vocabulary or the sender's accent distorts the usual sound of some words. In one cross-cultural seminar, for example, participants at German electronics company Siemens were reminded that a French coworker might call an event a "catastrophe" as a casual exaggeration, whereas someone in Germany usually interprets this word literally as an earth-shaking event. Similarly, KPMG staff from the United Kingdom sometimes referred to another person's suggestions as "interesting." They had to clarify to their German colleagues that "interesting" might not be complimenting the idea.[68]

Communication includes silence, but its use and meaning vary from one culture to another.[69] One study estimated that silence and pauses represented 30 percent of conversation time between Japanese doctors and patients, compared to only 8 percent of the time between American doctors and patients. Why is there more silence in Japanese conversations? One reason is that interpersonal harmony and saving face are more important in Japanese culture, and silence is a way of disagreeing without upsetting that harmony or offending the other person.[70] In addition, silence symbolizes respect and indicates that the listener is thoughtfully contemplating what has just been said.[71] Empathy is very important in Japan, and this shared understanding is demonstrated without using words. In contrast, most people in the United States and many other cultures view silence as a *lack* of communication and often interpret long breaks as a sign of disagreement.

Conversational overlaps also send different messages in different cultures. Japanese people usually stop talking when they are interrupted, whereas talking over the other person's speech is more common in Brazil, France, and some other countries. The difference in communication behavior is, again, due to interpretations. Talking while someone is speaking to you is considered quite rude in Japan, whereas Brazilians and French are more likely to interpret this as the person's interest and involvement in the conversation.

global connections 9.3

Politely Waiting for Some Silence

Miho Aizu has attended many meetings where participants communicated in English. Until recently, the manager at Accenture in Japan thought she communicated well in those sessions. But in a recent training program conducted by the professional services firm, Aizu learned that Japanese cultural norms held back her involvement in cross-cultural business conversations. One such problem was that she tends to be too polite in waiting for others to finish talking. "I was told I needed to jump into discussions rather than wait until everyone had said what they wanted to say," says Aizu. Managers from North America, South America, the Middle East, and most of Europe seldom allow silence to occur, so Aizu and other Japanese participants are often left out of the conversation.

Aizu also realized that her involvement is held back by the Japanese tendency to be overly self-conscious about imperfect language skills. "During the team discussions, there were many things I wanted to say, but I felt I had to brush up my English language and presentation skills," Aizu admits. In contrast, Accenture managers from many other non-English countries speak up in spite of their broken English.

In Japan, speaking well and waiting for others to finish are signs of respect and cultural refinement. But in meetings with managers across most other cultures, this lack of communication sends a different message. "There are many people who come to me and say they don't know what Japanese people are thinking," says Accenture Japan president Chikamoto Hodo. "Our people [at Accenture] are

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more talkative than most Japanese, but they still have a difficult time communicating with foreigners."

Accenture wants to develop leaders who can communicate effectively across its global operations, so it has developed special programs that coach its managers to engage in better conversations with colleagues and clients across cultures. While Accenture participants learn about Japanese communication practices, Aizu and other Accenture staff in Japan are coached to become more active communicators. "After various training programs, I am more able to say what I need to say, without worrying too much about the exact words," says Satoshi Tanaka, senior manager of human resources at Accenture Japan.[72]

NONVERBAL DIFFERENCES ACROSS CULTURES

Nonverbal communication represents another potential area for misunderstanding across cultures. Many nonconscious or involuntary nonverbal cues (such as smiling) have the same meaning around the world, but deliberate gestures often have different interpretations. For example, most of us shake our head from side to side to say "No," but a variation of head shaking means "I understand" to many people in India. Filipinos raise their eyebrows to give an affirmative answer, yet Arabs interpret this expression (along with clicking one's tongue) as a negative response. Most Americans are taught to maintain eye contact with the speaker to show interest and respect, whereas some North American native groups learn at an early age to show respect by looking down when an older or more senior person is talking to them.[73]

GENDER DIFFERENCES IN COMMUNICATION

Men and women have similar communication practices, but there are subtle distinctions that can occasionally lead to misunderstanding and conflict (see Exhibit 9.7).[74] One distinction is that men are more likely than women to view conversations as negotiations of relative status and power. They assert their power by directly giving advice to others (e.g., "You should do the following") and using combative language. There is also evidence that men dominate the talk time in conversations with women, as well as interrupt more and adjust their speaking style less than do women.

EXHIBIT 9.7   Gender Differences in Communication

WHEN MEN COMMUNICATE	WHEN WOMEN COMMUNICATE
• Report talk—give advice, assert power	• Rapport talk—relationship building
• Give advice directly	• Give advice indirectly
• Dominant conversation style	• Flexible conversation style
• Apologize less often	• Apologize more often
• Less sensitive to nonverbal cues	• More sensitive to nonverbal cues

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Men engage in more "report talk," in which the primary function of the conversation is impersonal and efficient information exchange. Women also do report talk, particularly when conversing with men, but conversations among women have a higher incidence of relationship building through "rapport talk."[75] Women use more tentative speech patterns, including modifiers ("It might be a good idea . . ."), disclaimers ("I'm not certain, but . . ."), and tag questions ("This works, doesn't it?"). They also make more use of indirect requests ("Do you think you should . . ."), apologize more often, and seek advice from others more quickly than do men. These gender differences are modest, however, mainly because men also use these speech patterns to some extent. Research does clearly indicate that women are more sensitive than men to nonverbal cues in face-to-face meetings. Together, these conditions can create communication conflicts. Women who describe problems get frustrated that men offer advice rather than rapport, whereas men become frustrated because they can't understand why women don't appreciate their advice.

Improving Interpersonal Communication

9-5

Effective interpersonal communication depends on the sender's ability to get the message across and the receiver's performance as an active listener. In this section, we outline these two essential features of effective interpersonal communication.

GETTING YOUR MESSAGE ACROSS

This chapter began with the statement that effective communication occurs when the other person receives and understands the message. This is more difficult to accomplish than most people believe. To get your message across to the other person, you first need to empathize with the receiver, such as being sensitive to words that may be ambiguous or trigger the wrong emotional response. Second, be sure that you repeat the message, such as by rephrasing the key points a couple of times. Third, your message competes with other messages and noise, so find a time when the receiver is less likely to be distracted by these other matters. Finally, if you are communicating bad news or criticism, focus on the problem, not the person.

EXHIBIT 9.8

Active Listening Process and Strategies

Sensing
- Postpone evaluation
- Avoid interruptions
- Maintain interest

Active listening

Responding
- Show interest
- Clarify the message

Evaluating
- Empathize
- Organize information
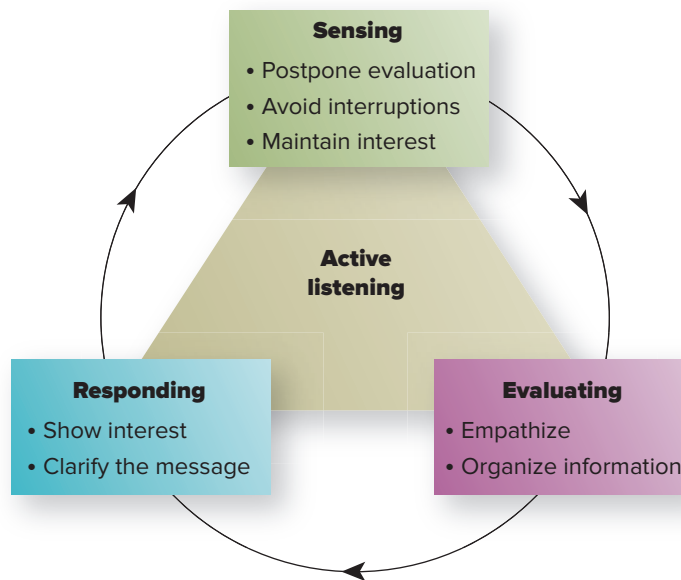
ACTIVE LISTENING

General Electric Company (GE) recently revised its famous leadership development program to become more aligned with the cultural diversity of its employees and emerging leaders. One discovery in past programs was that U.S. managers were good at talking, but didn't always give the same priority to active listening. GE "now majors people on listening," says Susan Peters, GE's chief learning officer. "It's something we have to really work on, to equal the playing field between our American leaders and our non-American leaders."[76]

GE and other companies are increasingly recognizing that effective leadership includes active listening. Active listening is a process of mindfully sensing the sender's signals, evaluating them accurately, and responding appropriately. These three components of listening—sensing, evaluating, and responding—reflect the listener's side of the communication model described at the beginning of this chapter. Listeners receive the sender's signals, decode them as intended, and provide appropriate and timely feedback to the sender (see Exhibit 9.8). Active listeners constantly cycle through sensing, evaluating, and responding during the conversation and engage in various activities to improve these processes.[77]

- *Sensing*. Sensing is the process of receiving signals from the sender and paying attention to them. Active listeners improve sensing in three ways. First, they postpone evaluation by not forming an opinion until the speaker has finished. Second, they avoid interrupting the speaker's conversation. Third, they remain motivated to listen to the speaker.

- *Evaluating*. This component of listening includes understanding the message meaning, evaluating the message, and remembering the message. To improve their evaluation of the conversation, active listeners empathize with the speaker— they try to understand and be sensitive to the speaker's feelings, thoughts, and situation. Evaluation also improves by organizing the speaker's ideas during the communication episode.

- *Responding*. This third component of listening involves providing feedback to the sender, which motivates and directs the speaker's communication. Active listeners accomplish this by maintaining sufficient eye contact and sending back channel signals (e.g., "I see"), both of which show interest. They also respond by clarifying the message—rephrasing the speaker's ideas at appropriate breaks ("So you're saying that . . . ?").

Improving Communication throughout the Hierarchy

9-6

So far, we have looked at micro-level issues in the communication process, namely, sending and receiving information between two employees or the informal exchanges of information across several people. But in this era where knowledge is competitive advantage, corporate leaders also need to maintain an open flow of communication up, down, and across the entire organization. In this section, we discuss three organization-wide communication strategies: workspace design, Internet-based communication, and direct communication with top management.

WORKSPACE DESIGN

To improve information sharing and create a more sociable work environment, Intel has torn down the cubicle walls at its microchip design center near Portland, Oregon. "We realized that we were inefficient and not as collaborative as we would have liked," acknowledges Neil Tunmore, Intel's director of corporate services. The refurbished building includes more shared space where employees set up temporary work areas. There are also more meeting rooms where employees can collaborate in private.[78]

Intel and many other companies are improving communication by redesigning the workspace and employee territorial practices in that space.[79] The location and design of hallways, offices, cubicles, and communal areas (cafeterias, elevators) all shape to whom we speak as well as the frequency of that communication. Although these open-space arrangements increase the amount of face-to-face communication, they also potentially produce more noise, distractions, and loss of privacy.[80] "There were a lot of distractions, and it was hard to stay focused," complained one GlaxoSmithKline employee soon after moving to the company's open-space work center in Raleigh, North Carolina.[81] Others claim that open workspaces have minimal noise problems because employees tend to speak more softly and white noise technology blocks out most voices. Still, the challenge is to increase social interaction without raising noise and distraction levels.

Another workspace strategy is to cloister employees into team spaces, but also encourage sufficient interaction with people from other teams. Pixar Animation Studios constructed its campus in Emeryville, California, with these principles in mind. The building encourages communication among team members. At the same time, the campus encourages happenstance interactions with people on other teams. Pixar executives call this the "bathroom effect" because team members must leave their isolated pods to fetch their mail, have lunch, or visit the restroom.[82]

INTERNET-BASED ORGANIZATIONAL COMMUNICATION

For decades, employees received official company news through hard copy newsletters and magazines. Some firms still use these communication devices, but most have supplemented or replaced them completely with web-based sources of information. The

traditional company magazine is now typically published on web pages or distributed in PDF format. The advantage of these *e-zines* is that company news can be prepared and distributed quickly.

Employees are increasingly skeptical of information that has been screened and packaged by management, so a few companies such as IBM are encouraging employees to post their own news on internal blogs and wikis. Wikis are collaborative web spaces in which anyone in a group can write, edit, or remove material from the website. *Wikipedia,* the popular online encyclopedia, is a massive public example of a wiki. IBM's WikiCentral now hosts more than 20,000 wiki projects involving 100,000 employees. The accuracy of wikis depends on the quality of participants, but IBM experts say that errors are quickly identified by IBM's online community. Another concern is that wikis have failed to gain employee support, likely because wiki involvement takes time and the company does not reward or recognize those who provide this time to wiki development.[83]

DIRECT COMMUNICATION WITH TOP MANAGEMENT

According to various surveys, effective organizational communication includes regular interaction directly between senior executives and employees further down the hierarchy. One form of direct communication is through town hall meetings, where executives brief a large gathering of staff on the company's current strategy and results. Although the communication is mostly from executives to employees, town hall meetings are more personal and credible than video or written channels. Also, these events usually provide some opportunity for employees to ask questions. Another strategy is for senior executives to hold roundtable forums with a small representation of employees, mainly to hear their opinions on various issues.

A less formal approach to direct communication is **management by walking around (MBWA).** Coined by people at Hewlett-Packard four decades ago, this is essentially the practice in which senior executives get out of their offices and casually chat with employees on a daily or regular basis.[84] Some executives, such as Jet.com cofounder and CEO Marc Lore, don't even have an office or a desk; they move around to different workspaces, which makes MBWA a natural part of their daily activity. These direct communication strategies potentially minimize filtering because executives listen directly to employees. They also help executives acquire a deeper meaning and quicker understanding of internal

management by walking around (MBWA)
a communication practice in which executives get out of their offices and learn from others in the organization through face-to-face dialogue

Marc Lore (on the right in this photo) doesn't have an office. The cofounder of start-up discount shopping site Jet.com doesn't even have his own desk. Instead, Lore does what most of Jet's 300 employees do every day; he takes his computer and other gear from a personal locker and finds a comfy area to work in the company's new headquarters in Hoboken, New Jersey. As CEO, Lore often does management by wandering around, chatting with many employees throughout the day about their work and ideas. He also holds monthly town hall meetings with all staff to update them on the company's strategy, vision, and financials. "I engage with as many people as possible," says Lore. "I think it helps connect what they are working on to the bigger picture and strategy."[85]
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organizational problems. A third benefit of direct communication is that employees might have more empathy for decisions made further up the corporate hierarchy.

Communicating through the Grapevine

Organizational leaders may try their best to quickly communicate breaking news to employees through emails, Twitter tweets, and other direct formal channels, but employees still rely to some extent on the corporate **grapevine.** The grapevine is an unstructured and informal network founded on social relationships rather than organizational charts or job descriptions. What do employees think about the grapevine? Surveys of employees in two firms—one in Florida, the other in California—found that almost all employees use the grapevine, but very few of them prefer this source of information. The California survey also reported that only one-third of employees believe grapevine information is credible. In other words, employees turn to the grapevine when they have few other options.[86]

GRAPEVINE CHARACTERISTICS

Research conducted several decades ago reported that the grapevine transmits information very rapidly in all directions throughout the organization. The typical pattern is a cluster chain, whereby a few people actively transmit information to many others. The grapevine works through informal social networks, so it is more active where employees have similar backgrounds and are able to communicate easily. Many rumors seem to have at least a kernel of truth, possibly because they are transmitted through media-rich communication channels (e.g., face-to-face) and employees are motivated to communicate effectively. Nevertheless, the grapevine distorts information by deleting fine details and exaggerating key points of the story.[87]

Some of these characteristics might still be true, but the grapevine almost certainly has changed as email, social networking sites, and Twitter tweets have replaced the traditional water cooler as sources of gossip. For example, several Facebook sites are unofficially themed around specific companies, allowing employees and customers to vent their complaints about the organization. Along with altering the speed and network of corporate grapevines, the Internet has expanded these networks around the globe, not just around the next cubicle.

GRAPEVINE BENEFITS AND LIMITATIONS

Should the grapevine be encouraged, tolerated, or quashed? The difficulty in answering this question is that the grapevine has both benefits and limitations.[88] One benefit, as was mentioned earlier, is that employees rely on the grapevine when information is not available through formal channels. It is also the main conduit through which organizational stories and other symbols of the organization's culture are communicated. A third benefit of the grapevine is that this social interaction relieves anxiety. This explains why rumor mills are most active during times of uncertainty.[89] Finally, the grapevine is associated with the drive to bond. Being a recipient of gossip is a sign of inclusion, according to evolutionary psychologists. Trying to quash the grapevine is, in some respects, an attempt to undermine the natural human drive for social interaction.[90]

While the grapevine offers these benefits, it is not a preferred communication medium. Grapevine information is sometimes so distorted that it escalates rather than reduces employee anxiety. Furthermore, employees develop more negative attitudes toward the organization when management is slower than the grapevine in communicating information. What should corporate leaders do with the grapevine? The best advice seems to be to listen to the grapevine as a signal of employee anxiety, then correct the cause of this anxiety. Some companies also listen to the grapevine and step in to correct blatant errors and fabrications. Most important, corporate leaders need to view the grapevine as a competitor and meet this challenge by directly informing employees of news before it spreads throughout the grapevine.

debating point

SHOULD MANAGEMENT USE THE GRAPEVINE TO COMMUNICATE TO EMPLOYEES?

The grapevine has been the curse of management since modern-day organizations were invented. News flows with stealthlike efficiency below the surface, making it difficult to tell where information is traveling, what is being said to whom, or who is responsible for any misinformation. Although employees naturally flock to the grapevine for knowledge and social comfort in difficult times, its messages can be so distorted that it sometimes produces more stress than it alleviates. It is absurd to imagine management trying to systematically transmit important information—or any news whatsoever—through this uncontrollable, quirky communication channel.

But some communication experts are taking a second look at the grapevine, viewing it more as a resource than a nemesis. Their inspiration comes from marketing, where viral and word-of-mouth marketing have become hot topics.[91] Viral and word-of-mouth marketing occur when information seeded to a few people is transmitted to others based on patterns of friendship. In other words, information is passed along to others at the whim of those who first receive that information. Within organizations, this process is essentially the grapevine at work. Employees transmit information to other people within their sphere of everyday interaction.

The grapevine might seem to transmit information in strange and unreliable ways, but there are two contrary arguments. First, the grapevine channel is becoming more robust and reliable, thanks to social media and other emerging forms of digital communication. These media have produced a stronger scaffolding than ever before, which potentially makes the grapevine more useful for transmitting information.

The second argument is that the grapevine tends to be more persuasive than traditional communication channels from management to employees. The grapevine is based on social networks, which we discuss in the next chapter. Social networks are an important source of organizational power because they are built on trust, and trust increases acceptance of information sent through those networks. Consequently, the grapevine tends to be far more persuasive than other communication channels.

The power of the grapevine as a communication tool was illustrated when Novo Nordisk tried to change the image of its regulatory affairs staff.[92] The European pharmaceutical company made limited progress after a year of using traditional communication channels. "We had posters, meetings, competitions, and everything else you would expect," recalls communication adviser Jakob Wolter. "By the end of it, we'd achieved something—a general awareness among our people—but very little else."

So Novo Nordisk took another route. During the half-yearly gathering of all employees, nine regulatory staff were given wax-sealed confidential envelopes that assigned them to one of three "secret societies." Between conference sessions, these employees met with the managing director, who assigned their manifesto, including a mandate and budget. They were also told to keep their mission secret, saying to inquisitive coworkers, "I can't tell you."

"The rumor mill started right there that day," says Wolter. "People were already wondering what on earth was going on." The societies were allowed to recruit more employees, which they did in subsequent months. Many employees throughout Novo Nordisk became intrigued, spreading their opinions and news to others. Meanwhile, empowered to improve their image and work processes, members of the three secret societies introduced several initiatives that brought about improvements.

chapter summary

9-1   Explain why communication is important in organizations, and discuss four influences on effective communication encoding and decoding.

Communication refers to the process by which information is transmitted and *understood* between two or more people. Communication supports work coordination, organizational learning, decision making, the changing of others' behavior, and employee well-being. The communication process involves forming, encoding, and transmitting the intended message to a receiver, who then decodes the message and provides feedback to the sender. Effective communication occurs when the sender's thoughts are transmitted to and understood by the intended receiver. The effectiveness of this process depends on whether the sender and receiver have similar codebooks, the sender's proficiency at encoding that message to the audience, the sender's and receiver's motivation and ability to transmit messages through that particular communication channel, and their common mental models of the communication context.

9-2   Compare and contrast the advantages of and problems with electronic mail, other verbal communication media, and nonverbal communication.

The two main types of communication channels are verbal and nonverbal. Various forms of Internet-based communication are widely used in organizations, with email being the

most popular. Although efficient and a useful filing cabinet, email (and most other forms of written digital communication) is relatively poor at communicating emotions; it tends to reduce politeness and respect; it is an inefficient medium for communicating in ambiguous, complex, and novel situations; and it contributes to information overload. Social media, which are Internet- or mobile-based channels that allow users to generate and interactively share information, are slowly replacing or supplementing email in organizations. Social media are more conversational and reciprocally interactive than traditional channels. They are "social" by encouraging collaboration and the formation of virtual communities. Nonverbal communication includes facial gestures, voice intonation, physical distance, and even silence. Unlike verbal communication, nonverbal communication is less rule-bound and is mostly automatic and nonconscious. Some nonverbal communication is automatic through a process called emotional contagion.

9-3 **Discuss the relevance of synchronicity, social presence, social acceptance, and media richness when choosing the preferred communication channel.**

The most appropriate communication medium depends on several factors. Synchronicity refers to the channel's capacity for the sender and receiver to communicate at the same time (synchronous) or at different times (asynchronous). Synchronous channels are better when the issue is urgent or the topic is complex. Asynchronous channels are better when it is costly for both parties to communicate at the same time or when the receiver should have time to reflect before responding. A channel has high social presence when it creates psychological closeness to the other party and awareness of their humanness. This is valuable when the parties need to empathize or influence each other. Social acceptance refers to how well the communication medium is approved and supported by others. This acceptance depends on organization or societal norms, each party's preferences and skills with the channel, and the symbolic meaning of a channel. Media richness refers to a channel's data-carrying capacity. Nonroutine and ambiguous situations require rich media. However, technology-based lean media may be possible where users can multicommunicate, have high proficiency with that technology, and don't have social distractions.

9-4 **Discuss various barriers (noise) to effective communication, including cross-cultural and gender-based differences in communication.**

Several barriers create noise in the communication process. People misinterpret messages because of misaligned codebooks due to different languages, jargon, and the use of ambiguous phrases. Filtering messages and information overload are two other communication barriers. These problems are often amplified in cross-cultural settings, where these problems occur, along with differences in the meaning of nonverbal cues, silence, and conversational overlaps. There are also some communication differences between men and women, such as the tendency for men to exert status and engage in report talk in conversations, whereas women use more rapport talk and are more sensitive to nonverbal cues.

9-5 **Explain how to get your message across more effectively, and summarize the elements of active listening.**

To get a message across, the sender must learn to empathize with the receiver, repeat the message, choose an appropriate time for the conversation, and be descriptive rather than evaluative. Listening includes sensing, evaluating, and responding. Active listeners support these processes by postponing evaluation, avoiding interruptions, maintaining interest, empathizing, organizing information, showing interest, and clarifying the message.

9-6 **Summarize effective communication strategies in organizational hierarchies, and review the role and relevance of the organizational grapevine.**

Some companies try to encourage communication across the organization through workspace design as well as through Internet-based communication channels. Some executives also meet directly with employees by engaging in management by walking around (MBWA) and by holding town-hall meetings.

In any organization, employees rely on the grapevine, particularly during times of uncertainty. The grapevine is an unstructured and informal network founded on social relationships rather than organizational charts or job descriptions. Although early research identified several unique features of the grapevine, some of these features may be changing as the Internet plays an increasing role in grapevine communication.

key terms

communication, p. 248
emotional contagion, p. 256
grapevine, p. 270
information overload, p. 263

management by walking around (MBWA), p. 269
media richness, p. 259
persuasion, p. 261

social presence, p. 258
synchronicity, p. 257

critical thinking questions

1. You have been hired as a consultant to improve communication between engineering and marketing staff in a large high-technology company. Use the communication model and the four ways to improve that process to devise strategies to improve communication effectiveness among employees between these two work units.

2. "An organization comes into being when people can communicate with each other." Discuss the benefits and limitations of communicating with emails among team members.

3. Senior management at a consumer goods company wants you to investigate the feasibility of using a virtual reality

platform (such as Second Life) for quarterly online meetings involving its three dozen sales managers, located in several cities and countries. Evaluate the likely success of virtual reality platforms for these sales meetings. Refer to the four factors to consider when choosing the best communication channel (synchronicity, social presence, social acceptance, and media richness).

4. Wikis are collaborative websites where anyone in the group can post, edit, or delete any information. Where might this communication technology be most useful in organizations?

5. Under what conditions, if any, do you think it is appropriate to use email to notify an employee that he or she has been laid off or fired? Why is email usually considered an inappropriate channel to convey this information?

6. Suppose you are part of a virtual team and must persuade other team members on an important matter (such as switching suppliers or altering the project deadline). Assuming you cannot visit these people in person, what can you do to maximize your persuasiveness?

7. Explain why men and women are sometimes frustrated with each other's communication behaviors.

8. In your opinion, has the introduction of email and other information technologies increased or decreased the amount of information flowing through the corporate grapevine? Explain your answer.

CASE STUDY: SILVER LINES: CHALLENGES IN TEAM COMMUNICATION

By Nuzhat Lotia, University of Melbourne

Exhausted by the day's events, Sarah slumped into the chair at her desk. She was feeling very frustrated, and sensed things were starting to fall apart. Silver Lines was such a successful business and they had such an effective team, but things were not looking as rosy as they had been even a year ago!

A decade ago, Sarah, along with her two friends Stephanie and Gloria and mentor Helen, started a small business to sell silver jewelry they had designed and made themselves. Sarah had always dreamed of owning her own business and had been following some successful female entrepreneurs on the internet. Inspired by their stories, Sarah decided to quit her job to set up her own business. She loved silver as a medium and was passionate about jewelry. She had delved into designing and making jewelry mainly as a hobby and had ended up selling a few pieces to friends and acquaintances. This was a path that appealed to her.

Sarah gazed out of her office window remembering those days filled with excitement and a sense of camaraderie. She had often worked 14 hours a day setting up the shop, located in a busy shopping strip in Melbourne, Australia. Although Stephanie and Gloria continued with their jobs, they worked at the shop in the evenings and on weekends. The business had taken off much faster than anyone had anticipated and soon they were sourcing silver products from other artisans in Australia. Their product lines expanded from jewelry to homeware, such as decorative pieces, boxes, candlesticks, plates and bowls, etc. Eighteen months later, they decided to open up another shop in Melbourne. A third shop followed soon after, and at this time Stephanie and Gloria left their jobs to join forces with Sarah and Helen.

Sarah and Helen were the creative team responsible for sourcing products and identifying suppliers. Stephanie was the management and IT expert, who managed their inventory system and supplier database. Gloria was responsible for advertising and promotion. Success came in leaps and bounds. Five years after it began, the business had expanded and the group owned eight shops in shopping strips and shopping centers across metropolitan Melbourne plus two shops in New South Wales. Additionally, some small boutique shops in rural areas of the state (Victoria) carried their merchandise.

The four partners were joined by Erica and Juliana to form the management team. Erica was the finance and accounts manager. Juliana managed relationships with shops in rural Victoria that carried their products and investigated expansion opportunities. Silver Lines now employed about 55 staff, with each shop having a shop manager and four to six shift-based shop floor staff. The management team worked well together as they had developed a strong bond. Given the expansion of the business and their different roles, they tended to be out and about a lot. As the business had grown and as the founders had started families, they had made a commitment that they would all work flexibly in order to meet their family and parenting responsibilities.

Within this flexible work culture, a key to their effective management and business success was the fact that they had open and effective communication systems in place. For example, the management team met twice a month and rotated their meetings at each shop. This enabled them to stay in touch with shop staff as well as running their management meeting. In addition, they used emails, texts and phone calls to discuss any urgent matters. In the past year, however, it had become increasingly difficult to hold these meetings at different venues, and the last two meetings in the nearby state of New South Wales shops had to be cancelled because four of the six members could not travel due to some personal family commitments.

They also held retreats twice a year for all staff, which enabled employees to meet each other and management to discuss their plans with everyone. This way they were able to keep everyone connected. They had also recently started holding an "expo-meet" once a year at which they brought all of their existing and potential suppliers, designers and artisans together to discuss their requirements and trends and to see any exhibits that the participants brought with them. This they had found to be a very good way of developing and maintaining their ties with these important business associates. The expo-meet was a two-day event that started with a dinner the night before followed by two days of exhibitions, talks, seminars and meetings. While Juliana spearheaded the management of these events, they took up quite a bit of the entire management team's time. Around the time of the annual expo, they usually ended up meeting every week and sometimes twice a week. Last year, while planning the annual expo-meet, however, attendance of the management team at these meetings had started to lag and Juliana had found this extremely frustrating. A couple of things had gone wrong at that expo-meet because it hadn't been as immaculately planned as usual by the team. Juliana had felt very let down and there had been a fair bit of tension at the next management meeting.

Given these issues, Stephanie suggested that they should try out video conferencing, using Skype as a way to ensure attendance at meetings. Everyone liked the idea and once the initial teething and technical issues were resolved, virtual meetings using Skype became the norm. They found that they were able to get a lot more done and were saving travelling time and money as a result. Once they were comfortable with the system, they started including shop staff on a rotational basis. A few weeks later, though, Helen began to notice that the shop staff were not as forthcoming with their comments and feedback as they had been previously in the face-to-face meetings. This was particularly true of one of the Melbourne and one of the Sydney shops, where they had recently recruited new staff. Helen reflected on this issue but decided it was probably due to the fact that they were new to the team and would become more vocal as they become more comfortable in their jobs.

At one of the meetings with the Sydney staff, Helen asked whether the order that they had discussed at the previous meeting had arrived and how the sales were going. Surprised at the question, the shop manager Tanya asked which order she was referring to. It soon became clear to everyone that Tanya had not known that she was meant to follow up on the order. She said she remembered the conversation, but had thought that Helen was talking to Gloria about the order and not to her. Helen was shocked to hear this and was worried that they may have lost some very good business as a result of this confusion. The management team discussed how to resolve the issue and went on to talk through other agenda items on the list.

In the coming months, the management team realised that they were beginning to lose business and that some valuable external relationships were being affected. Every time this was questioned, it turned out that something had been misunderstood or misinterpreted. Staff members appeared confused about who was doing what, who was being addressed and who was taking what responsibility. There was some irritability and frustration building up, and at times this spilled into anger. The staff's contribution in meetings was also no longer as vibrant as it used to be. Ingrid, who was a long-standing shop manager, felt that the process of meetings had changed and that management often seemed to be in a hurry to discuss and close off agenda items. There was a growing sense of unrest in the team, and although many people had picked up on it, team issues were not being discussed as before.

As Sarah sat at her desk now, she wished that Helen had brought up the issue when she first sensed it. She wished they had all said something about the tension they were starting to feel. Perhaps this would have prevented the disaster they had experienced today. It had been the opening day of this year's expo-meet, which was being held at a town hall in Melbourne. There, they discovered that no one had booked the smaller rooms needed for the concurrent morning seminars. Juliana panicked on learning this and called Sarah out of the opening session to tell her what had happened. Sarah was equally shocked but kept her cool and started to consider what could be done. She asked Tanya to find out if there were any rooms available—this resulted in her booking the only available room.

Together, Juliana and Sarah decided to hold one seminar in the available room and the rest of the three seminars in different corners of the big hall where the opening session was held and the display stalls were laid out. While the seminars had taken place, the quality of discussions was compromised due to the colocation. They had received a few complaints from participants, who had found it difficult to hear the discussions. Juliana was very upset and angry, as were the others, who felt that their reputation had been tarnished. They discovered that once again there had been miscommunication among them over who was going to book the seminar rooms. The planning for the event had been done primarily through Skype meetings and telephone communication. Sarah sat there thinking that they needed to get back to meeting face-to-face: "Clearly this new technology has worsened things for us!"

Discussion Questions

1. What made communication at Silver Lines effective initially?
2. How did the use of Skype impact this effectiveness?
3. What could the management team do to improve technology-based communication?

TEAM EXERCISE: CROSS-CULTURAL COMMUNICATION GAME

PURPOSE This exercise is designed to develop and test your knowledge of cross-cultural differences in communication and etiquette.

MATERIALS The instructor will provide one set of question/answer cards to each pair of teams.

INSTRUCTIONS

Step 1: The class is divided into an even number of teams. Ideally, each team would have three students. (Two- or four-student teams are possible if matched with an equal-sized team.) Each team is then paired with another team and the paired teams (Team "A" and Team "B") are assigned a private space, away from other matched teams.

Step 2: The instructor will hand each pair of teams a stack of cards with the multiple choice questions face down. These cards have questions and answers about cross-cultural differences in communication and etiquette. No books or other aids are allowed.

Step 3: The exercise begins with a member of Team A picking up one card from the top of the pile and asking the question on that card to the members of Team B. The information given to Team B includes the question and all alternatives listed on the card. Team B has 30 seconds after the question and alternatives have been read to give an answer. Team B earns one point if the correct answer is given. If Team B's answer is incorrect, however, Team A earns that point. Correct answers to each question are indicated on the card and, of course, should not be revealed until the question is correctly answered or time is up. Whether or not Team B answers correctly, it picks up the next card on the pile and reads it to members of Team A. In other words, cards are read alternatively to each team. This procedure is repeated until all of the cards have been read or time has expired. The team receiving the most points wins.

Important note: The textbook provides very little information pertaining to the questions in this exercise. Rather, you must rely on past learning, logic, and luck to win.

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Power and Influence in the Workplace

J PMorgan Chase & Co. suffered a $7 billion loss (plus another $1 billion in government fines) from highly speculative investments by a handful of traders in its London office. How could these few employees cause America's largest bank (by assets) to lose so much money? On the surface, the problem was that JPMorgan failed to provide sufficient risk compliance oversight. But a deeper explanation relates to the dynamics of power and influence among those involved.

The ill-fated trades occurred in JPMorgan's chief investment office (CIO), a special unit that is supposed to conservatively invest the bank's own money as a buffer against loans and related activities. With top management's approval, however, the CIO became an active profit center by investing in higher-risk derivatives. JPMorgan carefully monitored risk compliance of its client-serving trading groups, but paid less attention to CIO investments, possibly because the assets belonged to the bank, not clients. The investments were also so complex that CIO traders had discretion when estimating their value each day. One U.S. senator later remarked that "the traders seemed to have more responsibility and authority than the higher-up executives."

Bruno Iksil, the lead trader in the CIO group's London operations, had developed a reputation for making bold, but ultimately profitable, bets on whether companies would default on their bond payments. Traders at other companies variously nicknamed Iksil the "Caveman" for his aggressive trading style and "Voldemort" (the powerful Harry Potter villain) because his trades moved the markets. Still others called Iksil "the London whale" because of his mammoth bets that ultimately cost the bank $7 billion. Iksil's past success and reputation likely gave him considerable power to initiate trades that may have otherwise required higher authority.

Iksil's investments eventually produced daily losses rather than profits. As those losses mounted, he and his assistant avoided scrutiny from head office by underestimating the size of those losses. U.S. government documents indicate that Iksil's boss actively encouraged this practice, even after Iksil eventually refused to continue the charade. When JPMorgan's top executives later became aware of the losses, they apparently delayed informing the board of directors. "JPMorgan's senior management broke a cardinal rule of corporate governance and deprived its board of critical information it needed to fully assess the company's problems," concluded a senior U.S. government official.

Long after the London whale's trading losses became public, JPMorgan's chief investment officer in New York complained that "some members of the London team failed to value positions properly" and that they "hid from me important information regarding the true risks of the book." Three years later, after charges

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JPMorgan Chase & Co. suffered a $7 billion loss due to the dysfunctional application of power, influence, and organizational politics in the London operations of its chief investment office.

against him were dropped, Iksil broke his silence by protesting that "the losses suffered by the CIO were not the actions of one person acting in an unauthorized manner." Instead, he claimed that the trading strategy "had been initiated, approved, mandated and monitored by the CIO's senior management."[1]

The investment debacle at JPMorgan illustrates how power and influence can have profound consequences for employee behavior and the organization's success. Employees and departments develop power bases, and various contingencies either facilitate or limit the application of that power in the organization. Although this case study illustrates the dark side of power and influence, employees need both to perform their jobs and bring about positive organizational change. In fact, some OB experts point out that power and influence are inherent in all organizations. They exist in every business and in every decision and action.

This chapter unfolds as follows: First, we define power and present a basic model depicting the dynamics of power in organizational settings. The chapter then discusses the five bases of power. Next, we look at the contingencies necessary to translate those sources into meaningful power. Our attention then turns to social networks and how they provide power to members through social capital. The latter part of this chapter examines the various types of influence in organizational settings as well as the contingencies of effective influence strategies. The final section of this chapter looks at situations in which influence becomes organizational politics, as well as ways of minimizing political behavior.

The Meaning of Power

10-1

power
the capacity of a person, team, or organization to influence others

Power is the capacity of a person, team, or organization to influence others.[2] There are a few important features of this definition. First, power is not the act of changing someone's attitudes or behavior; it is only the *potential* to do so. People frequently have power they do not use; they might not even know they have power. Second, power is based on the target's *perception* that the power holder controls (i.e., possesses, has access to, or regulates) a valuable resource that can help the target achieve his or her goals.[3] People might generate power by convincing others that they control something of value, whether or not they actually control that resource. This perception is also formed from the power holder's behavior, such as someone who is not swayed by authority or norms. For instance, people are perceived as more powerful just by engaging in behavior that deviates from norms, such as putting their feet on a table.[4] However, power is not your own perception or feeling of power; it exists only when others believe you have power.

Third, power involves asymmetric (unequal) *dependence* of one party on another party.[5] This dependent relationship is illustrated in Exhibit 10.1. The line from Person B to the goal shows that he or she believes Person A controls a resource that can help or hinder Person B in achieving that goal. Person A—the power holder in this

EXHIBIT 10.1

Dependence Model of Power
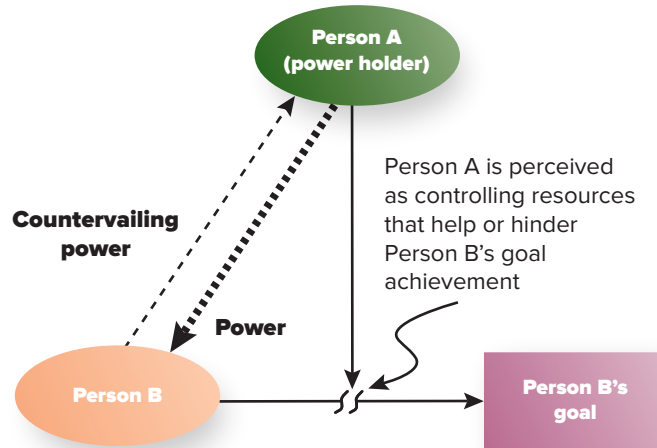
illustration—might have power over Person B by controlling a desired job assign-ment, useful information, rewards, or even the privilege of being associated with Person A! For example, if you believe a coworker has expertise (the resource) that would substantially help you write a better report (your goal), then that coworker has some power over you because you value that expertise to achieve your goal. What-ever the resource is, Person B is *dependent* on Person A (the power holder) to pro-vide the resource so Person B can reach his or her goal.

Although dependence is a key element of power relationships, we use the phrase *asym-metric dependence* because the less powerful party still has some degree of power—called **countervailing power**—over the power holder. In Exhibit 10.1, Person A dominates the power relationship, but Person B has enough countervailing power to keep Person A in the exchange relationship and ensure that person uses his or her dominant power judiciously. For example, although managers have power over subordinates in many ways (e.g., control of job security and preferred work assignments), employees have countervailing power by possessing skills and knowledge to keep production humming and customers happy, something that management can't accomplish alone.

One other key feature of all power relationships is that they depend on some minimum level of trust. Trust indicates a level of expectation that the more powerful party will deliver the resource. For example, you trust your employer to give you a paycheck at the end of each pay period. Even those in extremely dependent situations will usually walk away from the relationship if they lack a minimum level of trust in the more powerful party.

Let's look at this power dependence model in the employee–manager relationship. You depend on your boss to support your continued employment, satisfactory work ar-rangements, and other valued resources. At the same time, the manager depends on you to complete required tasks and to work effectively with others in the completion of their work. Managers (and the companies they represent) typically have more power, whereas employees have weaker countervailing power. But sometimes employees do have more power than their bosses in the employment relationship. Notice that the strength of your power in the employee–manager relationship doesn't depend on your actual control over valued resources; it depends on the perceptions that your boss and others have about your control of these resources. Finally, trust is an essential ingredient in this relation-ship. Even with strong power, the employee–manager relationship comes apart when one party no longer sufficiently trusts the other.

The dependence model reveals only the core features of power dynamics between people and work units in organizations. We also need to learn about the specific sources of power and contingencies that effectively convert power into influence. As Exhibit 10.2 illustrates, power is derived from five sources: legitimate, reward, coer-cive, expert, and referent. The model also identifies four contingencies of power: the

countervailing power
the capacity of a person, team, or organization to keep a more powerful person or group in the exchange relationship

Sources of power

Legitimate
Reward
Coercive
Expert
Referent

Power over others

Contingencies of power

Substitutability
Centrality
Visibility
Discretion
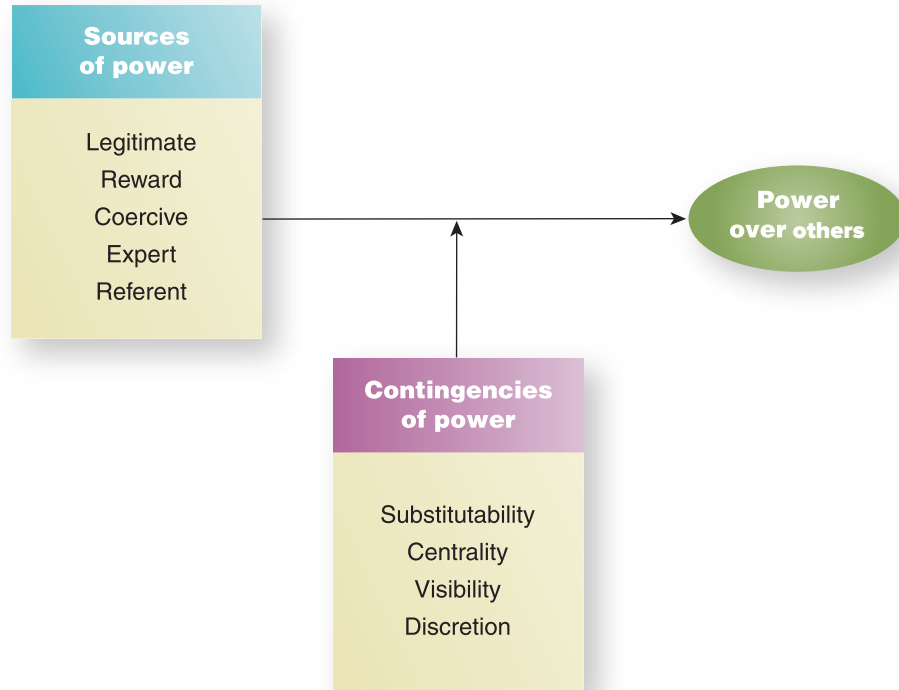
employee's or department's substitutability, centrality, discretion, and visibility. Over the next few pages, we will discuss each of these sources and contingencies of power in the context of organizations.

Sources of Power in Organizations

A half century ago, social scientists John French and Bertram Raven identified five sources of power that exist in organizations. Although variations of this list have been proposed over the years, the original list remains surprisingly intact.[6] Three sources of power—legitimate, reward, and coercive—originate mostly (but not completely) from the power holder's formal position or informal role. In other words, the person is granted these sources of power formally by the organization or informally by coworkers. Two other sources of power—expert and referent—originate mainly from the power holder's own characteristics; in other words, people carry these power bases around with them. However, even personal sources of power are not completely within the person because they depend on how others perceive them.

LEGITIMATE POWER

legitimate power
an agreement among organizational members that people in certain roles can request certain behaviors of others

Legitimate power is an agreement among organizational members that people in certain roles can request a set of behaviors from others. This perceived right or obligation originates from formal job descriptions as well as informal rules of conduct. It is usually the most important source of power in organizational settings, particularly between employees and managers.[7] For example, managers have a legitimate right to tell employees what tasks to perform, whom to work with, what company resources they can use, and so forth. Employees follow the boss's requests because they have agreed that people in their job should follow a range of requests from people in positions of higher authority. Employee motivation to comply with these requests occurs separately from the manager's ability to reward or punish employees.

global connections 10.1

Deference to Authority Leads People to the Extreme

A French television program revealed how far people are willing to follow orders. As a variation of the 1960s experiments conducted by Stanley Milgram, 80 contestants administered electric shocks whenever a volunteer (an actor who didn't receive the shocks at all) answered a question incorrectly. Shocks increased in 20-volt increments, from 20 volts for the first mistake through to 460 volts. Contestants often hesitated after hearing the volunteer screaming for them to stop, yet continued the shocks after the television host reminded them that their job was to apply punishment for wrong answers. Only 16 of the 80 contestants refused to administer the strongest shocks.[8]
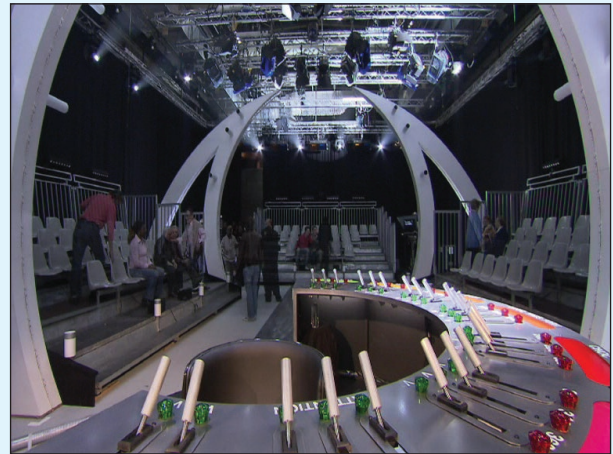
© Yami2

Notice that legitimate power has restrictions; it gives the power holder only the right to ask others to perform a limited domain of behaviors. This domain—known as the "zone of indifference"—is the set of behaviors that individuals are willing to engage in at the other person's request.[9] Although most employees accept the boss's right to deny them access to Facebook during company time, some might draw the line when the boss asks them to work several hours beyond the regular workday. They either overtly refuse to follow orders or engage in delaying and other evasive tactics.

The size of the zone of indifference (and, consequently, the magnitude of legitimate power) increases with the level of trust in the power holder. Some values and personality traits also make people more obedient to authority. Those who value conformity and tradition as well as have high power distance (i.e., they accept an unequal distribution of power) tend to have higher deference to authority. The organization's culture represents another influence on the willingness of employees to follow orders. A 3M scientist might continue to work on a project after being told by superiors to stop working on it because the 3M culture supports an entrepreneurial spirit, which includes ignoring your boss's authority from time to time.[10]

Managers are not the only people with legitimate power in organizations. Employees also have legitimate power over their bosses and coworkers through legal and administrative rights as well as informal norms.[11] For example, an organization might give employees the right to request information that is required for their job. Laws give employees the right to refuse to work in unsafe conditions. Subtler forms of legitimate power also exist.[12] Human beings have a **norm of reciprocity**—a feeling of obligation to help someone who has helped you. If a coworker previously helped you handle a difficult client, that coworker has power because you feel an obligation to help the coworker on something of similar value in the future. The norm of reciprocity is a form of legitimate power because it is an informal rule of conduct that we are expected to follow.

norm of reciprocity
a felt obligation and social expectation of helping or otherwise giving something of value to someone who has already helped or given something of value to you

Legitimate Power through Information Control   A particularly potent form of legitimate power occurs where people have the right to control information that others receive.[13] These information gatekeepers have power in two ways. First, information is a resource, so those who need information are dependent on the gatekeeper to provide that resource. For example, the map department of a mining company has considerable power when other departments are dependent on the map department to deliver maps required for exploration projects.

Second, information gatekeepers gain power by selectively distributing information in a way that affects how those receiving the information perceive the situation compared to their perception if they received all of the information.[14] Consider the opening case study to this chapter. The London traders at JPMorgan had the power to underestimate the daily losses they were experiencing rather than send the complete details to headquarters in New York. They were able to underestimate the losses, so others would not become alarmed. The case also mentions that JPMorgan's executive team had power to delay or screen out information to the bank's board of directors. As we learned in the previous chapter on communication, information is often filtered as it flows up the hierarchy, which enables those transmitting the information to frame the situation in a more positive light. This framing allows the information gatekeeper to steer the executive team toward one decision rather than another.

REWARD POWER

Reward power is derived from the person's ability to control the allocation of rewards valued by others and to remove negative sanctions (i.e., negative reinforcement). Managers have formal authority that gives them power over the distribution of organizational rewards such as pay, promotions, time off, vacation schedules, and work assignments. Employees also have reward power over their bosses through their feedback and ratings in 360-degree feedback systems. These ratings affect supervisors' promotions and other rewards, so supervisors tend to pay more attention to employee needs after 360-degree feedback is introduced.

COERCIVE POWER

Coercive power is the ability to apply punishment. This occurs when managers warn employees about the consequences of poor performance, yet employees also have coercive power. For example, employees might criticize coworkers when they disregard team norms.[15] Many firms rely on this coercive power to control coworker behavior in team settings. Nucor is one such example: "If you're not contributing with the team, they certainly will let you know about it," says an executive at the Charlotte, North Carolina, steelmaker. "The few poor players get weeded out by their peers."[16]

EXPERT POWER

Legitimate, reward, and coercive power originate mostly from the position.[17] Expert power, on the other hand, originates from within the power holder. It is an individual's or work unit's capacity to influence others by possessing knowledge or skills valued by others. One important form of expert power is the perceived ability to manage uncertainties in the business environment. Organizations are more effective when they operate in predictable environments, so they value people who can cope with turbulence in consumer trends, societal changes, unstable supply lines, and so forth. Expertise can help companies cope with uncertainty in three ways. These coping strategies are arranged in a hierarchy of importance, with prevention being the most powerful:[18]

- *Prevention*—The most effective strategy is to prevent environmental changes from occurring. For example, financial experts acquire power by preventing the organization from experiencing a cash shortage or breaching debt covenants.
- *Forecasting*—The next best strategy is to predict environmental changes or variations. In this respect, trendspotters and other marketing specialists gain power by predicting changes in consumer preferences.
- *Absorption*—People and work units also gain power by absorbing or neutralizing the impact of environmental shifts as they occur. An example is the ability of maintenance crews to come to the rescue when machines break down.

Many people respond to expertise just as they respond to authority—they mindlessly follow the guidance of these experts.[20] In one classic study, for example, a researcher posing as a hospital physician telephoned on-duty nurses to prescribe a specific dosage of medicine to a hospitalized patient. None of the nurses knew the person calling, and hospital policy forbade them from accepting treatment by telephone (i.e., the caller lacked legitimate power). Furthermore, the medication was unauthorized and the prescription was twice the maximum daily dose. Yet, almost all 22 nurses who received the telephone call followed the "doctor's" orders until stopped by researchers.[21]

This doctor–nurse study is a few decades old, but the power of expertise remains just as strong today, sometimes with tragic consequences. Not long ago, the Canadian justice system discovered that one of its "star" expert witnesses—a forensic child pathology expert—had provided inaccurate cause of death evaluations in at least 20 cases, a dozen of which resulted in wrongful or highly questionable criminal convictions. The pathologist's reputation as a renowned authority was the main reason why his often-weak evidence was accepted without question. "Experts in a courtroom—we give great deference to experts," admits a Canadian defense lawyer familiar with this situation.[22]

REFERENT POWER

People have **referent power** when others identify with them, like them, or otherwise respect them. As with expert power, referent power originates within the power holder. It is largely a function of the person's interpersonal skills. Referent power is also associated with **charisma.** Experts have difficulty agreeing on the meaning of charisma, but it is most often described as a form of interpersonal attraction whereby followers ascribe almost magical powers to the charismatic individual.[23] Some writers describe charisma as a special "gift" or trait within the charismatic person, while others say it is mainly in the eyes of the beholder. However, all agree that charisma produces a high degree of trust, respect, and devotion toward the charismatic individual.

referent power
the capacity to influence others on the basis of an identification with and respect for the power holder

charisma
a personal characteristic or special "gift" that serves as a form of interpersonal attraction and referent power over others

Contingencies of Power

10-2

Let's say that you have expert power because of your ability to forecast and possibly even prevent dramatic changes in the organization's environment. Does this expertise mean that you are influential? Not necessarily. As was illustrated earlier in Exhibit 10.2, sources of power generate power only under certain conditions. Four important contingencies of power are substitutability, centrality, visibility, and discretion.[24]

SUBSTITUTABILITY

Power is strongest when the individual or work unit has a monopoly over a valued resource. In other words, they are nonsubstitutable. Conversely, power decreases as the number of alternative sources of the critical resource increases. If you—and no one else—have expertise across the organization on an important issue, you would be more powerful than if several people in your company possess this valued knowledge. Substitutability refers not only to other sources that offer the resource, but also to substitutions of the resource itself. For instance, the power of a labor union weakens when the company introduces technologies that replace the need for the union's members. Technology is a substitute for employees and, consequently, reduces union power.

Controlling access to the resource increases nonsubstitutability. Professions and labor unions gain power by controlling knowledge, tasks, or labor to perform important activities. For instance, the medical profession is powerful because it controls who can perform specific medical procedures. Labor unions that dominate an industry effectively control access to labor needed to perform key jobs. Employees are less substitutable when they operate special equipment or possess other knowledge that isn't documented or widely held by others.

Nonsubstitutability also occurs when people differentiate their resource from the alternatives. We should all do this when developing our personal brand. Our public image and reputation should be authentic (who we really are and what we can deliver), but it also needs to be unique and valuable, which leverages the power of nonsubstitutability. "Be unique about something. Be a specialist in something. Be known for something. Drive something," advises Barry Salzberg, the former global CEO of Deloitte Touche Tohmatsu Limited who now teaches at Columbia Business School. "That's very, very important for success in leadership because there are so many highly talented people. What's different about you—that's your personal brand."[25]

James Davidson has read too many résumés that are so nondescript they could have been sent by almost any accounting student to any company in that industry. "It's bland, generic, blah. . . . If their brand isn't pronounced, I'm afraid they end up in the 'no' pile," says the senior manager of campus talent acquisition at PricewaterhouseCoopers. Your personal brand begins with your DNA (distinct and notable attributes)—a talent or expertise that is both valuable *and* unique, which gives you power through nonsubstitutability. As Davidson explains: "It's your unique promise of value; what you can bring to an organization. It needs to be authentic, different and memorable."[26]

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debating point

HOW MUCH POWER DO CEOs REALLY POSSESS?

It seems reasonable to assume that chief executive officers wield enormous power. They have legitimate power by virtue of their position at the top of the organizational hierarchy. They also have tremendous reward and coercive power because they allocate budgets and other resources. Refusing to go along with the CEO's wishes can be an unfortunate career decision. Some CEOs also gain referent power because their lofty position creates an aura of reverence. Even in this era of equality and low power distance, most employees further down the organization are in awe when the top executive visits.

CEO power is equally apparent through various contingencies. Top executives are almost always visible; some amplify that visibility when they become synonymous with the company's brand.[27] CEOs also have high centrality. Few strategic decisions are put into motion unless the top dog supports the idea. CEOs are supposed to have replacements-in-waiting (to make them substitutable), yet more than a few don't take enough time to mentor an heir-apparent. Some CEOs create an image of being too unique to be replaceable.

It would seem evident that CEOs have considerable power—except that many CEOs and a few experts disagree with that view.[28] New CEOs quickly discover that they no longer have expertise over a specific area of the company or subject matter. Instead, they oversee the entire organization—a domain so broad that CEOs necessarily become jacks-of-all-trades and masters-of-none. Consequently, the CEO depends on the expertise of others to get things done. CEOs don't even have much knowledge about what goes on in the organization. Reliable sources of information become more guarded when communicating to the top dog; employees further down the hierarchy carefully filter information so the CEO hears more of the good and less of the bad news.

The biggest Achilles' heel for CEOs' power is that their discretion is much more restricted than most people realize. To begin with, CEOs are rarely at the top of the power pyramid. Instead, they report to the company board, which can reject their proposals and fire them for acting contrary to the board's wishes. The board's power over the CEO is particularly strong when the company has one or two dominant shareholders. But CEOs have been fired by the board even when the CEO is the company's founder! At one time, some CEOs had more power by serving as the board's chair and personally selecting board members. Today, corporate governance rules and laws in most countries have curtailed this practice, resulting in more power for the board and less power for the CEO.[29]

The CEO's discretion is also held in check by the power of various groups within the organization. One such group is the CEO's own executive team. These executives constantly monitor their boss, because their careers and reputation are affected by his or her actions, and some of them are eager to fill the top job themselves.[30] Similarly, the actions of hospital CEOs are restricted to some extent by the interests and preferences of physicians associated with the hospital.

One cross-cultural study found that the CEO's discretion is limited in countries where laws offer greater rights to many stakeholders (not just shareholders) and give employees more protection from dismissal. The study also reported that the CEO's discretion is limited in cultures with high uncertainty avoidance, because these social values require executives to take measured rather than bold steps toward change.[31]

You might think that CEOs have one remaining form of discretion: They can still overrule their vice presidents. Technically they can, but one group of experts points out that doing so has nasty repercussions. It triggers resentment and sends morale into a tailspin. Worse, this action motivates vice presidents to seek out the CEO's involvement much earlier, which overwhelms the CEO's schedule and leaves less time for other priorities. A related observation is that CEOs are the official voice of the organization, so they have much less discretion about what they can say in public or even in private conversations.

Finally, although it seems safe to claim that CEOs have high centrality, a few executives see their situation differently. "I am the least important person in this building," claims Mike Brown, regional president and CEO of Presence Health Fox River Valley Region hospitals. "This place would run without me for weeks, but the most important groups here are the people taking care of the patients."[32]

CENTRALITY

centrality
a contingency of power pertaining to the degree and nature of interdependence between the power holder and others

Centrality refers to the power holder's importance based on the degree and nature of interdependence with others.[33] Centrality increases with the number of people dependent on you as well as how quickly and severely they are affected by that dependence. Think about your own centrality for a moment: If you decided not to show up for work or school tomorrow, how many people would have difficulty performing their jobs because of your absence? How soon after they arrive at work would these coworkers notice that you are missing and have to adjust their tasks and work schedule as a result? If you have high centrality, many people in the organization would be adversely affected by your absence, and they would be affected quickly.

The power of centrality is apparent in well-timed labor union strikes, such as the New York City transit strike during the busy Christmas shopping season a few years ago. The illegal three-day work stoppage immediately clogged roads and prevented half of city workers from getting to work on time. "[The Metropolitan Transit Authority] told us we got no power, but we got power," said one striking transit worker. "We got the power to stop the city."[34]

VISIBILITY

Lucy Shadbolt and her team members work from home and other remote locations for most of their workweek. While the manager of British Gas New Energy enjoys this freedom, she also knows that working remotely can be a career liability due to the lack of visibility. "When I go into the office, where we hot-desk, I have to make an effort to position myself near my boss," says Shadbolt. "You need to consciously build relationships when you don't have those water-cooler moments naturally occurring."[35]

Lucy Shadbolt recognizes that power does not flow to unknown people in the organization. Instead, employees gain power when their talents remain in the forefront of the minds of their boss, coworkers, and others. In other words, power increases with your visibility. This visibility can occur, for example, by taking on people-oriented jobs and projects that require frequent interaction with senior executives.

Employees also gain visibility by being, quite literally, visible. Some people (such as Lucy Shadbolt) strategically locate themselves in more visible work areas, such as those closest to the boss or where other employees frequently pass by. People often use public symbols as subtle (and not-so-subtle) cues to make their power sources known to others. Many professionals display their educational diplomas and awards on office walls to remind visitors of their expertise. Medical professionals wear white coats with stethoscopes around their necks to symbolize their legitimate and expert power in hospital settings. Other people play the game of "face time"—spending more time at work and showing that they are working productively.

DISCRETION

The freedom to exercise judgment—to make decisions without referring to a specific rule or receiving permission from someone else—is another important contingency of power in organizations.[36] Consider the *lack* of power of many first-line supervisors. They may have legitimate, reward, and coercive power over employees, but this power is often curtailed by specific rules that supervisors must follow to use their power bases.[37]

The Power of Social Networks

10-3

social networks
social structures of individuals or social units that are connected to each other through one or more forms of interdependence

"It's not what you know, but who you know that counts!" This often-heard statement reflects the idea that employees get ahead not just by developing their competencies, but by locating themselves within **social networks**—social structures of individuals or social units (e.g., departments, organizations) that are connected to each other through one or more forms of interdependence.[38] Some networks are held together due to common interests, such as when employees who have dogs or other pets spend more time together. Other networks form around common status, expertise, kinship, or physical proximity. For instance, employees are more likely to form networks with coworkers who have common educational backgrounds and occupational interests.[39]

Social networks exist everywhere because people have a drive to bond. However, there are cultural differences in the norms of active network involvement. Several writers suggest that social networking is more of a central life activity in Asian cultures that emphasize *guanxi*, a Chinese term referring to an individual's network of social connections. Guanxi is an expressive activity because being part of a close-knit network of

global connections 10.2

Energy Company Improves Productivity through Social Networks

Operations staff at a global oil and gas company were not using the best available production methods because they didn't share best practices with their peers in other countries or with the company's technical experts. Instead, employees shared information mainly with local coworkers and technical staff who they already knew well. The company's solution was to transfer some field staff to teams in other regions. These transfers eventually formed and strengthened network relationships across borders, which dramatically improved knowledge sharing and social capital. Within a year, productivity increased by 10 percent and costs due to poor quality fell by two-thirds.[40]

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family and friends reinforces one's self-concept. Guanxi is also an instrumental activity because it is a strategy for receiving favors and opportunities from others. People across all cultures rely on social networks for both expressive and instrumental purposes, but these activities seem to be somewhat more explicit in Confucian cultures. Guanxi is sometimes so pervasive, however, that several experts warn it can undermine the organization's effectiveness.[41]

connect

SELF-ASSESSMENT 10.1: Do You Have a Guanxi Orientation?

Connections and social networks are important, no matter where you do business around the world. These interpersonal relationships are called *guanxi* in China, where they are very important due to Confucian values and the unique history of that country. You can discover the extent to which you apply guanxi values in your business and personal relationships by locating this self-assessment in Connect if it is assigned by your instructor.

SOCIAL CAPITAL AND SOURCES OF POWER

social capital
the knowledge and other resources available to people or social units (teams, organizations) from a durable network that connects them to others

Social networks generate power through **social capital**—the goodwill and resulting resources shared among members in a social network.[42] This goodwill motivates and enables network members to share resources with each other because social networks produce trust, support, and empathy among network members.

Social networks potentially enhance and maintain the power of its members through three resources: information, visibility, and referent power. Probably the best-known resource is information from other network members, which improves the individual's expert power.[43] The goodwill of social capital opens communication pipelines among those within the network. Network members receive valuable knowledge more easily and more quickly from fellow network members than do people outside that network.[44] With better information access and timeliness, members have more power because their expertise is a scarce resource; it is not widely available to people outside the network.

Increased visibility is a second contributor to a person's power through social networks. When asked to recommend someone for valued positions, other network members more

readily think of you than of people outside the network. They are more likely to mention your name when asked to identify people with expertise in your areas of knowledge. A third resource from social networks is increased referent power. People tend to gain referent power through networking because members of the network identify with or at least have greater trust in each other. Referent power is also apparent by the fact that reciprocity increases among network members as they become more embedded in the network.[45]

A common misperception is that social networks are free spirits that cannot be orchestrated by corporate leaders. In reality, company structures and practices can shape these networks to some extent.[46] But even if organizational leaders don't try to manage social networks, they need to be aware of them. Indeed, people gain power in organizations by knowing what the social networks around them look like.[47]

GAINING POWER THROUGH SOCIAL NETWORKS

How do individuals (and teams and organizations) gain social capital from social networks? To answer this question, we need to consider the number, depth, variety, and centrality of connections that people have in their networks.

Strong Ties, Weak Ties, Many Ties   The volume of information, favors, and other social capital that people receive from networks usually increases with the number of people connected to them. Some people have an amazing capacity to maintain their connectivity with many people. Emerging social network technologies (Facebook, LinkedIn, etc.) have further amplified this capacity to maintain numerous connections.[48] However, the more people you know, the less time and energy you have to form "strong ties." Strong ties are close-knit relationships, which are evident from how often we interact with people, how intensely we share resources with them, how much we experience psychological closeness to them, and whether we have multiple- or single-purpose relationships with them (e.g., friend, coworker, sports partner). Strong ties are valuable because they offer resources more quickly and usually more plentifully than are available from weak ties (i.e., acquaintances). Strong ties also offer greater social support and greater cooperation for favors and assistance.[49]

Some minimal connection strength is necessary to remain in any social network, but strong connections aren't necessarily the most valuable ties. Instead, having weak ties (i.e., being merely acquaintances) with people from diverse networks can be more valuable than having strong ties (i.e., having close friendships) with people in similar networks.[50] Why is this so? Strong ties—our close-knit circle of friends—tend to be similar to us and to each other, and similar people tend to have the same information and connections that we already have.[51] Weak ties, on the other hand, are acquaintances who are usually different from us and therefore offer resources we do not possess. Furthermore, by serving as a "bridge" across several unrelated networks, we receive unique resources from each network rather than more of the same resources.

The importance of weak ties is revealed in job hunting and career development.[52] People with diverse networks tend to be more successful job seekers because they have a wider net to catch new job opportunities. In contrast, people who belong to similar overlapping networks tend to receive fewer leads, many of which they already knew about. As careers require more movement across many organizations and industries, you need to establish connections with people across a diverse range of industries, professions, and other spheres of life.

Social Network Centrality   Earlier in this chapter, we explained that centrality is an important contingency of power. This contingency also applies to social networks.[53] The more central a person (or team or organization) is located in the network, the more social capital and therefore more power he or she acquires. Centrality is your importance in that network.

EXHIBIT 10.3

Centrality in Social Networks

Person A has high betweenness, closeness, and degree (number) centrality

Person F has low betweenness, closeness, and degree (number) centrality
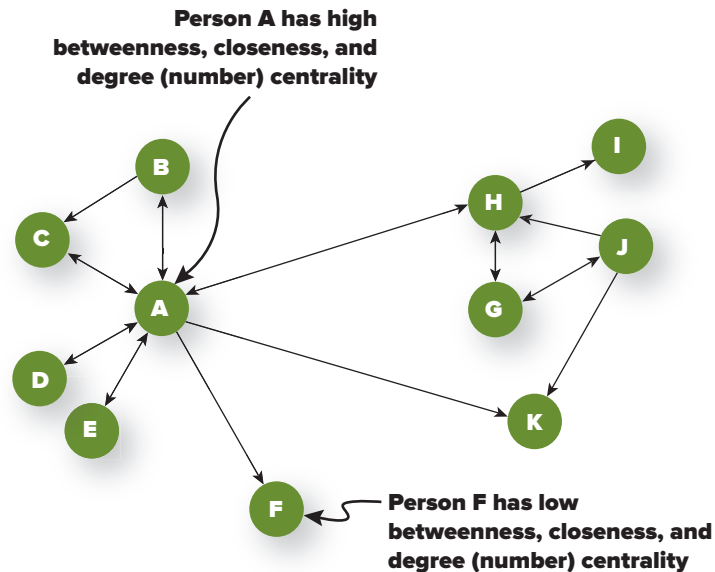
Three factors determine your centrality in a social network. One factor is your "betweenness," which literally refers to how much you are located between others in the network. In Exhibit 10.3, Person A has high betweenness centrality because he or she is a gatekeeper who controls the flow of information to and from many other people in the network. Person H has less betweenness, whereas Person F and several other network members in the diagram have no betweenness. The more betweenness you have, the more you control the distribution of information and other resources to people on either side of you.

A second factor in centrality is the number or percentage of connections you have to others in the network (called *degree centrality*). Recall that the more people are connected to you, the more resources (information, favors, etc.) will be available. The number of connections also increases centrality because you are more visible to other members of the network. Although being a member of a network gives you access to resources in that network, having a direct connection to more people within the network makes that resource sharing more fluid.

A third factor in centrality is the "closeness" of the relationship with others in the network. High closeness refers to strong ties. It is depicted by shorter, more direct, and efficient paths or connections with others in the network. For example, Person A has fairly high closeness centrality because he or she has direct paths to most of the network, and many of these paths are short (implying stronger, more intense, efficient, and high-quality communication links). Your centrality increases with your closeness to others in the network because they are affected more quickly and significantly by you.

One last observation is that Exhibit 10.3 illustrates two clusters of people in the network. The gap between these two clusters is called a **structural hole.**[54] Notice that Person A provides the main bridge across this structural hole (connecting to H and K in the other cluster). This bridging role gives Person A additional power in the network. By bridging this gap, Person A becomes a broker—someone who connects two independent networks and controls information flow between them. Research shows that the more brokering relationships you have, the more likely you are to get early promotions and higher pay.

structural hole

an area between two or more dense social network areas that lacks network ties

The Dark Side of Social Networks   Social networks are inherent in all organizations, yet they can create a formidable barrier to those who are excluded from those networks.[55] Women are often excluded from informal male social networks because of the natural tendency of people to network with others who are similar, and

because women and men tend to have somewhat different interests and social activities. "From my experience, women and men tend to mainly network with their own genders," says Sharon Ritchey, chief operating officer at AXA U.S. She warns that gendered networks can be a liability for women because most senior management positions are still held by men. Consequently, men "are more likely to hear about jobs at the senior levels—and then pass these tips along to their mostly male networks. This obviously works against women, because men tend to hear earlier and more often about upper-level job leads."[56]

Sharon Ritchey recommends overcoming the male network barrier by encouraging women to include more men in their networks. Deloitte Touche Tohmatsu actively helps women in social networks. Several years ago, executives at the accounting and consulting firm discovered that many junior female employees quit before reaching partnership level because they felt isolated from powerful male social networks. Deloitte now supports mentoring, formal women's network groups, and measurement of career progress to ensure that female staff members have the same career development opportunities as their male colleagues.[57]

Consequences of Power

How does power affect the power holder? The answer depends to some extent on the type of power.[58] When people feel empowered (high self-determination, meaning, competence, and impact), they believe they have power over themselves and freedom from being influenced by others. Empowerment tends to increase motivation, job satisfaction, organizational commitment, and job performance. However, this feeling of being in control and free from others' authority also increases automatic rather than mindful thinking. In particular, people who feel powerful usually are more likely to rely on stereotypes, have difficulty empathizing, and generally have less accurate perceptions compared with people who have less power.[59]

The other type of power is one in which an individual has power *over others,* such as the legitimate, reward, and coercive power that managers have over employees in the workplace. This type of power produces a sense of duty or responsibility for the people over whom the power holder has authority. Consequently, people who have power over others tend to be more mindful of their actions and engage in less stereotyping. Even when people feel empowered, they can shift their focus from self to others, so the power becomes viewed more as one of social responsibility than enjoyable for its own sake.[60]

Influencing Others

10-4

influence
any behavior that attempts to alter someone's attitudes or behavior

So far, this chapter has focused on the sources and contingencies of power as well as power derived from social networks. But power is only the *capacity* to influence others. It represents the potential to change someone's attitudes and behavior. **Influence,** on the other hand, refers to any behavior that attempts to alter someone's attitudes or behavior.[61] Influence is power in motion. It applies one or more sources of power to get people to alter their beliefs, feelings, and activities. Consequently, our interest in the remainder of this chapter is on how people use power to influence others.

Influence tactics are woven throughout the social fabric of all organizations. This is because influence is an essential process through which people coordinate their effort and act in concert to achieve organizational objectives. Indeed, influence is central to the definition of leadership. Influence operates down, across, and up the corporate hierarchy. Executives ensure that subordinates complete required tasks. Employees influence coworkers to help them with their job assignments.

connect

TYPES OF INFLUENCE TACTICS

Organizational behavior researchers have devoted considerable attention to the various types of influence tactics found in organizational settings. They do not agree on a definitive list, but the most commonly discussed influence tactics are identified in Exhibit 10.4 and described over the next few pages.[62] The first five are known as "hard" influence tactics because they force behavior change through position power (legitimate, reward, and coercion). The latter three—persuasion, impression management, and exchange—are called "soft" tactics because they rely more on personal sources of power (referent, expert) and appeal to the target person's attitudes and needs.

Silent Authority   The silent application of authority occurs when someone complies with a request because of the requester's legitimate power as well as the target person's role expectations.[63] This influence occurs when you comply with your boss's

EXHIBIT 10.4   **Types of Influence Tactics in Organizations**

INFLUENCE TACTIC	DESCRIPTION
Silent authority	Influencing behavior through legitimate power without explicitly referring to that power base.
Assertiveness	Actively applying legitimate and coercive power by applying pressure or threats.
Information control	Explicitly manipulating someone else's access to information for the purpose of changing their attitudes and/or behavior.
Coalition formation	Forming a group that attempts to influence others by pooling the resources and power of its members.
Upward appeal	Relying symbolically or in reality on people with higher authority or expertise to support our position.
Persuasion	Using logical arguments, factual evidence, and emotional appeals to convince people of the value of a request.
Impression management (including ingratiation)	Actively shaping, through self-presentation and other means, the perceptions and attitudes that others have of us. Includes ingratiation, which refers to the influencer's attempt to be more liked by the targeted person or group.
Exchange	Promising benefits or resources in exchange for the target person's compliance.

Nearly 30 percent of American and United Kingdom employees believe they have been victims of workplace bullying, usually by their boss. Employees in the Los Angeles County city of Carson apparently had their share of this problem. An independent report concluded that the recently elected city clerk, who previously served for a decade as Carson's part-time mayor, was so mercurial and verbally abusive that staff felt "uncomfortable and fearful, to the point that they were taking steps to secure their work stations and planning escape routes." Carson's interim city manager said employees complained about this bullying behavior for years but previous managers did nothing. "Anybody who says he doesn't bully, he does," says a former Carson city council member, citing several examples of the city clerk's behavior as mayor. The Carson city council initially suspended the city clerk and moved his staff to a separate building when he returned; voters have since removed him from office.[64]
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request to complete a particular task. If the task is within your job scope and your boss has the right to make this request, then this influence strategy operates without negotiation, threats, persuasion, or other tactics. Silent authority is the most common form of influence in high power distance cultures.[65]

Assertiveness   Assertiveness might be called "vocal authority" because it involves actively applying legitimate and coercive power to influence others. This includes persistently reminding the target of his or her obligations, frequently checking the target's work, confronting the target, and using threats of sanctions to force compliance. Workplace bullying is an extreme form of assertiveness because it involves explicit threats of punishment.

Information Control   Earlier in this chapter we explained that people with centrality in social networks have the power to control information. This power translates into influence when the power holder actually distributes information selectively so it reframes the situation and causes others to change their attitudes and/or behavior. Controlling information might include withholding information that is more critical or favorable, or distributing information to some people but not to others. According to one major survey, almost half of employees believe coworkers keep others in the dark about work issues if it helps their own cause. Another study found that CEOs influence their board of directors by selectively feeding and withholding information.[66]

coalition
a group that attempts to influence people outside the group by pooling the resources and power of its members

Coalition Formation   When people lack sufficient power alone to influence others in the organization, they might form a **coalition** of people who support the proposed change. A coalition is influential in three ways.[67] First, it pools the power and resources of many people, so the coalition potentially has more influence than its members have if they operated alone. Second, the coalition's mere existence can be a source of power by symbolizing the legitimacy of the issue. In other words, a coalition creates a sense that the issue deserves attention because it has broad support. Third, coalitions tap into the power of the social identity process introduced in Chapter 3. A coalition is an informal group that advocates a new set of norms and behaviors. If the coalition has a broad-based membership (i.e., its members come from various parts of the organization), then other employees are more likely to identify with that group and, consequently, accept the ideas the coalition is proposing.

EXHIBIT 10.5 Elements of Persuasion

PERSUASION ELEMENT	CHARACTERISTICS OF EFFECTIVE PERSUASION
Persuader characteristics	• Expertise • Credibility • No apparent profit motive • Appears somewhat neutral (acknowledges strengths of alternative choices)
Message content	• Multiple viewpoints (not exclusively supporting the preferred option) • Limited to a few strong arguments (not many arguments) • Repeat arguments, but not excessively • Use emotional appeals in combination with logical arguments • Offer specific solutions to overcome the stated problems • Inoculation effect—audience warned of counterarguments that opponents will present
Communication channel	• Channels with high media-richness and social presence are usually more persuasive
Audience characteristics	Persuasion is less effective when the audience: • has higher self-esteem • has higher intelligence • has a self-concept tied to an opposing position

Upward Appeal **Upward appeal** involves calling on higher authority or expertise, or symbolically relying on these sources to support the influencer's position. It occurs when someone says "The boss likely agrees with me on this matter; let's find out!" Upward appeal also occurs when relying on the authority of the firm's policies or values. By reminding others that your request is consistent with the organization's overarching goals, you are implying support from senior executives without formally involving them.

Persuasion **Persuasion** involves the use of facts, logical arguments, and emotional appeals to change another person's beliefs and attitudes, usually for the purpose of changing his or her behavior. This is the most widely used and accepted influence strategy in organizations. It is a quality of effective leaders and, in many societies, a noble skill. The effectiveness of persuasion as an influence tactic depends on characteristics of the persuader, message content, communication channel, and the audience being persuaded (see Exhibit 10.5).[68] People are more persuasive when listeners believe they have expertise and credibility. Credibility is higher when the persuader does not seem to profit from the persuasion attempt, mentions limitations with the position being persuaded, and acknowledges minor positive features of the alternative choices.

The message is more important than the messenger when the issue is important to the audience. Message content is more persuasive when it acknowledges several points of view so the speaker is viewed as more credible and the audience does not feel boxed in by the persuasion attempt. The message should also be limited to a few strong arguments, which are repeated a few times, but not too frequently. The message should use emotional appeals (such as graphically showing the unfortunate consequences of a bad decision), but only in combination with logical arguments and specific recommendations to overcome the threat. Finally, message

upward appeal
a type of influence in which someone with higher authority or expertise is called on in reality or symbolically to support the influencer's position

persuasion
the use of facts, logical arguments, and emotional appeals to change another person's beliefs and attitudes, usually for the purpose of changing the person's behavior

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"Our task is to find out what management thinks we should be doing, and then to make management think we're doing it."

content is more persuasive when the audience is warned about opposing arguments. This **inoculation effect** causes listeners to generate counterarguments to the anticipated persuasion attempts, which makes the opponent's subsequent persuasion attempts less effective.[69]

Two other considerations when persuading people are the communication channel and characteristics of the audience. Generally, persuasion works best in face-to-face conversations and through other media-rich communication channels. The personal nature of face-to-face communication increases the persuader's credibility, and the richness of this channel provides faster feedback that the influence strategy is working. With respect to audience characteristics, it is more difficult to persuade people who have high self-esteem and intelligence, as well as a self-concept that is strongly tied to the opposing viewpoint.[70]

Impression Management (Including Ingratiation)

Silent authority, assertiveness, information control, coalitions, and upward appeals are somewhat (or very!) forceful ways to influence other people. In contrast, a very soft influence tactic is **impression management**—actively shaping the perceptions and attitudes that others have of us.[71] Impression management mostly occurs through self-presentation. We craft our public images to communicate an identity, such as being important, vulnerable, threatening, or pleasant. For the most part, employees routinely engage in pleasant impression management behaviors to satisfy the basic norms of social behavior, such as the way they dress and how they behave toward coworkers and customers.

Impression management is a common strategy for people trying to get ahead in the workplace. In fact, as we noted earlier, career professionals encourage people to develop a personal "brand"; that is, to form and display an accurate impression of their own distinctive, competitive advantage.[72] Furthermore, people who master the art of personal branding rely on impression management through distinctive personal characteristics such as black shirts, tinted hair, or unique signatures. "In today's economy, your personal brand is being judged every day," says Coca-Cola senior vice president Jerry Wilson. "Either position yourself, or others will position you."[73]

One subcategory of impression management is *ingratiation*, which is any attempt to increase liking by, or perceived similarity to, some targeted person.[74] Ingratiation comes in several flavors. Employees might flatter their boss in front of others, demonstrate that they have similar attitudes as their boss (e.g., agreeing with the boss's proposal), or ask their boss for advice. Ingratiation is one of the more effective influence tactics at boosting a person's career success.[75] However, people who engage in high levels of ingratiation are less (not more) influential and less likely to get promoted.[76] Why the opposite effect? Those who engage in too much ingratiation are viewed as insincere and self-serving. The terms *apple polishing* and *brown-nosing* are applied to those who ingratiate to excess or in ways that suggest selfish motives for the ingratiation.

Exchange   Exchange activities involve the promise of benefits or resources in exchange for the target person's compliance with your request. Negotiation is an integral part of exchange influence activities. For instance, you might negotiate with your boss for a day off in return for working a less desirable shift at a future date. Exchange also includes applying the norm of reciprocity that we described earlier, such as reminding the target of past benefits or favors with the expectation that

inoculation effect
a persuasive communication strategy of warning listeners that others will try to influence them in the future and that they should be wary of the opponent's arguments

impression management
actively shaping through self-presentation and other means the perceptions and attitudes that others have of us

the target will now make up for that debt. Earlier in this chapter we explained how people gain power through social networks. They also use norms of reciprocity to influence others in the network. Active networkers build up "exchange credits" by helping colleagues in the short term for reciprocal benefits in the long term.

CONSEQUENCES AND CONTINGENCIES OF INFLUENCE TACTICS

Faced with a variety of influence strategies, you are probably asking: Which ones are best? To answer this question, we first need to describe how people react when others try to influence them: resistance, compliance, or commitment (see Exhibit 10.6).[77] *Resistance* occurs when people or work units oppose the behavior desired by the influencer. At the extreme, they refuse to engage in the behavior. However, there are degrees of resistance, such as when people perform the required duties yet maintain their opposition by performing the tasks poorly or continuing to complain about the imposed work. *Compliance* occurs when people are motivated to implement the influencer's request for purely instrumental reasons. Without external sources to motivate the desired behavior, compliance would not occur. Furthermore, compliance usually involves engaging in the behavior with no more effort than is required. *Commitment* is the strongest outcome of influence, whereby people identify with the influencer's request and are highly motivated to implement it even when extrinsic sources of motivation are not present.

Generally, people react more favorably to soft tactics than to hard tactics. Soft influence tactics rely on personal sources of power (expert and referent power), which tend to build commitment to the influencer's request. In contrast, hard tactics rely on position power (legitimate, reward, and coercion), so they tend to produce compliance or, worse, resistance. Hard tactics also tend to undermine trust, which can hurt future relationships.

Apart from the general preference for soft rather than hard tactics, the most appropriate influence strategy depends on a few contingencies.[78] One obvious contingency is the influencer's strongest sources of power. Those with expertise tend to have more influence

EXHIBIT 10.6

Consequences of Hard and Soft Influence Tactics
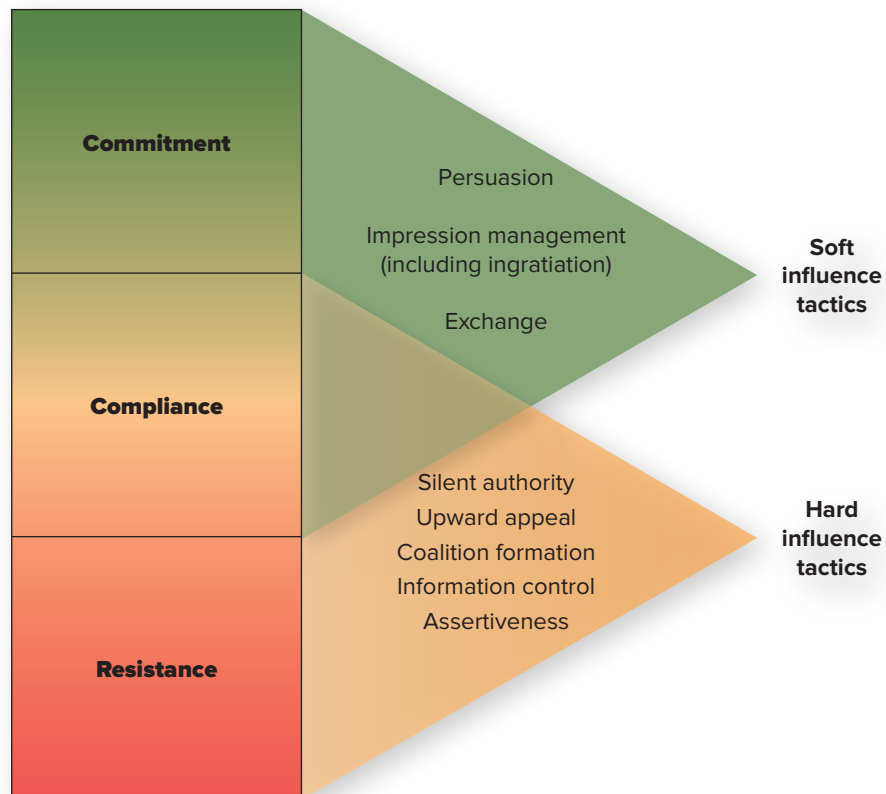
using persuasion, whereas those with a strong legitimate power base are may be more success-ful applying silent authority. A second contingency is whether the person being influenced is higher, lower, or at the same level in the organization. As an example, employees may face adverse career consequences by being too assertive with their boss. Meanwhile, supervisors who engage in ingratiation and impression management tend to lose the respect of their staff.

Finally, the most appropriate influence tactic depends on personal, organizational, and cultural values.[79] People with a strong power orientation might feel more comfort-able using assertiveness, whereas those who value conformity would make greater use of upward appeals. At an organizational level, firms with a competitive culture might en-courage more use of information control and coalition formation, whereas companies with a more collegial culture would likely encourage more influence through persuasion. The preferred influence tactics also vary across societal cultures. Research indicates that ingratiation is much more common among managers in the United States than in Hong Kong. Possibly ingratiation is incompatible with the more distant roles that managers and employees expect in high power distance cultures.

Organizational Politics

10-5

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SELF-ASSESSMENT 10.3: How Politically Charged Is Your School?

Every organization has some degree of organizational politics. Depending on behavioral norms and organizational culture, employees in some companies actively use influence tactics to get their own way for personal gain. In other workplaces, employees who engage in organizational politics are quickly reminded to avoid these tactics, or are eventually asked to work somewhere else. Students can usually sense the level of organizational politics at the college where they are taking courses. You can discover the degree to which you believe the school where you attend classes has a politicized culture by locating this self-assessment in Connect if it is assigned by your instructor.

You might have noticed that organizational politics has not been mentioned yet, even though some of the practices or examples described over the past few pages are usually considered political tactics. The phrase was carefully avoided because, for the most part, organizational politics is in the eye of the beholder. You might perceive a coworker's at-tempt to influence the boss as acceptable behavior for the good of the organization, whereas someone else might perceive the coworker's tactic as brazen organizational politics.

organizational politics
behaviors that others perceive as self-serving tactics at the expense of other people and possibly the organization

This perceptual issue explains why OB experts increasingly discuss influence tactics as behaviors and organizational politics as perceptions.[80] The influence tactics described earlier are perceived as **organizational politics** when they seem to be self-serving behaviors at the expense of others and possibly contrary to the interests of the entire or-ganization. Of course, some tactics are so blatantly selfish and counterproductive that almost everyone correctly sees them as organizational politics. In other situations, however, a person's behavior might be viewed as political or in the organization's best interest, depending on the observer's point of view.

Employees who experience organizational politics from others have lower job satisfac-tion, organizational commitment, organizational citizenship, and task performance, as well as higher levels of work-related stress and motivation to leave the organization. "A politically charged work environment can hinder productivity, erode trust, and lead to morale and retention issues," says Renan Silva, a corporate project management office specialist at Serasa Experian, a credit bureau in São Paulo, Brazil.[81] And because political tactics serve individuals rather than organizations, they potentially divert resources away from the organization's effective functioning and may threaten its survival.

global connections 10.3

Playing Politics with the Vacation Schedule

The vacation roster is a scarce resource, and resource scarcity brings out the worst office politics. One recent poll reported that 13 percent of British employees refused to reveal when they would take their vacations, so coworkers wouldn't book the same dates. Another 7 percent said they protected their vacation plans by lying to coworkers about those plans. Five percent were even more Machiavellian; they strategically booked vacation dates that scuttled the plans of a disliked coworker. "I know this is true," says an employee from Newport, Wales, who was not part of the survey. "I had a colleague who knew my holiday habits and would go in on January the 2nd and book every week that he knew I habitually had for holidays because he knew my wife's holidays were fixed and could not be changed. He didn't really need those days; he did it out of spite."[82]

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MINIMIZING ORGANIZATIONAL POLITICS

Researchers have identified several conditions that encourage organizational politics, so we can identify corresponding strategies to keep political activities to a minimum.[83] First, organizational politics is triggered by scarce resources in the workplace. When budgets are slashed, people rely on political tactics to safeguard their resources and maintain the status quo. Although it is not easy to maintain or add resources, sometimes this action is less costly than the consequences of organizational politics.

Second, political tactics are fueled by ambiguous or complex rules, or the absence of formal rules, because those tactics help people get what they want when decisions lack structural guidelines. Consequently, organizational politics is suppressed when resource allocation decisions are clear and simplified. Third, organizational change tends to bring out more organizational politics, mainly because change creates ambiguity and threatens the employee's power and other valued resources.[84] Consequently, leaders need to apply the organizational change strategies that we describe in Chapter 15, particularly through communication, learning, and involvement. Research has found that employees who are kept informed of what is going on in the organization and who are involved in organizational decisions are less likely to engage in organizational politics.

Fourth, political behavior is more common in work units and organizations where it is tolerated and reinforced. Some companies seem to nurture self-serving behavior through reward systems and the role modeling of organizational leaders. To minimize political norms, the organization needs to diagnose and alter systems and role modeling that support self-serving behavior. They should support organizational values that oppose political tactics, such as altruism and focusing on the customer. One of the most important strategies is for leaders to become role models of organizational citizenship rather than symbols of successful organizational politicians.

OFFICE POLITICS BY THE NUMBERS[85]

68% of 1,125 Taiwanese office workers polled say they have experienced workplace politics.

43% of 3,200 Americans polled identify office politics as a significant time waster at work.

33% of 1,102 employed Americans polled who don't normally work at a desk say that an important advantage of a nondesk job is not having to deal with office politics.

19% of 7,000 American employees polled believe that office politics is more vicious than national (elected government) politics.

13% of 1,900 Australian and New Zealand professionals polled admit to engaging in office politics.

Photo: © SchulteProductions/Getty Images RF

Personal Characteristics   Several personal characteristics affect an individual's motivation to engage in self-serving behavior.[86] This includes a strong need for personal as opposed to socialized power. Those with a need for personal power seek power for its own sake and try to acquire more power. Some individuals have strong **Machiavellian values.** Machiavellianism is named after Niccolò Machiavelli, the 16th-century Italian philosopher who wrote *The Prince,* a famous treatise about political behavior. People with high Machiavellian values are comfortable with getting more than they deserve, and they believe that deceit is a natural and acceptable way to achieve this goal. They seldom trust coworkers and tend to use cruder influence tactics to get their own way, such as bypassing their boss or being assertive.[87]

> **Machiavellian values**
> the beliefs that deceit is a natural and acceptable way to influence others and that getting more than one deserves is acceptable

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SELF-ASSESSMENT 10.4: How Machiavellian Are You?

One of the best-known individual differences in organizational politics is Machiavellianism, named after the 16th-century Italian philosopher who wrote a famous treatise about political behavior (*The Prince*). Machiavellian employees take a perspective of situations and other people that motivates them to apply influence tactics more for personal gain. Although few people want to be viewed as Machiavellian, measures suggest that most of us apply these practices to some extent. You can discover your level of Machiavellianism by locating this self-assessment in Connect if it is assigned by your instructor.

chapter summary

10-1   Describe the dependence model of power and the five sources of power in organizations.

Power is the capacity to influence others. It exists when one party perceives that he or she is dependent on the other for something of value. However, the dependent person must also have countervailing power—some power over the dominant party—to maintain the relationship, and the parties must have some level of trust.

There are five power bases. Legitimate power is an agreement among organizational members that people in certain roles can request certain behaviors of others. This power has restrictions, represented by the target person's zone of indifference. It also includes the norm of reciprocity (a feeling of obligation to help someone who has helped you), as well as control over the flow of information to others. Reward power is derived from the ability to control the allocation of rewards valued by others and to remove negative sanctions. Coercive power is the ability to apply punishment. Expert power is the capacity to influence others by possessing knowledge or skills that they value. An important form of expert power is the (perceived) ability to manage uncertainties in the business environment. People have referent power when others identify with them, like them, or otherwise respect them.

10-2   Discuss the four contingencies of power.

Four contingencies determine whether these power bases translate into real power. Individuals and work units are more powerful when they are nonsubstitutable. Employees, work units, and organizations reduce substitutability by controlling tasks, knowledge, and labor and by differentiating themselves

from competitors. A second contingency is centrality. People have more power when they have high centrality, which means that many people are quickly affected by their actions. The third contingency, visibility, refers to the idea that power increases to the extent that a person's or work unit's competencies are known to others. Discretion, the fourth contingency of power, refers to the freedom to exercise judgment. Power increases when people have the freedom to use their power.

10-3   Explain how people and work units gain power through social networks.

Social networks are social structures of individuals or social units (e.g., departments, organizations) that connect to one another through one or more forms of interdependence. People receive power in social networks through social capital, which is the goodwill and resulting resources shared among members in a social network. Three main resources from social networks are information, visibility, and referent power.

Employees gain social capital through their relationship in the social network. Social capital tends to increase with the number of network ties. Strong ties (close-knit relationships) can also increase social capital because these connections offer more resources more quickly. However, having weak ties with people from diverse networks can be more valuable than having strong ties with people in similar networks. Weak ties provide more resources that we do not already possess. Another influence on social capital is the person's centrality in the network. Network centrality is determined in several ways, including the extent to which you are located between others

in the network (betweenness), how many direct ties you have (degree), and the closeness of these ties. People also gain power by bridging structural holes—linking two or more clusters of people in a network.

10-4 **Describe eight types of influence tactics, three consequences of influencing others, and three contingencies to consider when choosing an influence tactic.**

Influence refers to any behavior that attempts to alter someone's attitudes or behavior. The most widely studied influence tactics are silent authority, assertiveness, information control, coalition formation, upward appeal, impression management, persuasion, and exchange. "Soft" influence tactics such as friendly persuasion and subtle ingratiation are more acceptable than "hard" tactics such as upward appeal and assertiveness. However, the most appropriate influence tactic also depends on the influencer's power base; whether the person being influenced is higher, lower, or at the same level in the organization; and personal, organizational, and cultural values regarding influence behavior.

10-5 **Identify the organizational conditions and personal characteristics associated with organizational politics, as well as ways to minimize organizational politics.**

Organizational politics refer to influence tactics that others perceive to be self-serving behaviors, sometimes contrary to the interests of the organization. It is more common when ambiguous decisions allocate scarce resources and when the organization tolerates or rewards political behavior. Individuals with a high need for personal power and strong Machiavellian values have a higher propensity to use political tactics. Organizational politics can be minimized by providing clear rules for resource allocation, establishing a free flow of information, using education and involvement during organizational change, supporting team norms and a corporate culture that discourages political behavior, and having leaders who role model organizational citizenship rather than political savvy.

key terms

centrality, p. 285
charisma, p. 283
coalition, p. 292
countervailing power, p. 279
impression management, p. 294
influence, p. 290

inoculation effect, p. 294
legitimate power, p. 280
Machiavellian values, p. 298
norm of reciprocity, p. 281
organizational politics, p. 296
persuasion, p. 293

power, p. 278
referent power, p. 283
social capital, p. 287
social networks, p. 286
structural hole, p. 289
upward appeal, p. 293

critical thinking questions

1. What role does countervailing power play in the power relationship? Give an example of one of your own encounters with countervailing power at school or work.

2. Until recently, a mining company's data resided in the department that was responsible for that information. Property data were on the computers in land administration, hydrocarbon data were in the well administration group, maps were found in the map department, and so on. The executive team concluded that this arrangement was dysfunctional, so the CEO announced that all information would become widely accessible on a central server system. If someone needs a color map, for example, he or she can retrieve it from the central server without going through the map department. Rather than welcome the change, employees in several departments complained, offering several arguments why other groups should not have direct access to their data files. Some departments tried to opt out of the centralized server system. Using the model of sources and contingencies of power, explain why some groups opposed the central server model of data access.

3. You have just been hired as a brand manager of toothpaste for a large consumer products company. Your job mainly involves encouraging the advertising and production groups to promote and manufacture your product more effectively. These departments aren't

under your direct authority, though company procedures indicate that they must complete certain tasks requested by brand managers. Describe the sources of power you can use to ensure that the production and advertising departments will help you make and sell toothpaste more effectively.

4. Men tend to build social networks with many relationships, but very few deep relationships. Women tend to build social networks with a small number of very strong relationships. What are the likely advantages and disadvantages of each style of social networking? What are the likely career consequences? How might men and women build on the advantages of their networking styles and overcome the disadvantages?

5. List the eight influence tactics described in this chapter in terms of how they are used by students to influence their college instructors. Which influence tactic is applied most often? Which is applied least often, in your opinion? To what extent is each influence tactic considered legitimate behavior or organizational politics?

6. Consider a situation in which there is only one female member on a team of six people, and she is generally excluded from informal gatherings of the team. What kind of influence tactics can she use to address this situation?

7. In the mid-1990s, the CEO of Apple Computer invited the late Steve Jobs (who was not associated with the company

at the time) to serve as a special adviser and raise morale among Apple employees and customers. While doing so, Jobs spent more time advising the CEO on how to cut costs, redraw the organizational chart, and hire new people. Before long, most of the top people at Apple were Jobs's colleagues, who began to systematically evaluate and weed out teams of Apple employees. While publicly supporting Apple's CEO, Jobs privately criticized him and, in a show of nonconfidence, sold the 1.5 million shares of Apple stock he had received. This action caught the attention of Apple's board of directors, who soon after decided to replace the CEO with Steve Jobs. The CEO claimed Jobs was a conniving back-stabber who used political tactics to get his way. Others suggest that Apple would be out of business today if he hadn't taken over the company. In your opinion, were Steve Jobs's actions examples of organizational politics? Justify your answer.

8. This book frequently emphasizes that successful companies engage in organizational learning. How do political tactics interfere with organizational learning objectives?

📖 CASE STUDY: RESONUS CORPORATION

By Steven L. McShane, based on a case written by John A. Seeger

Frank Choy is normally a quiet person, but his patience has already been worn thin by interdepartmental battles. Choy joined Resonus Corporation, a hearing aid designer and manufacturer, eight months ago as director of engineering. Production of the latest product has been delayed by two months, and Choy's engineering services department (ESD)—which prepares final manufacturing specifications—is taking the heat as the main culprit for these delays. Similar delays have been occurring at Resonus for the past few years. The previous engineering director was fired after 18 months; the director before him quit after about the same amount of time.

Bill Hunt, CEO of Resonus for the past 15 years, responded to these problems by urging everyone to remain civil. "I'm sure we can resolve these differences if we just learn to get along better," he said whenever a dispute broke out. Hunt disliked firing anyone, but he felt the previous engineering director was too confrontational. "I spent too much time smoothing out arguments when he was here," Hunt thought to himself soon after Choy was hired. "Frank, on the other hand, seems to fit into our culture of collegiality."

Hunt was groomed by the company's founder and took great pride in preserving the organization's family spirit. He also discouraged bureaucracy, believing that Resonus operated best through informal relationships among its managers. Most Resonus executives were similarly informal, except Jacqui Blanc, the production director, who insisted on strict guidelines. Hunt tolerated Blanc's formal style, because soon after joining Resonus five years ago, she discovered and cleaned up fraudulent activity involving two production managers and a few suppliers.

The organizational chart shows that Frank Choy oversees two departments: ESD and research. In reality, "Doc" Kalandry, the research director, informally reports directly to the CEO (Hunt) and has never considered the director of engineering as his boss. Hunt actively supports this informal reporting relationship because of Doc's special status in the organization. "Doc Kalandry is a living genius," Hunt told Choy soon after he joined the firm. "With Doc at the helm of research, this company will continue to lead the field in innovation." Hunt's first job at Resonus was in the research group, and Choy suspected that Hunt still favored that group.

Everyone at Resonus seems to love Doc's successful products, his quirky style, and his over-the-top enthusiasm, but some of Choy's ESD staff are also privately concerned. Says one engineer: "Doc is like a happy puppy when he gets a new product idea. He delights in the discovery but also won't let go of it. He also gets Hunt too enthusiastic. But Doc's too optimistic; we've had hundreds of production change orders already this year. If I were in Frank's shoes, I'd put my foot down on all this new development."

Soon after joining Resonus, Choy realized that ESD employees get most of the blame and little of the credit for their work. When production staff find a design fault, they directly contact the research design engineer who developed the technology, rather than the ESD group who prepare the specifications. Research engineers willingly work with production, because they don't want to let go of their project. "The designers seem to feel they're losing something when one of us in ESD tries to help," Choy explains.

Meanwhile, production supervisors regularly critique ESD staff, whereas they tend to accept explanations from the higher-status research department engineers. "Production routinely complains about every little specification error, many of which are due to design changes made by the research group," says one frustrated ESD technician. "Many of us have more than 15 years experience in this work. We shouldn't have to prove our ability all the time, but we spend as much time defending ourselves as we do getting the job done."

Choy's latest troubles occurred when Doc excitedly told CEO Hunt about new nano-processor technology that he wanted to install in the forthcoming high-end hearing aid product. As with most of Doc's previous last-minute revisions, Hunt endorsed this change and asked Choy and Blanc (the production director) to show their commitment, even though production was scheduled to begin in less than three weeks. Choy wanted to protest, knowing that his department would have to tackle unexpected incompatibility design errors. Instead, he quietly agreed to Hunt's request to avoid acting like his predecessor and facing similar consequences (getting fired). Blanc curtly stated that her group was ready if Choy's ESD unit could

get accurate production specifications ready on time and if the sales director would stop making wild delivery promises to customers.

When Doc's revised design specs arrived more than a week later, Choy's group discovered numerous incompatibilities that had to be corrected. Even though several ESD staff were assigned to 12-hour days on the revisions, the final production specifications weren't ready until a couple of days after the deadline. Production returned these specs two days later, noting a few elements that required revision because they were too costly or difficult to manufacture in their current form. By that time, the production director had to give priority to other jobs and moved the new hearing aid product further down the queue. This meant that manufacturing of the new product was delayed by at least two months. The sales director was furious and implied that Frank Choy's incompetence was to blame for this catastrophe.

Discussion Questions

1. What sources and contingencies of power existed among the executives and departments at Resonus?

2. What influence tactics were evident in this case study? Would you define any of these influence activities as organizational politics? Why or why not?

3. Suppose you are a consultant invited to propose a solution to the product delay problems facing this organization. What would you recommend, particularly regarding power dynamics among the executives and departments?

TEAM EXERCISE: DECIPHERING THE NETWORK

PURPOSE This exercise is designed to help students interpret social network maps and their implications for organizational effectiveness.

MATERIALS The instructor will distribute several social network diagrams to each student.

INSTRUCTIONS (SMALLER CLASSES) The instructor will organize students into teams (typically four to seven people, depending on class size). Teams will examine each social network diagram to answer the following questions:

1. What aspects of this diagram suggest that the network is not operating as effectively as possible?

2. Which people in this network seem to be most powerful? Least powerful? What information or features of the diagram led you to this conclusion?

3. If you were responsible for this group of people, how would you change this situation to improve their effectiveness?

After teams have diagnosed each social network map, the class will debrief by hearing each team's assessments and recommendations.

INSTRUCTIONS (LARGER CLASSES) This activity is also possible in large classes by projecting each social network diagram on a screen and giving students a minute or two to examine the diagram. The instructor can then ask specific questions to the class, such as pointing to a specific individual in the network and asking whether he or she has high or low power, what level of centrality is apparent, and whether the individual's connections are mainly strong or weak ties. The instructor might also ask which quadrant on the map indicates the most concern and then allow individual students to provide their explanations.

TEAM EXERCISE: MANAGING YOUR BOSS

PURPOSE This exercise is designed to help students apply influence tactics to real situations, in this case influencing people above them in the hierarchy.

MATERIALS None.

INSTRUCTIONS (FOR SMALLER CLASSES ONLY) The instructor will organize students into teams (typically four to seven people, depending on class size). Teams will identify specific strategies to influence people above them in the organizational hierarchy. Teams should consider each of the various influence tactics to determine specific practices that might change the attitudes and behavior of their bosses. During this team discussion, students should determine which influence tactics are most and least appropriate for managing their bosses. Teams should also consider relevant concepts from other chapters, such as perceptions (Chapter 3), emotions and attitudes (Chapter 4), motivation (Chapter 5), and (if already covered in the course) conflict (Chapter 11).

The class will regroup, and each team will present specific recommendations for influencing people in higher positions.

Conflict and Negotiation in the Workplace

O n a recent January evening, a Delta Air Lines flight from Los Angeles to Minneapolis made an unscheduled detour to Salt Lake City. The problem was neither mechanical nor an external threat. The captain decided to divert the flight to the nearest airport because two flight attendants got into a nasty argument over work issues. In fact, less than 40 minutes into the flight, passengers watched in horror as the two female crew members began fistfighting each other. A third unidentified woman tried to calm down the two combatants but was hit by a wayward fist. The head attendant (purser) notified the captain, who then changed course. Delta Air Lines later sent a letter of apology to passengers, saying: "We expect our flight crew to be nothing but courteous and professional at all times and what you experienced was far from that." The flight arrived 75 minutes late in Minneapolis.

Overt conflict is rare among commercial airline crew members, but when these clashes do occur, the consequences can be costly for the airline and inconvenient for passengers. A few months before the Delta Air Lines incident, United Express acknowledged that "a disagreement among crew members" caused passengers boarding in Lubbock, Texas, to wait five hours for a new crew to arrive from Houston. The scheduled pilot and copilot apparently got into an argument regarding correct procedures while they were landing the plane in Lubbock. The arriving passengers disembarked, as did the pilot and copilot temporarily. But as the next group of 20 passengers settled in for their trip, the flight attendant announced they should leave the plane because she and the copilot didn't think it was safe to fly with the pilot. Airport police arrived at the gate soon after the passengers returned to the waiting area.

American Airlines isn't immune to flight crew conflicts, either. One of its commuter flights from New York to Washington, DC, returned to the gate almost as soon as it began to taxi toward its takeoff area because "there was a disagreement between two flight attendants." One flight attendant was using her cell phone during the predeparture preparations. Her activities apparently prompted the other flight attendant to use the intercom and announce that everyone needed to turn off their phones and electronic devices, "including the other flight attendant." That comment led to a scuffle between the two crew members, which was serious enough that the pilots decided to cancel the flight. Passengers had to wait four hours for a new crew to arrive.[1]

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Overt conflict is rare among commercial airline crew members, but when these clashes do occur, the consequences can be costly for the airline and inconvenient for passengers.

These incidents involving flight crew members illustrate that workplace conflict can be very costly. But as we will learn in this chapter, some forms of conflict are also valuable to organizations. The challenge is to enable beneficial conflict and suppress dysfunctional conflict. We begin this chapter by defining conflict and discussing the age-old question: Is conflict good or bad? Next, we look at the conflict process and examine in detail the main factors that cause or amplify conflict. The five styles of handling conflict are then described, including the contingencies of conflict handling as well as gender and cross-cultural differences. This is followed by discussion of the most important structural approaches to conflict resolution. Next, we look at the role of managers and others in third-party conflict resolution. The final section of this chapter reviews key issues in negotiating conflict resolution.

The Meaning and Consequences of Conflict

11-1

conflict

the process in which one party perceives that its interests are being opposed or negatively affected by another party

Conflict is a fact of life in organizations. Companies are continuously adapting to their external environment, yet there is no clear road map on what changes are best. Employees disagree on the direction or form of change in individual behavior, work unit activities, and organizational-level adaptations. These conflict episodes occur because of clashing work goals, divergent personal values and experiences, and a variety of other reasons that we discuss in this chapter.

Conflict is a process in which one party perceives that its interests are being opposed or negatively affected by another party.[2] It may occur when one party obstructs another's goals in some way, or just from one party's perception that the other party is going to do so. Conflict is ultimately based on perceptions; it exists whenever one party *believes* that another might obstruct its efforts, regardless of whether the other party actually intends to do so.

IS CONFLICT GOOD OR BAD?

One of the oldest debates in organizational behavior is whether conflict is good or bad—or, more recently, what forms of conflict are good or bad—for organizations.[3] The dominant view over most of this time has been that conflict is dysfunctional.[4] More than a century ago, European organizational theorists Henri Fayol and Max Weber emphasized that organizations work best through harmonious relations. Elton Mayo, who founded Harvard University's human relations school and is considered one of the founders of organizational behavior, was convinced that employee–management conflict undermines organizational effectiveness. These and other critics warn that even moderately low levels of disagreement tatter the fabric of workplace relations and sap energy from productive activities. Disagreement with one's supervisor, for example, wastes productive time, violates the hierarchy of command, and questions the efficient assignment of authority (where managers make the decisions and employees follow them).

Although the "conflict-is-bad" perspective is now considered too simplistic, conflict can indeed have negative consequences under some circumstances (see Exhibit 11.1).[5] Conflict has been criticized for reducing employee performance by consuming otherwise

EXHIBIT 11.1

Consequences of Workplace Conflict

NEGATIVE CONSEQUENCES	POSITIVE CONSEQUENCES

• Lower performance
• Higher stress, dissatisfaction, and turnover
• Less information sharing and coordination
• Increased organizational politics
• Wasted resources
• Weakened team cohesion (conflict among team members)
	• Better decision making
	  — Tests logic of arguments
	  — Questions assumptions
	• More responsive to changing environment
	• Stronger team cohesion (conflict between the team and outside opponents)

productive time. For instance, almost one-third of the 5,000 employees surveyed across nine countries reported that they are frequently or always dealing with workplace conflict. More than half of the employees in Germany complained that conflict was consuming their workday.[6]

Conflict is potentially dysfunctional in other ways.[7] It is often stressful, which consumes personal energy and distracts employees from their work. It also increases job dissatisfaction, resulting in higher turnover and lower customer service. People who experience conflict also tend to reduce their information sharing and other forms of coordination with each other. Ironically, with less communication, the feuding parties are more likely to escalate their disagreement because each side relies increasingly on distorted perceptions and stereotypes of the other party. Conflict fuels organizational politics, such as motivating employees to find ways to undermine the credibility of their opponents. Finally, conflict among team members may undermine team cohesion and performance.

Benefits of Conflict   In the 1920s, when most organizational scholars viewed conflict as inherently dysfunctional, educational philosopher and psychologist John Dewey praised its benefits by suggesting that it "shocks us out of sheeplike passivity." Three years later, political science and management theorist Mary Parker Follett similarly remarked that the "friction" of conflict should be put to use rather than treated as an unwanted consequence of differences.[8]

But it wasn't until the 1970s that conflict management experts began to embrace the notion that some level of conflict can be beneficial.[9] They formed an "optimal conflict" perspective, which states that organizations are most effective when employees experience some level of conflict, but become less effective with high levels of conflict.[10] What are the benefits of conflict? As Dewey stated, conflict energizes people to debate issues and evaluate alternatives more thoroughly. They probe and test each other's way of thinking to better understand the underlying issues that need to be addressed. This discussion and debate tests the logic of arguments and encourages participants to reexamine their basic assumptions about the problem and its possible solution. It prevents individuals and teams from making inferior decisions and potentially helps them develop sounder and more creative solutions.[11]

A second potential benefit is that moderate levels of conflict prevent organizations from becoming nonresponsive to their external environment. Differences of opinion encourage employees to engage in active thinking, and this often involves ongoing questioning and vigilance about how the organization can be more closely aligned with its customers, suppliers, and other stakeholders.[12] A third benefit of conflict occurs when team members have a dispute or competition with external sources. This form of conflict represents an external challenge that potentially increases cohesion within the team (see Chapter 7). People are more motivated to work together when faced with an external threat, such as conflict with people outside the team.

The Emerging View: Task and Relationship Conflict

11-2

The "optimal conflict" perspective remains popular and may be true in some respects; too much of any conflict is probably dysfunctional. However, the emerging school of thought is that there are various types of conflict with different consequences. The two dominant types are task conflict and relationship conflict.[13] **Task conflict** (also called *constructive conflict*) occurs when people focus their discussion around the issue (i.e., the "task") while showing respect for people with other points of view. This type of conflict debates the various alternatives and arguments so they can be clarified, redesigned, and tested for logical soundness. The focus is on the assumptions and logical foundation of the ideas presented, not on the characteristics of the people who presented them. In other words, task conflict keeps the debate focused on the issue and avoids any attention to the competence or power of the participants. Research indicates that task conflict tends to produce the beneficial outcomes described earlier, particularly better decision making.[14] However, there is increasing evidence of an upper limit to the beneficial intensity of any disagreement, above which it would be difficult to remain constructive. In other words, there is likely an optimal level of task conflict.[15]

This book defines "task conflict" as an umbrella term for disagreements about the task or decision, including what task should be performed, how should it be done, and who should perform the various task roles. Conflict experts recently introduced *process conflict* to encompass the latter two parts—how the work should be done and who should perform the various task roles.[16] But until evidence and measurement clarifies this distinction and its importance, we will refer to "task conflict" to encompass all forms of task-related disagreement, including task content, process, roles, resources, and other activity-related issues.

Whereas task conflict focuses on the issues, **relationship conflict** focuses on characteristics of the people in the dispute. This type of conflict occurs when someone tries to dismiss an idea by questioning the competence of the people who introduce or support that idea. It also occurs when someone uses status to defend a position ("My suggestion is better because I have the most experience!") because status-based arguments inherently undermine the worth of others in the debate. Relationship conflict even occurs when someone is abrasive or assertive to the extent that the behavior demeans others

task conflict
a type of conflict in which people focus their discussion around the issue while showing respect for people who have other points of view

relationship conflict
a type of conflict in which people focus on characteristics of other individuals, rather than on the issues, as the source of conflict

Team decision making at Amazon.com is not a casual social gathering. "There's an incredible amount of challenging the other person. . . . You want to have absolute certainty about what you are saying," admits a former senior market researcher at the online retailer. In fact, one of Amazon's principles states that leaders should "respectfully challenge decisions when they disagree, even when doing so is uncomfortable or exhausting." Amazon executive Tony Galbato explains that "it would certainly be much easier and socially cohesive to just compromise and not debate, but that may lead to the wrong decision." Some observers and employees say that Amazon's decision making fuels relationship conflict, not just task conflict. Others counter that relationship conflict is discouraged, pointing out that "*respectfully* challenge" means focusing on the problem, not the person. "We debate politely and respectfully, and you are given constructive feedback to course-correct if you are rude or disrespectful," says a middle management engineer.[17]
© Gary Burchell/Getty Images

in the conversation. For example, relationship conflict can occur when a manager bangs his or her fist on the desk while making a logical argument; the physical action implies that the speaker has more power and the followers need harsh signals to get their attention.

Relationship conflict is dysfunctional because it threatens self-esteem, self-enhancement, and self-verification processes (see Chapter 3). It usually triggers defense mechanisms and a competitive orientation between the parties. Relationship conflict also reduces mutual trust because it emphasizes interpersonal differences that weaken any bond that exists between the parties.[18] Relationship conflict escalates more easily than task conflict because the adversaries become less motivated to communicate and share information, making it more difficult for them to discover common ground and ultimately resolve the conflict. Instead, they rely increasingly on distorted perceptions and stereotypes, which tend to reinforce their perceptions of threat.

SEPARATING TASK FROM RELATIONSHIP CONFLICT

From our discussion so far, the logical recommendation is for organizations to encourage task conflict and minimize relationship conflict. This idea sounds good in theory, but separating these two types of conflict isn't easy in practice. Research indicates that we experience some degree of relationship conflict whenever we are engaged in constructive debate.[19] No matter how diplomatically someone questions our ideas and actions, he or she potentially threatens our self-esteem and our public image, which usually triggers our drive to defend. The stronger the level of debate and the more the issue is tied to our self-view, the more likely that task conflict will evolve into (or mix with) relationship conflict. Fortunately, three conditions potentially minimize the level of relationship conflict during task conflict episodes.[20]

- *Emotional intelligence and emotional stability*. Relationship conflict is less likely to occur, or is less likely to escalate, when team members have high levels of emotional intelligence and its associated personality characteristic: emotional stability.[21] Employees with higher emotional intelligence and stability are better able to regulate their emotions during debate, which reduces the risk of escalating perceptions of interpersonal hostility. They are also more likely to view a coworker's emotional reaction as valuable information about that person's needs and expectations, rather than as a personal attack.

- *Cohesive team*. Relationship conflict is suppressed when the conflict occurs within a highly cohesive team. The longer people work together, get to know each other, and develop mutual trust, the more latitude they give to each other to show emotions without being personally offended. This might explain why task conflict is more effective in top management teams than in teams of more junior staff.[22] Strong cohesion also allows each person to know about and anticipate the behaviors and emotions of his or her teammates. Another benefit is that cohesion produces a stronger social identity with the group, so team members are motivated to avoid escalating relationship conflict during otherwise emotionally turbulent discussions.

- *Supportive team norms*. Various team norms can hold relationship conflict at bay during task-focused debate. When team norms encourage openness, for instance, team members learn to appreciate honest dialogue without personally reacting to any emotional display during the disagreements.[23] Other norms might discourage team members from displaying negative emotions toward coworkers. Team norms also encourage tactics that diffuse relationship conflict when it first appears. For instance, research has found that teams with low relationship conflict use humor to maintain positive group emotions, which offsets negative feelings team members might develop toward some coworkers during debate.

EXHIBIT 11.2   Model of the Conflict Process
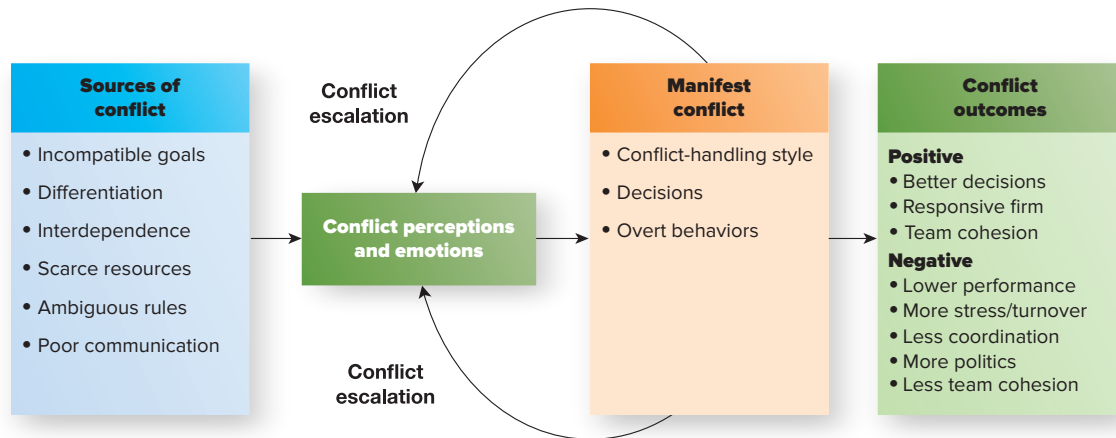
Conflict Process Model

11-3

Now that we have outlined the history and current perspectives of conflict and its outcomes, let's look at the model of the conflict process, shown in Exhibit 11.2.[24] This model begins with the sources of conflict, which we will describe in the next section. At some point, the sources of conflict lead one or both parties to perceive that conflict exists. They become aware that one party's statements and actions are incompatible with their own goals or beliefs. These perceptions usually interact with emotions experienced about the conflict.[25]

Conflict perceptions and emotions produce manifest conflict—the decisions and behaviors of one party toward the other. These *conflict episodes* may range from subtle nonverbal behaviors to warlike aggression. Particularly when people experience high levels of conflict-generated emotions, they have difficulty finding the words and expressions that communicate effectively without further irritating the relationship.[26] Conflict is also behaviorally revealed by the style each side uses to resolve the conflict. Some people tend to avoid the conflict whereas others try to defeat those with opposing views. We discuss different conflict handling styles later in this chapter.

Exhibit 11.2 shows arrows looping back from manifest conflict to conflict perceptions and emotions. These arrows illustrate that the conflict process is really a series of episodes that potentially cycle into conflict escalation.[27] It doesn't take much to start this conflict cycle—just an inappropriate comment, a misunderstanding, or an action that lacks diplomacy. These behaviors cause the other party to perceive that conflict exists. Even if the first party did not intend to demonstrate conflict, the second party's response may create that perception.

Structural Sources of Conflict in Organizations

The conflict model starts with the sources of conflict, so we need to understand these sources to effectively diagnose conflict episodes and subsequently resolve the conflict or occasionally to generate conflict where it is lacking. The six main conditions that cause conflict in organizational settings are incompatible goals, differentiation, interdependence, scarce resources, ambiguous rules, and communication problems.

INCOMPATIBLE GOALS

Goal incompatibility occurs when the goals of one person or department seem to interfere with another person's or department's goals.[28] For example, the production department strives for cost-efficiency by scheduling long production runs whereas the sales team emphasizes customer service by delivering the client's product as quickly as possible. If the company runs out of a particular product, the production team would prefer to have clients wait until the next production run. This infuriates sales representatives who would rather change production quickly to satisfy consumer demand.

DIFFERENTIATION

Another source of conflict is differentiation—differences among people and work units regarding their training, values, beliefs, and experiences. Differentiation can be distinguished from goal incompatibility; two people or departments may agree on a common goal (serving customers better) but have different beliefs about how to achieve that goal (e.g., standardize employee behavior versus give employees autonomy in customer interactions). Differentiation is usually a factor in intergenerational conflict. Younger and older employees have different needs, different expectations, and different workplace practices, which sometimes produces conflicting preferences and actions. Studies suggest that these intergenerational differences occur because people develop social identities around technological developments and other pivotal social events that are unique to their era.[29]

Differentiation also produces the classic tension between employees from two companies brought together through a merger.[30] Even when people from both companies want the integrated organization to succeed, they fight over the "right way" to do things because of their unique experiences in the separate companies. This form of conflict emerged when CenturyLink acquired Qwest, creating the third-largest telecommunications company in the United States. The two companies were headquartered in different parts of the country. "Their languages were different, their food was different, answers were different. We talked fast and interrupted, and they talked slow and were polite," recalls a senior Qwest executive. "If we said up, they said down. If we said yes, they said no. If we said go, they said stop." This resulted in "unnecessary misunderstandings" as executives tried to integrate the two companies.[31]

INTERDEPENDENCE

All conflict is caused to some extent by interdependence, because conflict exists only when one party perceives that its interests are being opposed or negatively affected by

General Electric's (GE's) investment in industrial-strength Durathon batteries didn't live up to expectations. But plenty of sparks were flying during the plant start-up in Schenectady, New York, a few years ago due to goal conflicts among GE's engineers. GE's battery design engineers wanted prototypes made quickly for real-world testing, whereas the manufacturing engineers held back initial production to ensure the batteries met the company's rigorous quality standards. "We went through some fights, some serious fights," recalls the general manager of GE's energy business. "It's a kind of interesting tension at times. We have to find a balance."[32]
© Heather Ainsworth/The New York Times/Redux Pictures

another party. Task interdependence refers to the extent to which employees must share materials, information, or expertise to perform their jobs (see Chapter 8). Conflict is inherently about relationships because people and work units are affected by others only when they have some level of interdependence.

The risk of conflict increases with the level of interdependence.[33] Employees usually have the lowest risk of conflict when working with others in a pooled interdependence relationship. Pooled interdependence occurs where individuals operate independently except for reliance on a common resource or authority. The potential for conflict is higher in sequential interdependence work relationships, such as an assembly line. The highest risk of conflict tends to occur in reciprocal interdependence situations. With reciprocal interdependence, employees have high mutual dependence on each other as well as higher centrality. Consequently, relationships with reciprocal interdependence have the strongest and most immediate risk of interfering with each other's objectives.

SCARCE RESOURCES

Resource scarcity generates conflict because each person or unit requiring the same resource necessarily undermines others who also need that resource to fulfill their goals. Most labor strikes, for instance, occur because there aren't enough financial and other resources for employees and company owners to each receive the outcomes they seek, such as higher pay (employees) and higher investment returns (stockholders). Budget deliberations within organizations also produce conflict because there aren't enough funds to satisfy the goals of each work unit. The more resources one group receives, the fewer resources other groups will receive. Fortunately, these interests aren't perfectly opposing in complex negotiations, but limited resources are typically a major source of friction.

FLASHPOINTS OF CONFLICT IN THE WORKPLACE[34]

56% of 427 **working Americans** surveyed identify personality clashes as a major source of workplace conflict (highest source).

52% of 427 **working Americans** surveyed identify poor communication as a major source of workplace conflict (second highest source).

48% of 1,000 **Australian and New Zealand** professionals surveyed say they have experienced conflict caused by intergenerational differences (most often due to differing expectations about the company's values and culture).

44% of 2,195 UK **employees** surveyed identify differences in personality or styles of working as the source of the most serious incident of conflict within the past year.

33% of 617 **American** office workers surveyed identify lack of communication and miscommunication as the most common source of workplace conflict.

23% of 2,195 UK **employees** surveyed identify level of support and resources as the source of the most serious incident of conflict within the past year.

21% of 411 New **Zealand employees** surveyed say they experienced conflict over the past year due to different opinions about how to perform a task.

Photo: © donskarpo/Shutterstock RF

AMBIGUOUS RULES

Ambiguous rules—or the complete lack of rules—breed conflict. This occurs because uncertainty increases the risk that one party intends to interfere with the other party's goals. Ambiguity also encourages political tactics and, in some cases, employees enter a free-for-all battle to win decisions in their favor. This explains why conflict is more common during mergers and acquisitions. Employees from both companies have conflicting practices and values, and few rules have developed to minimize the maneuvering for power and resources.[35] When clear rules exist, on the other hand, employees know what to expect from each other and have agreed to abide by those rules.

COMMUNICATION PROBLEMS

Conflict often occurs due to the lack of opportunity, ability, or motivation to communicate effectively.

Let's look at each of these causes. First, when two parties lack the opportunity to communicate, they tend to rely more on stereotypes to understand the other party in the conflict. Unfortunately, stereotypes are sufficiently subjective that emotions can negatively distort the meaning of an opponent's actions, thereby escalating perceptions of conflict. Second, some people lack the necessary skills to communicate in a diplomatic, nonconfrontational manner. When one party communicates its disagreement arrogantly, opponents are more likely to heighten their perception of the conflict. This may lead opponents to reciprocate with a similar response, which further escalates the conflict.[36]

A third problem is that relationship conflict is uncomfortable, so people are less motivated to communicate with others in a disagreement. Unfortunately, less communication can further escalate the conflict because each side has less accurate information about the other side's intentions. To fill in the missing pieces, they rely on distorted images and stereotypes of the other party. Perceptions are further distorted because people in conflict situations tend to engage in more differentiation with those who are unlike themselves (see Chapter 3). This differentiation creates a more positive self-concept and a more negative image of the opponent. We begin to see competitors less favorably so our self-concept remains positive during these conflict episodes.[37]

Interpersonal Conflict-Handling Styles

11-4

The six sources of conflict lead to conflict perceptions and emotions that, in turn, motivate people to respond in some way to the conflict. Mary Parker Follett (who argued that conflict can be beneficial) observed more than 70 years ago that people respond to perceived and felt conflict through various conflict-handling strategies. Follett's original list was expanded and refined over the years into the five-category model shown in Exhibit 11.3. This model recognizes that how people respond behaviorally to a conflict

EXHIBIT 11.3

Interpersonal Conflict-Handling Styles

Source: C.K.W. de Dreu, A. Evers, B. Beersma, E.S. Kluwer and A. Nauta, "A Theory-Based Measure of Conflict Management Strategies in the Workplace," *Journal of Organizational Behavior* 22 (2001): 645–68. Reprinted with permission of John Wiley & Sons, Inc.
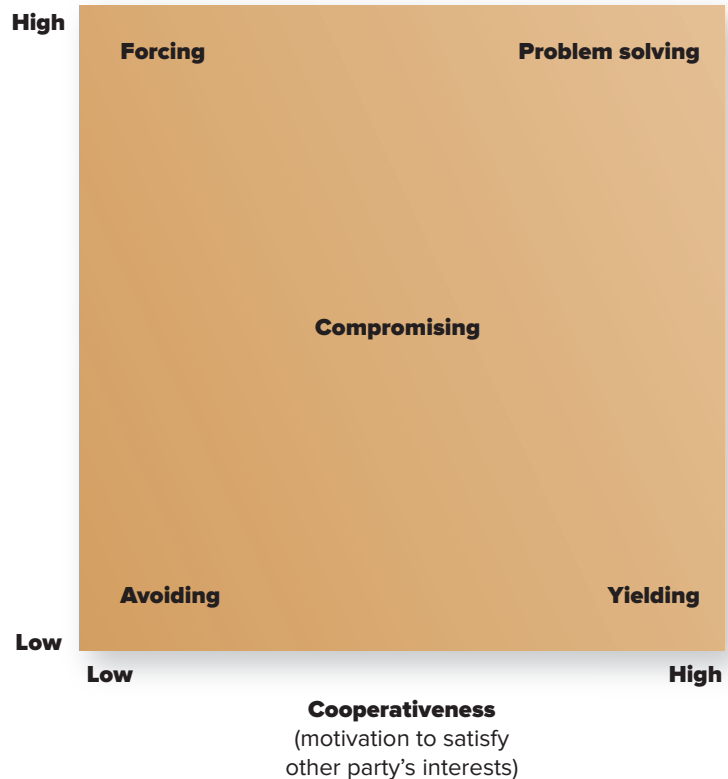
situation depends on the relative importance they place on maximizing outcomes for themselves and for the other party.[38]

- *Problem solving*. Problem solving tries to find a solution that is beneficial for both parties. This is known as the **win–win orientation** because people using this style believe the resources at stake are expandable rather than fixed if the parties work together to find a creative solution. Information sharing is an important feature of this style because both parties collaborate to identify common ground and potential solutions that satisfy everyone involved.
- *Forcing*. Forcing tries to win the conflict at the other's expense. People who use this style typically have a **win–lose orientation**—they believe the parties are drawing from a fixed pie, so the more one party receives, the less the other party will receive. Consequently, this style relies on assertiveness and other hard influence tactics (see Chapter 10) to get one's own way.
- *Avoiding*. Avoiding tries to smooth over or evade conflict situations altogether. A common avoidance strategy is to steer clear of the coworkers associated with the conflict. A second avoidance strategy is to minimize discussion of the sensitive topic when interacting with the other person in the conflict. Notice from these examples that avoidance does not necessarily mean that we have a low concern for both one's own and the other party's interest. We might be very concerned about the issue but conclude that avoidance is the best solution, at least in the short term.[39]
- *Yielding*. Yielding involves giving in completely to the other side's wishes, or at least cooperating with little or no attention to your own interests. This style involves making unilateral concessions and unconditional promises, as well as offering help with no expectation of reciprocal help.
- *Compromising*. Compromising involves looking for a position in which your losses are offset by equally valued gains. It involves actively searching for a middle ground between the interests of the two parties. Compromising is also associated with matching the other party's concessions and making conditional offers ("If you do X, I'll do Y.").

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SELF-ASSESSMENT 11.1:   **What Is Your Preferred Conflict-Handling Style?**

There are five main conflict-handling styles that people use in response to conflict situations. We are usually most comfortable using one or two of these styles based on our personality, values, self-concept, and past experience. You can discover your preferred conflict-handling styles by locating this self-assessment in Connect if it is assigned by your instructor.

CHOOSING THE BEST CONFLICT-HANDLING STYLE

Chances are that you prefer one or two conflict-handling styles more than the others. You might typically engage in avoiding or yielding because disagreement makes you feel uncomfortable and is contrary to your self-view as someone who likes to get along with everyone. Or perhaps you prefer the compromising and forcing strategies because they reflect your strong need for achievement and to control your environment. People usually gravitate toward one or two conflict-handling styles that match their personality, personal and cultural values, and past

win–win orientation
the belief that conflicting parties will find a mutually beneficial solution to their disagreement

win–lose orientation
the belief that conflicting parties are drawing from a fixed pie, so the more one party receives, the less the other party will receive

EXHIBIT 11.4   **Conflict-Handling Style Contingencies and Problems**

CONFLICT-HANDLING STYLE	PREFERRED STYLE WHEN . . .	PROBLEMS WITH THIS STYLE
Problem solving	• Interests are not perfectly opposing (i.e., not pure win–lose) • Parties have trust, openness, and time to share information • Issues are complex	• Sharing information that the other party might use to his or her advantage
Forcing	• You have a deep conviction about your position (e.g., believe other person's behavior is unethical) • Dispute requires a quick solution • Other party would take advantage of more cooperative strategies	• Highest risk of relationship conflict • May damage long-term relations, reducing future problem solving
Avoiding	• Conflict has become too emotionally charged • Cost of trying to resolve the conflict outweighs the benefits	• Doesn't usually resolve the conflict • May increase other party's frustration
Yielding	• Other party has substantially more power • Issue is much less important to you than to the other party • The value and logic of your position isn't as clear	• Increases other party's expectations in future conflict episodes
Compromising	• Parties have equal power • Time pressure to resolve the conflict • Parties lack trust/openness for problem solving	• Suboptimal solution where mutual gains are possible

experience.[40] However, the best style depends on the situation, so we need to understand and develop the capacity to use any of the five styles for the appropriate occasions.[41]

Exhibit 11.4 summarizes the main contingencies, as well as problems with using each conflict-handling style. Problem solving is widely recognized as the preferred conflict-handling style, whenever possible. Why? This approach calls for dialogue and clever thinking, both of which help the parties discover a win–win solution. In addition, the problem-solving style tends to improve long-term relationships, reduce stress, and minimize emotional defensiveness and other indications of relationship conflict.[42]

However, problem solving assumes there are opportunities for mutual gains, such as when the conflict is complex with multiple elements. If the conflict is simple and perfectly opposing (each party wants more of a single fixed pie), then this style will waste time and increase frustration. The problem-solving approach also takes more time and requires a fairly high degree of trust, because there is a risk that the other party will take advantage of the information you have openly shared. The problem-solving style can be stressful and difficult when people experience strong feelings of conflict, likely because these negative emotions undermine trust in the other party.[43]

The conflict avoidance style is often ineffective because it doesn't resolve the conflict and may increase the other party's frustration. However, avoiding may be the best strategy where conflict has become emotionally charged or where conflict resolution would cost more than its benefits.[44] The forcing style is usually inappropriate because it frequently generates relationship conflict more quickly or intensely than other conflict-handling styles. However, forcing may be necessary when you know you are correct (e.g., the other party's position is unethical or based on obviously flawed logic), the dispute requires a quick solution, or the other party would take advantage of a more cooperative conflict-handling style.

The yielding style may be appropriate when the other party has substantially more power, the issue is not as important to you as to the other party, and you aren't confident that your position has superior logical or ethical justification.[45] On the other hand, yielding behaviors may give the other side unrealistically high expectations, thereby motivating them to seek more from you in the future. In the long run, yielding may produce more conflict, rather than resolve it. "Raised voices, red faces, and table thumping is a far less dysfunctional way of challenging each other than withdrawal, passivity and sullen

acceptance," argues one conflict management consultant. "It doesn't mean that people agree with you: they just take their misgivings underground and spread them throughout the organization, which has a corrosive effect."[46]

The compromising style may be best when the problem solving-approach offers little hope for mutual gain, both parties have equal power, and both are under time pressure to settle their differences. However, we rarely know whether the parties have perfectly opposing interests, yet the compromise approach assumes this win–lose orientation. Therefore, entering a conflict with the compromising style may cause the parties to overlook better solutions because they have not attempted to share enough information and creatively look for win–win alternatives.

CULTURAL AND GENDER DIFFERENCES IN CONFLICT-HANDLING STYLES

Cultural differences are more than just a source of conflict. They also influence the preferred conflict-handling style.[47] Some research suggests that people from high collectivism cultures—where group goals are valued more than individual goals—are motivated to maintain harmonious relations and, consequently, are more likely than those from low collectivism cultures to manage disagreements through avoidance or problem solving. However, this view may be somewhat simplistic. Collectivism motivates harmony within the group but not necessarily with people outside the group. Indeed, research indicates that managers in some collectivist cultures are more likely to publicly shame those whose actions oppose their own.[48] Cultural values and norms influence the conflict-handling style used most often in a society, so they also represent an important contingency when choosing the preferred conflict-handling approach in that culture. For example, people who frequently use the conflict avoidance style might have more problems in cultures where the forcing style is common.

Men and women also rely on different conflict-handling styles to some degree.[49] The clearest difference is that men are more likely than women to use the forcing style, whether as managers or nonmanagement employees. Female managers are more likely than male managers to use the avoiding style, whereas female nonmanagement employees use the avoiding style only slightly more than male nonmanagement employees. Women in management and nonmanagement roles are only slightly more likely than men to use problem solving, compromising, and yielding. Except for the male preference for forcing, gender differences in conflict-handling style are relatively small, but they have a logical foundation. Compared to men, women pay more attention to the relationship between the parties, so their preferred style tries to protect the relationship. This is apparent in less forcing, more avoiding, and slightly more use of compromising and yielding.

Structural Approaches to Conflict Management

11-5

Conflict-handling styles describe how we approach the other party in a conflict situation. But conflict management also involves altering the underlying structural causes of potential conflict. The main structural approaches parallel the sources of conflict discussed earlier. These structural approaches include emphasizing superordinate goals, reducing differentiation, improving communication and understanding, reducing task interdependence, increasing resources, and clarifying rules and procedures.

EMPHASIZING SUPERORDINATE GOALS

superordinate goals
goals that the conflicting parties value and whose attainment requires the joint resources and effort of those parties

One of the oldest recommendations for resolving conflict is to refocus the parties' attention around superordinate goals and away from the conflicting subordinate goals.[50] **Superordinate goals** are goals that the conflicting employees or departments value and whose attainment requires the joint resources and effort of those parties.[51] These goals

are called superordinate because they are higher-order aspirations such as the organization's strategic objectives rather than objectives specific to the individual or work unit. Research indicates that the most effective executive teams frame their decisions as superordinate goals that rise above each executive's departmental or divisional goals. Similarly, effective leaders reduce conflict through an inspirational vision that unifies employees and makes them less preoccupied with their subordinate goal differences.[52]

Suppose that marketing staff members want a new product released quickly whereas engineers want more time to test and add new features. Leaders can potentially reduce this interdepartmental conflict by reminding both groups of the company's mission to serve customers, or by pointing out that competitors currently threaten the company's leadership in the industry. By increasing commitment to companywide goals (customer focus, competitiveness), engineering and marketing employees pay less attention to their competing departmental-level goals, which reduces their perceived conflict with each other. Superordinate goals also potentially reduce the problem of differentiation because they establish feelings of a shared social identity (work for the same company).[53]

REDUCING DIFFERENTIATION

Differentiation—differences regarding training, values, beliefs, and experiences—was identified earlier as one of the main sources of workplace conflict. Therefore, reducing differentiation is a logical approach to reducing dysfunctional conflict. As people develop common experiences and beliefs, they become more motivated to coordinate activities and resolve their disputes through constructive discussion.[54] One way to reduce differentiation is to rotate key staff to different departments or regions throughout their career. This career development process develops common experiences around the entire company rather than within different areas. Another way to reduce differentiation is to have employees from different parts of the organization work together on important (and hopefully successful) projects. These projects become a common ground for otherwise diverse employee groups. A third strategy is to build and maintain a strong organizational culture. Employees have shared values and assumptions in a company with a strong culture, and Chapter 14 describes specific activities to support a strong culture.

IMPROVING COMMUNICATION AND MUTUAL UNDERSTANDING

A third way to resolve dysfunctional conflict is to give the conflicting parties more opportunities to communicate and understand each other. This recommendation applies two principles and practices introduced in Chapter 3: the Johari Window model and meaningful interaction. Although both were previously described as ways to improve self-awareness, they are equally valuable to improve other-awareness.

In the Johari Window process, individuals disclose more about themselves so others have a better understanding of the underlying causes of their behavior. A variation of Johari Window occurs in "lunch and learn" sessions, where employees in one functional area describe work and its challenges to coworkers in other areas. Houston-based Brookstone Construction introduced these information meetings, which helped reduce frustrations between the field and office staff.[55]

Meaningful interaction potentially improves mutual understanding through the contact hypothesis, which says that we develop a more person-specific and accurate understanding of others by working closely with them.[56] For example, more than 18,000 employees and managers at the various companies of System Capital Management recently participated in the "Let's Make Ukraine Clean" campaign. In addition to improving the environment—each person picked up an average of about 100 kilograms (220 pounds) of garbage—this volunteering improved relations among management and employees at the Ukraine's leading financial and industrial group.[57]

Although communication and mutual understanding can work well, there are two important warnings. First, these interventions should be applied only where differentiation is

global connections 11.1

L'Oréal Canada Improves Mutual Understanding across Generations

L'Oréal Canada boasts a diverse workforce of 1,200 employees representing 61 nationalities across the three main generational groups. This diversity has been immensely beneficial to the Canadian operations of the French cosmetics company. "From diversity stems stimulating, rich debates that propel our teams to think forward and encourage innovation," says a senior executive.

But L'Oréal Canada's leaders also recognized that rich debates can easily deteriorate into dysfunctional battles when participants fail to keep their differences in perspective. To minimize intergenerational conflict, L'Oréal Canada introduced Valorizing Intergenerational Differences, a full-day seminar that helps employees across all generations understand and value each other's perceptions, values, and expectations.

In one part of the program, for example, employees sit together in their generational cohorts and ask questions of employees in the other cohorts. "Each group is interested and surprised to see what's important to the other group," says Marjolaine Rompré, L'Oréal Canada's director of learning, organizational development and

diversity. "The Valorizing Intergenerational Differences training really helped me to understand where people from each generation are coming from," says a L'Oréal Canada key account manager who attended one of these seminars.[58]

sufficiently low or *after* differentiation has been reduced. If perceived differentiation remains high, attempts to manage conflict through dialogue might escalate rather than reduce relationship conflict. The reason is that when forced to interact with people who we believe are quite different and in conflict with us, we tend to select information that reinforces that view.[59] The second warning is that people in collectivist and high power distance cultures are less comfortable with the practice of resolving differences through direct and open communication.[60] Recall that people in collectivist cultures prefer an avoidance conflict-handling style because it is the most consistent with harmony and face saving. Direct communication is a high-risk strategy because it easily threatens the need to save face and maintain harmony.

REDUCING INTERDEPENDENCE

Conflict occurs where people are dependent on each other, so another way to reduce dysfunctional conflict is to minimize the level of interdependence between the parties. Three ways to reduce interdependence among employees and work units are to create buffers, use integrators, and combine jobs.

- *Create buffers.* A buffer is any mechanism that loosens the coupling between two or more people or work units. This decoupling reduces the potential for conflict because the buffer reduces the effect of one party on the other. Building up inventories between people in an assembly line would be a buffer, for example, because each employee is less dependent in the short term on the previous person along that line.

- *Use integrators.* Integrators are employees who coordinate the activities of work units toward the completion of a shared task or project. For example, an individual might be responsible for coordinating the efforts of the research, production, advertising, and marketing departments in launching a new product line. Integrators reduce the amount of direct interaction required among diverse work units. Instead, work units communicate with each other indirectly through the integrator. Integrators

rarely have direct authority over the departments they integrate, so they must rely on referent power and persuasion to manage conflict and accomplish the work.

- *Combine jobs.* Combining jobs is both a form of job enrichment and a way to reduce task interdependence. Consider a toaster assembly system where one person inserts the heating element, another adds the sides, and so on. By combining these tasks so that each person assembles an entire toaster, the employees now have a pooled rather than sequential form of task interdependence and the likelihood of dysfunctional conflict is reduced.

INCREASING RESOURCES

Resource scarcity is a source of conflict, so increasing the amount of resources available would have the opposite effect. This might not be a feasible strategy for minimizing dysfunctional conflict due to the costs involved. However, these costs need to be compared against the costs of dysfunctional conflict due to the resource scarcity.

CLARIFYING RULES AND PROCEDURES

Conflicts that arise from ambiguous rules can be minimized by establishing rules and procedures. If two departments are fighting over the use of a new laboratory, a schedule might be established that allocates the lab exclusively to each team at certain times of the day or week.

Third-Party Conflict Resolution

third-party conflict resolution
any attempt by a relatively neutral person to help conflicting parties resolve their differences

Most of this chapter has focused on people directly involved in a conflict, yet many disputes among employees and departments are resolved with the assistance of a manager. **Third-party conflict resolution** is any attempt by a relatively neutral person to help the parties resolve their differences. There are three main third-party dispute resolution activities: arbitration, inquisition, and mediation. These interventions can be classified by their level of control over the process and control over the decision (see Exhibit 11.5).[61]

- *Arbitration*—Arbitrators have high control over the final decision, but low control over the process. Executives engage in this strategy by following previously agreed-upon rules of due process, listening to arguments from the disputing employees, and making a binding decision. Arbitration is applied as the final stage of grievances

EXHIBIT 11.5

Types of Third-Party Intervention
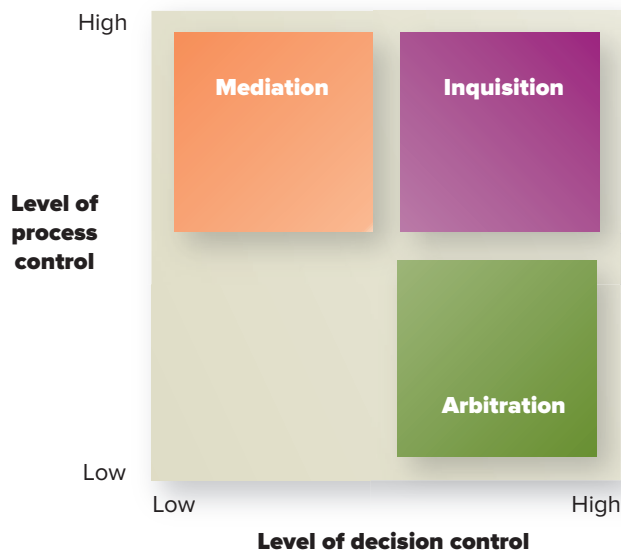
by unionized employees in many countries, but it is also increasingly applied to nonunion conflicts.

- *Inquisition*—Inquisitors control all discussion about the conflict. Like arbitrators, inquisitors have high decision control because they determine how to resolve the conflict. However, inquisitors also have high process control because they choose which information to examine and how to examine it, and they generally decide how the conflict resolution process will be handled.
- *Mediation*—Mediators have high control over the intervention process. In fact, their main purpose is to manage the process and context of interaction between the disputing parties. However, the parties make the final decision about how to resolve their differences. Thus, mediators have little or no control over the conflict resolution decision.[62]

CHOOSING THE BEST THIRD-PARTY INTERVENTION STRATEGY

Team leaders, executives, and coworkers regularly intervene in workplace disputes. Sometimes they adopt a mediator role; other times they serve as arbitrators. Occasionally, they begin with one approach then switch to another. However, research suggests that managers and other people in positions of authority usually adopt an inquisitional approach whereby they dominate the intervention process as well as make a binding decision.[63]

Managers tend to rely on the inquisition approach because it is consistent with the decision-oriented nature of managerial jobs This approach also gives them control over the conflict process and outcome and tends to resolve disputes efficiently. However, inquisition is usually the least effective third-party conflict resolution method in organizational settings.[64] One problem is that leaders who take an inquisitional role tend to collect limited information about the problem, so their imposed decision may produce an ineffective solution to the conflict. Another problem is that employees often view inquisitional procedures and outcomes as unfair because they have little control over this approach. In particular, the inquisitional approach potentially violates several practices required to support procedural justice (see Chapter 5).

Which third-party intervention is most appropriate in organizations? The answer partly depends on the situation, such as the type of dispute, the relationship between the manager and employees, and cultural values such as power distance.[65] Also, any third-party approach has more favorable results when it applies the procedural justice practices

Employees at Morning Star Company can't rely on their boss to settle disagreements because there aren't any bosses at the California tomato processing company. Instead, those who can't resolve a conflict invite another coworker to mediate the situation and possibly recommend a solution. If anyone in the disagreement still isn't satisfied, then several colleagues form a panel to review and arbitrate the conflict. Almost all conflicts are resolved by this stage. But in rare instances, the matter can be brought to the attention of Morning Star's president, who either makes—or designates an arbitrator to make—a binding final decision. "When a panel of peers gets convened, people can see that the process is fair and reasonable," explains Morning Star founder Chris Rufer. "Everyone knows they have recourse."[66]
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described in Chapter 5.[67] But generally speaking, for everyday disagreements between two employees, the mediation approach is usually best because this gives employees more responsibility for resolving their own disputes. The third-party representative merely establishes an appropriate context for conflict resolution. Although not as efficient as other strategies, mediation potentially offers the highest level of employee satisfaction with the conflict process and outcomes.[68] When employees cannot resolve their differences through mediation, arbitration seems to work best because the predetermined rules of evidence and other processes create a higher sense of procedural fairness.[69] Arbitration is also preferred where the organization's goals should take priority over individual goals.

Resolving Conflict through Negotiation

11-6

negotiation
the process whereby two or more conflicting parties attempt to resolve their divergent goals by redefining the terms of their interdependence

Think back through yesterday's events. Maybe you had to work out an agreement with other students about what tasks to complete for a team project. Chances are you shared transportation with someone, so you had to agree on the timing of the ride. Then perhaps there was the question of who made dinner. Each of these daily events created potential conflict, and they were resolved through negotiation. **Negotiation** occurs whenever two or more conflicting parties attempt to resolve their divergent goals by redefining the terms of their interdependence. In other words, people negotiate when they think that discussion can produce a more satisfactory arrangement (at least for them) in their exchange of goods or services.

As you can see, negotiation is not an obscure practice reserved for labor and management bosses when hammering out a collective agreement. Everyone negotiates, every day. Most of the time you don't even realize that you are in negotiations. Negotiation is particularly evident in the workplace because employees work interdependently with each other. They negotiate with their supervisors over next month's work assignments, with customers over the sale and delivery schedules of their product, and with coworkers over when to have lunch. And yes, they occasionally negotiate with each other in labor disputes and collective agreements.

DISTRIBUTIVE VERSUS INTEGRATIVE APPROACHES TO NEGOTIATION

Earlier in this chapter, we noted that people tend to view conflict in two opposing ways. They adopt a win–lose orientation when taking the view that one party necessarily loses when the other party gains. In negotiations, this is called the *distributive* approach because the negotiator believes those involved in the conflict must distribute portions from a fixed pie. The opposing view is a win–win orientation, known as the *integrative* or *mutual gains* approach to negotiations. This approach exists when negotiators believe the resources at stake are expandable rather than fixed if the parties work creatively together to find a solution.

When do negotiators adopt a distributive or integrative approach to negotiations? The actual situation is a key factor. Distributive negotiation is most common when the parties have only one item to resolve, such as product price or starting salary. Integrative negotiation is more common when multiple issues are open for discussion. Multiple issues provide greater opportunity for mutual gains because each issue or element in the negotiation has different value to each party. Consider the example of a buyer who wants to pay a low price for several dozen manufactured items from a seller, but doesn't need the entire order at once and needs the payment schedule spread over time due to limited cash flow. The seller values a high price due to rising costs, but also values steady production. Through negotiation, the parties learn that spreading out the delivery schedule benefits both of them, and that the buyer would agree to a higher price if payments could be spread out with the delivery schedule.

Negotiators usually begin with a cautiously integrative approach to negotiations, but they sometimes shift to a distributive approach as it becomes apparent that the parties have similar preferences for a limited number of items. Another factor is the individual's personality and past experience. Some people have a natural tendency to be competitive and think more distributively whereas others more frequently believe that conflicts have an integrative solution.

PREPARING TO NEGOTIATE

Preparation is essential for successful negotiations. You can't resolve disagreements unless you know what you want, why you want it, and what power you have to get it. You also need to anticipate the other party for each of these factors.

Develop Goals and Understand Needs   Successful negotiators develop goals about what they want to achieve from the exchange. Equally important, they reflect on what needs they are trying to fulfill from those goals. The distinction between goals and needs is important because specific needs can be satisfied by different goals. For example, an employee might negotiate for a promotion (a goal), but what the employee really wants is more status and interesting work (underlying needs). Effective negotiators try to understand their own needs and avoid becoming locked into fixed goals. Focusing on needs enables negotiators to actively consider different proposals and opportunities, some of which could fulfill their needs better than their original negotiation goals. Preparation also includes anticipating the other party's goals and their underlying needs, based on available information before negotiation sessions begin.

Negotiators engage in a form of goal setting that identifies three key positions: what they will initially request in the negotiations, what they want to achieve in the best possible situation, and what minimum acceptable result they will accept. These three key positions—initial, target, and resistance—are shown for each party in the bargaining zone model (see Exhibit 11.6).[70] This linear diagram depicts a purely distributive approach to negotiation because it illustrates that one side's gain will be the other's loss. Complex bargaining zone models can depict situations where mutual gains are possible.

EXHIBIT 11.6   **Bargaining Zone Model of Negotiations**
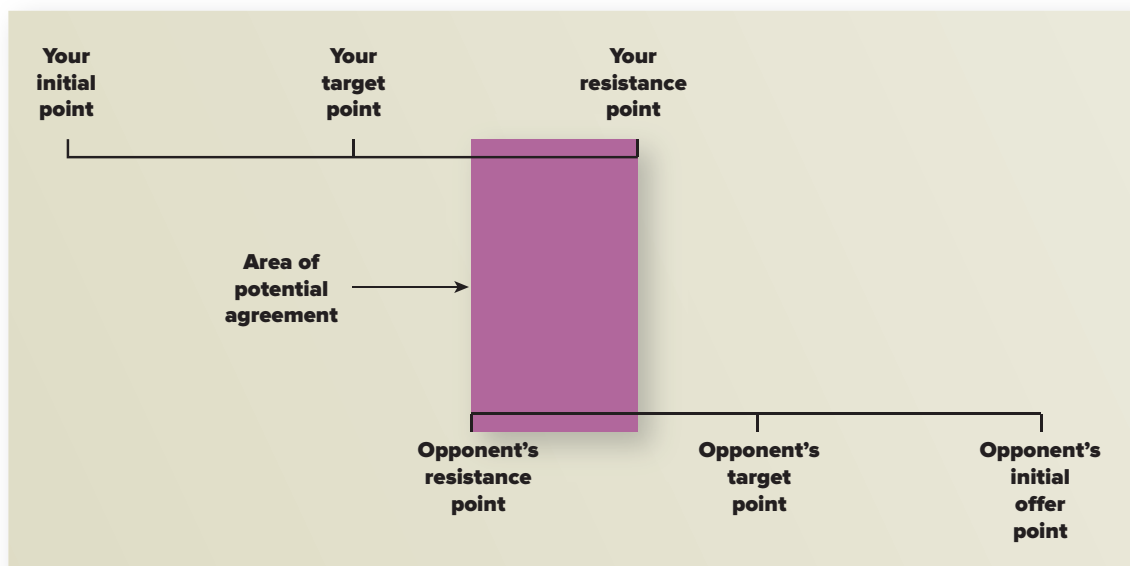
The *initial offer point*—each party's opening offer to the other side—requires careful consideration because it can influence the negotiation outcome. If the initial offer is set higher—but not outrageously higher—than expected by the other party, it can anchor the negotiation at a higher point along the range by reframing the other party's perception of what is considered a "high" or "low" demand (see Chapter 7).[71] In other words, a high initial offer point can potentially move the outcome closer to your target point; it may even cause the other side to lower its resistance point. Suppose that a prospective employer thinks you would ask no more than $50,000 for an annual salary, but your initial request is for $62,000. This higher demand may change the employer's perception of a high salary to the extent that, after some negotiation activity, the company is comfortable with the final agreement of $55,000. The challenge is to avoid an initial offer that is set so high that the other party breaks off negotiations or forms distrust that cannot be rebuilt.

The *target point* is your realistic goal or expectation for a final agreement. This position must consider alternative strategies to achieve those objectives, and test underlying assumptions about the situation.[72] Negotiators who set high, specific target points usually obtain better outcomes than those with low or vague target points. In this respect, a target point needs to possess the same characteristics as effective goal setting (see Chapter 5). Unfortunately, perceptual distortions cause inexperienced negotiators to form overly optimistic expectations, which can only be averted through careful reflection of the facts.

Know Your BATNA and Power   The *resistance point* in the bargaining zone model is the point beyond which you will make no further concessions. How do you determine the resistance point—the point beyond which you walk away from the negotiations? The answer requires thoughtful comparison of how your negotiation goals might be achieved through some other means. This comparison is called the **best alternative to a negotiated agreement (BATNA).** BATNA estimates your power in the negotiation because it represents the estimated cost to you of walking away from the relationship. If sources outside the current negotiation are willing to negotiate with you for the product or service you need, then you have a high BATNA because it would cost you very little to walk away from the current negotiation.

Having more than one BATNA to a negotiation increases your power. A common problem, however, is that people tend to overestimate their BATNA. They wrongly believe there are plenty of other ways to achieve their objective rather than through this negotiation. Wise advice here is to actively investigate multiple alternatives, not just the option being negotiated. For instance, if you are searching for a new job, make specific inquiries at a few organizations. This may give you a more realistic idea of your BATNA, in particular, how much your talents are in demand and what employers are willing to offer for those talents.

Your power in the negotiation depends on the sources and contingencies of power discussed in Chapter 10. For example, you have more power to negotiate a better starting salary and job conditions if you have valued skills and experience that few other people possess (high expertise with low substitutability), the employer knows that you possess these talents (high visibility), and the company will experience costs or lost opportunities fairly quickly if this position is not filled soon (high centrality). Not surprisingly, BATNA tends to be higher for those with favorable sources and contingencies of power, because they would be in demand in the marketplace.

> **best alternative to a negotiated settlement (BATNA)**
> the best outcome you might achieve through some other course of action if you abandon the current negotiation

THE NEGOTIATION PROCESS

The negotiation process is a complex human interaction that draws on many topics in this book, including perceptions, attitudes, motivation, decision making, and communication. The most important specific negotiation practices are to gather information, manage concessions, manage time, and build the relationship.

Gather Information Information is the cornerstone of effective negotiations.[73] In distributive situations, some types of information reveal the other party's resistance point. Information can also potentially transform distributive negotiations into integrative negotiations by discovering multiple dimensions that were not previously considered. For example, a simple negotiation over salary may reveal that the employee would prefer more performance-based pay and less fixed salary. Thus, mutual gains may be possible because there is now more than one variable to negotiate. Information is even more important in integrative negotiations, because the parties require knowledge of each other's needs to discover solutions that maximize benefits for both sides.

Successful negotiations require both parties to volunteer information. However, information sharing is a potential pitfall because it gives the other party more power to leverage a better deal if the opportunity occurs.[74] Skilled negotiators address this dilemma by adopting a cautious problem-solving style at the outset. They begin by sharing information slowly and determining whether the other side will reciprocate. In this way, they try to establish trust with the other party.

The most important practices for gathering information in negotiations are to listen and ask questions. Thus, skilled negotiators heed the advice of the late management guru Stephen Covey: "Seek first to understand, then to be understood."[75] They spend most of the negotiation time listening closely to the other party and asking for details. In contrast, inexperienced negotiators mainly talk to the other side about their arguments and justifications.

A central objective of information gathering is to discover the other party's needs hidden behind their stated offers and negotiation goals. Effective negotiators actively seek information by asking question (see Exhibit 11.7). Some questions are open-ended, such as inviting the other side to describe their situation (workload, costs, etc), followed by probe questions ("Oh, what caused that to happen?) to draw out more details. The other party's nonverbal communication also plays an important role in understanding their needs, such as how attentive they are to some topics more than to others.

Skilled negotiators also test how well they understand the other side's facts and position, by summarizing the information presented and asking for clarification on specific points (see Exhibit 11.7). Finally, skilled negotiators communicate their inner thoughts and feelings about what the other party has said. This practice does not present

EXHIBIT 11.7

Information Gathering and Reflecting by Skilled versus Average Negotiators

Percentage of behaviors observed by skilled and average negotiators, based on observations of several dozen negotiators across more than 100 negotiation sessions. *Source:* Based on data from N. Rackham and J. Carlisle, "The Effective Negotiator—Part I: The Behaviour of Successful Negotiators," *Journal of European Industrial Training* 2, no. 6 (1978): 6–11.
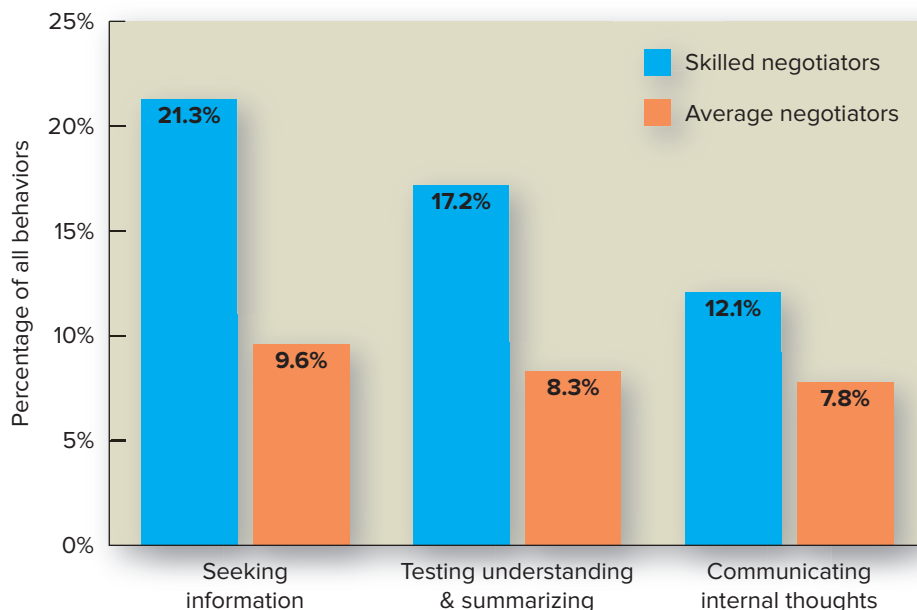
arguments or proposals. Instead, by reflecting on their own feelings, negotiators encourage the other party to provide further information that will help dissolve concerns ("What you just said makes me hopeful, but I'm still uncertain about some details. So, please describe your idea further.").

Manage Concessions   Most of us think about making concessions when engaging in negotiations.[76] Successful negotiators actually make fewer concessions and each concession is smaller than those of average negotiators, particularly in distributive negotiations where both parties know the bargaining zone.[77] Even so, the process of making concessions is important to all parties. Concessions are a form of communication because they signal to the other party the relative importance of each issue being negotiated. Concessions also symbolize each party's motivation to bargain in good faith. Ultimately, concessions are necessary for the parties to move toward the area of agreement. Concessions need to be clearly labeled as such and should be accompanied by an expectation that the other party will reciprocate. They should also be offered in installments because people experience more positive emotions from a few smaller concessions than from one large concession.[78] Generally, the best strategy is to be moderately tough and give just enough concessions to communicate sincerity and motivation to resolve the conflict.

Some types of offers and concessions are better than others. The key objective is to discover and signal which issues are more and less important to each side. Suppose that you have been asked to lend a couple of your best staff to projects in another division, whereas you need these people on-site for other assignments and to coach junior staff. Through problem-solving negotiation, you discover that the other division doesn't need those staff at their site; rather, the division head mainly needs some guarantee that these people will be available. The result is that your division keeps the staff (important to you) while the other division has some guarantee these people will be available at specific times for their projects (important to them).

One way to figure out the relative importance of the issues to each party is to make multi-issue offers rather than discuss one issue at a time.[79] You might offer a client a specific price, delivery date, and guarantee period, for example. The other party's counteroffer signals which of the multiple items are more and which are less important to them. Your subsequent concessions similarly signal how important each issue is to your group.

Manage Time   Negotiators tend to make more concessions as the deadline gets closer.[80] This can be a liability if you are under time pressure, or it can be an advantage if the other party alone is under time pressure. Negotiators with more power in the relationship sometimes apply time pressure through an "exploding offer" whereby they give the opponent a very short time to accept their offer.[81] These time-limited offers are frequently found in consumer sales ("on sale today only!") and in some job offers. They produce time pressure, which can motivate the other party to accept the offer and forfeit the opportunity to explore their BATNA. Another time factor is that the more time someone has invested in the negotiation, the more committed he or she becomes to ensuring an agreement is reached. This commitment increases the tendency to make unwarranted concessions so that the negotiations do not fail.

Build the Relationship   Building and maintaining trust is important in all negotiations.[82] In purely distributive negotiation situations, trust keeps the parties focused on the issue rather than personalities, motivates them to return to the bargaining table when negotiations stall, and encourages the parties to engage in future negotiations. Trust is also critical in integrative negotiations because it motivates the parties to share information and actively search for mutual gains.
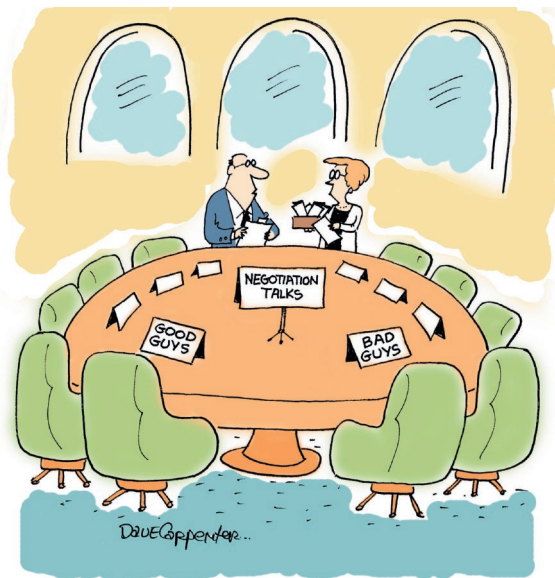
"MAYBE YOU SHOULD RECONSIDER THOSE PLACE CARDS, MS. HARRIS?"

Andrew Toos, Cartoon Resource

How do you build trust in negotiations? One approach is to discover common backgrounds and interests, such as places you have lived, favorite hobbies and sports teams, and so forth. If there are substantial differences between the parties (age, gender, etc.), consider including team members who closely match the backgrounds of the other party. First impressions are also important. Recall from earlier chapters in this book that people attach emotions to incoming stimuli in a fraction of a second. Therefore, you need to be sensitive to your nonverbal cues, appearance, and initial statements.

Signaling trustworthiness also helps strengthen the relationship. We can do this by demonstrating that we are reliable, will keep our promises, and have shared goals and values with the other party. Trustworthiness also increases by developing a shared understanding of the negotiation process, including its norms and expectations about speed and timing.[83] Finally, relationship building demands emotional intelligence.[84] This includes managing the emotions you display to the other party, particularly avoiding an image of superiority, aggressiveness, or insensitivity. Emotional intelligence also involves managing the other party's emotions. We can use well-placed flattery, humor, and other methods to keep everyone in a good mood and to diffuse dysfunctional tension.[85]

THE NEGOTIATION SETTING

The effectiveness of negotiating depends to some extent on the environment in which the negotiations occur. Three key situational factors are location, physical setting, and audience.

Location   It is easier to negotiate on your own turf because you are familiar with the negotiating environment and are able to maintain comfortable routines.[86] Also, there is no need to cope with travel-related stress or depend on others for resources during the negotiation. Of course, you can't walk out of negotiations as easily when the event occurs on your own turf, but this is usually a minor issue. Considering the strategic benefits of home turf, many negotiators agree to neutral territory. Phone calls, videoconferences, email, and other forms of information technology potentially avoid territorial issues, but skilled negotiators usually prefer the media richness of face-to-face meetings. Frank Lowy, cofounder of retail property giant Westfield Group, says that telephones are "too cold" for negotiating. "From a voice I don't get all the cues I need. I go by touch and feel and I need to see the other person."[87]

Physical Setting   The physical distance between the parties and formality of the setting can influence their orientation toward each other and the disputed issues. So can the seating arrangements. People who sit face-to-face are more likely to develop a win–lose orientation toward the conflict situation. In contrast, some negotiation groups deliberately intersperse participants around the table to convey a win–win orientation. Others arrange the seating so that both parties face a whiteboard, reflecting the notion that both parties face the same problem or issue.

Audience Characteristics   Most negotiators have audiences—anyone with a vested interest in the negotiation outcomes, such as executives, other team members, or the general public. Negotiators tend to act differently when their audience observes the negotiation or has detailed information about the process, compared to situations in which the audience sees only the end results.[88] When the audience has direct surveillance over the proceedings, negotiators tend to be more competitive,

less willing to make concessions, and more likely to engage in assertive tactics against the other party. This "hard-line" behavior shows the audience that the negotiator is working for their interests. With their audience watching, negotiators also have more interest in saving face.

GENDER AND NEGOTIATION

When it comes to negotiation, women tend to have poorer economic outcomes than do men.[89] Women tend to set lower personal target points and are more likely to accept offers just above their resistance points. Men set high target points and push to get a deal as close to their target point as possible. Women are also less likely than men to use alternatives to improve their outcomes. One explanation for these differences is that women give higher priority than men to interpersonal relations in the exchange. This is consistent with why there are gender differences in conflict handling styles, discussed earlier in this chapter. Giving more concessions and even avoiding the negotiation process altogether (accepting the salary offered when hired) are ways that women try to maintain good relations. This is also consistent with evidence that women have a stronger dislike of negotiation activities.

Gender differences in negotiation outcomes are not just due to abilities and motivation, however. Various investigations report that women are treated worse than men by the opposing negotiators.[90] Female negotiators have a significantly higher risk than men of being deceived by the other party and to have less generous offers than men receive for the same job or product. For instance, men and women in one study went into a used-car lot and asked about the price of one of the cars. The car dealer quoted a lower price to men than to women—for the same car. A second problem is that female negotiators who use effective firm negotiation tactics—such as making fewer and smaller concessions—are viewed less favorably by the opposing negotiator than when men use these tactics. This reaction likely occurs because some effective negotiation activities violate female stereotypes, so women are viewed as more aggressive than men doing exactly the same thing. The result is that the other negotiator becomes less trustful and engages in harder tactics.

Fortunately, women perform as well as men in negotiations when they receive training and gain experience. Women also negotiate well when the situation signals that

Susanne Smith (not her real name) was shocked to discover that two male coworkers earned almost double her salary. The Boston area web developer worried that confronting her boss about a pay raise would backfire, but she took that chance and was given a 20 percent increase (still well below her male coworkers). The experience made Smith angry with herself for accepting whatever salary was offered when hired whereas her male coworkers had negotiated a higher pay deal. "I was like the bargain-basement candidate that didn't bother to negotiate," she says. Studies report that, compared to men, women negotiate less, have lower target points, and give more concessions. The City of Boston, the Women's Foundation of Montana, and other groups are addressing this source of gender pay gap by offering free negotiation workshops for women. "We know that women need some concrete skills and tools to take to the negotiation table," explains the head of Boston's Office of Women's Advancement.[91]

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negotiation is expected, such as when a job opening states that the salary is negotiable. Another factor that improves negotiation outcomes for women is how well they know the expected bargaining range. For example, women negotiate a better starting salary when they research the salary range for that position. "I was able to come to the table knowing what my value should be because I had done research," says Kristen Peed, an executive at CBIZ Insurance Services Inc. in Cleveland. Peed reviewed industry salary survey data before discussing her salary package in the new job.[92]

chapter summary

11-1   Define conflict and debate its positive and negative consequences in the workplace.

Conflict is the process in which one party perceives that its interests are being opposed or negatively affected by another party. The earliest view of conflict was that it was dysfunctional for organizations. Even today, we recognize that conflict sometimes or to some degree consumes productive time, increases stress and job dissatisfaction, discourages coordination and resource sharing, undermines customer service, fuels organizational politics, and undermines team cohesion. But conflict can also be beneficial. It is known to motivate more active thinking about problems and possible solutions, encourage more active monitoring of the organization in its environment, and improve team cohesion (where the conflict source is external).

11-2   Distinguish task from relationship conflict and describe three strategies to minimize relationship conflict during task conflict episodes.

Task conflict occurs when people focus their discussion around the issue while showing respect for people with other points of view. Relationship conflict exists when people view each other, rather than the issue, as the source of conflict. It is apparent when people attack each other's credibility and display aggression toward the other party. It is difficult to separate task from relationship conflict. However, three strategies or conditions that minimize relationship conflict during constructive debate are (1) emotional intelligence and emotional stability of the participants, (2) team cohesion, and (3) supportive team norms.

11-3   Diagram the conflict process model and describe six structural sources of conflict in organizations.

The conflict process model begins with the six structural sources of conflict: incompatible goals, differentiation (different values and beliefs), interdependence, scarce resources, ambiguous rules, and communication problems. These sources lead one or more parties to perceive a conflict and to experience conflict emotions. This produces manifest conflict, such as behaviors toward the other side. The conflict process often escalates through a series of episodes.

11-4   Outline the five conflict-handling styles and discuss the circumstances in which each would be most appropriate.

There are five known conflict-handling styles: problem solving, forcing, avoiding, yielding, and compromising. People who use problem solving have a win–win orientation. Others, particularly forcing, assume a win–lose orientation. In general, people gravitate toward one or two preferred conflict handling styles that match their personality, personal and cultural values, and past experience.

The best style depends on the situation. Problem solving is best when interests are not perfectly opposing, the parties trust each other, and the issues are complex. Forcing works best when you strongly believe in your position, the dispute requires quick action, and the other party would take advantage of a cooperative style. Avoidance is preferred when the conflict has become emotional or the cost of resolution is higher than its benefits. Yielding works well when the other party has substantially more power, the issue is less important to you, and you are not confident in the logical soundness of your position. Compromising is preferred when the parties have equal power, they are under time pressure, and they lack trust.

11-5   Apply the six structural approaches to conflict management and describe the three types of third-party dispute resolution.

Structural approaches to conflict management include emphasizing superordinate goals, reducing differentiation, improving communication and understanding, reducing interdependence, increasing resources, and clarifying rules and procedures.

Third-party conflict resolution is any attempt by a relatively neutral person to help the parties resolve their differences. The three main forms of third-party dispute resolution are mediation, arbitration, and inquisition. Managers tend to use an inquisition approach, though mediation and arbitration often are more appropriate, depending on the situation.

11-6   Discuss activities in the negotiation preparation, process, and setting that improve negotiation effectiveness.

Negotiation occurs whenever two or more conflicting parties attempt to resolve their divergent goals by redefining the terms of their interdependence. Effective negotiators engage in several preparation activities. These include determining their initial, target, and resistance positions; understanding their needs behind these goals; and knowing their alternatives to the negotiation (BATNA). They set higher initial offer and target positions, which anchor the negotiation at a higher level.

During the negotiation process, effective negotiators devote more attention to gathering than giving information.

They try to determine the other party's underlying needs rather than just their stated positions. They make fewer and smaller concessions, but use concessions strategically to discover the other party's priorities and to maintain trust. They try to avoid time traps (negotiating under deadlines set by the other side), and they engage in practices to maintain a positive relationship with the other party. Characteristics of the setting—including location, physical setting, and audience characteristics—are also important in successful negotiations.

key terms

best alternative to a negotiated agreement (BATNA), p. 321

conflict, p. 304

negotiation, p. 319

relationship conflict, p. 306

superordinate goals, p. 314

task conflict, p. 306

third-party conflict resolution, p. 317

win–lose orientation, p. 312

win–win orientation, p. 312

critical thinking questions

1. Distinguish task conflict from relationship conflict, and explain how to maintain some degree of task conflict while minimizing relationship conflict.

2. The chief executive officer of Creative Toys, Inc. read about cooperation in Japanese companies and vowed to bring this same philosophy to the company. The goal is to avoid all conflict, so that employees would work cooperatively and be happier at Creative Toys. Discuss the merits and limitations of the CEO's policy.

3. Conflict among managers emerged soon after a French company acquired a Swedish firm. The Swedes perceived the French management as hierarchical and arrogant, whereas the French thought the Swedes were naive, cautious, and lacking an achievement orientation. Identify the source(s) of conflict that best explain(s) this conflict, and describe ways to reduce dysfunctional conflict in this situation.

4. You are a special assistant to the commander-in-chief of a peacekeeping mission to a war-torn part of the world. The unit consists of a few thousand peacekeeping troops from the United States, France, India, and four other countries. The troops will work together for approximately one year. What strategies would you recommend to improve mutual understanding and minimize conflict among these troops?

5. The chief operating officer (COO) has noticed that production employees in the company's Mexican manufacturing operations are unhappy with some of the production engineering decisions made by engineers in the company's headquarters in Chicago. At the same time, the engineers complain that production employees aren't applying their engineering specifications correctly and don't understand why those specifications were put in place. The COO believes that the best way to resolve this conflict is to have a frank and open discussion between some of the engineers and employees representing the Mexican production crew. This open dialogue approach worked well recently among managers in the company's Chicago headquarters, so it should work equally well between the engineers and production staff. Based on your knowledge of communication and mutual understanding as a way to resolve conflict, discuss the COO's proposal.

6. Describe the inquisitional approach to resolve disputes between employees or work units. Discuss its appropriateness in organizational settings, including the suitability of its use with a multigenerational workforce.

7. Jane has just been appointed as purchasing manager of Tacoma Technologies, Inc. The previous purchasing manager, who recently retired, was known for his "winner-take-all" approach to suppliers. He continually fought for more discounts and was skeptical about any special deals that suppliers would propose. A few suppliers refused to do business with Tacoma Technologies, but senior management was confident that the former purchasing manager's approach minimized the company's costs. Jane wants to try a more collaborative approach to working with suppliers. Will her approach work? How should she adopt a more collaborative approach in future negotiations with suppliers?

8. You are a new program manager with responsibility for significant funding and external relations, and because of downsizing issues in your area, you have lost two valuable employees (actually 1.5, because the second person is on half time now; she used to be your manager and was the person under whom you trained). You have been in the new job approximately two weeks; however, you have been in the unit for more than a year and seen how systems are managed, from your manager's perspective. You now have her job. Out of the blue, a senior person (not in your area) comes to you and says he is taking most of your space (when the company had to let the 1.5 people go). He doesn't ask your permission, nor does he seem the least bit concerned with what your response is. What do you do?

9. Laura is about to renegotiate her job role with her new manager. She has heard on the grapevine that he is a tough negotiator, highly competitive, and unwilling to take others' needs into consideration. She has also heard that even if he gives concessions in the negotiation, he often fails to keep his word. If you were Laura, how would you prepare for this negotiation?

📖 CASE STUDY: ELAINE'S CHALLENGING EXPERIENCE

By Nuzhat Lotia, University of Melbourne

Six months ago, Elaine began working at the retail outlet of a local cellular/mobile telecommunication company. Her main role was to help potential customers with queries on products and plans, or existing customers with questions or problems relating to their existing services or to new products and plans. Elaine had been very excited about the work. She loved technology and enjoyed interacting with people, so this job brought her two passions together. Her initial training covered knowledge of the products and technology on offer as well as customer service. After six months, she was feeling confident in her job and role. She also had a good working relationship with David, the store manager, even though he was known to be a tough and serious guy.

One day, a customer entered the store, walked up to Elaine, and said that she had a problem with her cell phone. The phone had stopped working and she wanted it replaced because she bought it only eight months ago. Elaine tested the phone and confirmed that it was not working. To find out what could be wrong with the phone, she asked the customer the last time it had functioned and her opinion about what had happened to it. The customer rolled her eyes and responded in a loud and irritated voice, "I don't know what happened to it. It was working one day and then died the next."

Removing the back cover of the phone, Elaine noticed water marks on the battery. It seemed that the phone had been dropped in water or some liquid. Looking down at the phone, she raised her eyebrows and smirked. "Did you drop the phone in water or something?" At this, the customer suddenly started shouting that was she being accused of lying. Swearing under her breath, she demanded to see the manager. Elaine was taken aback by the customer's outburst. She stiffened and did not know how to respond.

The customer banged her fist on the counter, pointed at Elaine, and demanded: "You go and get the manager for me right now . . . or else." Elaine raised her voice to drown out the customer's shouting and said that she could see from the state of the battery inside the phone that it had been dropped in water and if that was the case, they would not be able to replace it.

Elaine's public announcement made the customer furious. She practically screamed that this had been her worst experience with the company, that she was never able to make calls because the cellular network had such poor reception, and that she was always overcharged for her calls. Elaine blushed with embarrassment, wondering what impact this rant would have on the other customers in the store. She attempted to diffuse the issue by pointing out in a stern voice that these reasons were not why the customer had come to the store and that she needed to call up the customer service line to have them resolved. This only infuriated the customer further.

By now, other customers in the store were staring at them. It was at this point that David, the store manager, came out onto the store floor and took the customer aside. Elaine stood there trembling; she had never had this kind of experience with a customer before. She stood there, her gaze fixed on the woman and David. She could hear the customer's loud voice and could see her animated hand and arm actions. At once, both David and the customer turned and looked at Elaine.

Caught off-guard, Elaine quickly turned around and went to the back of the shop. She wasn't sure how much of the interaction David had witnessed or heard. She was particularly worried because she had a performance review meeting scheduled with him that afternoon. Elaine was certain that this morning's interaction with the customer would come up in their discussions.

Later that afternoon, Elaine knocked on David's office door and entered. She noticed David had a frown on his face. Elaine smiled, trying to start the meeting on a positive note. Without smiling back, David abruptly asked Elaine how she thought she was performing after working with the company for six months. Elaine was surprised by the question as she had expected David to tell her how she had been performing.

She replied, "Ummm, I don't know, David. I thought that was something you were going to tell me."

"Yes, I'll tell you that later, but for now I would like to know how you think your performance has been so far," he replied.

Elaine was silent as she had not been prepared to respond to such a question. David waited for a bit and then leaned forward against his desk and said, "Surely, Elaine, you should know how you have been doing at your job. After all, *you* are the one who has been doing *your* job," he stated with a distinct tone of irritation.

Elaine was taken aback. She looked down and in a low tone said, "I think I have been doing very well at the job, David."

"We all think that we are doing well, don't we?" David responded with a smirk.

"I don't know," Elaine murmured.

"What did you say? Please speak loudly, Elaine."

Elaine, who was by this time feeling quite nervous and a little afraid, stammered, "I said I don't know . . . I mean, I am not sure. I think I have been doing well on the cash register, in helping customers with their questions, in ensuring that the store is clean . . ."

"But we all do that, Elaine," David interrupted in a raised voice. "I want to know what *you* have done well and what *you* have contributed. And what about this morning?

Would you say you were helpful? You should not have accused the customer of lying."

Elaine started to say that she had not done so, but David went on to say he had noticed that Elaine was often rude to customers and not attentive to them. This came as a complete surprise to Elaine and she asked if David could tell her exactly when this had happened. David waved his hand and said that it was not necessary to do so.

Feeling attacked, Elaine felt tears welling up in her eyes.

"Elaine, we should meet another time," David suggested. "Please think about my question and when you have an answer, let's meet. Until then, your probation will continue. Now please stop crying and make yourself presentable as there are customers outside." He then turned around and started working on his computer.

Elaine ran to the bathroom and tried to calm down. She had no idea what had just happened. She had gone into the meeting thinking her employment would be confirmed as she believed that she had worked really hard and no one had told her otherwise. She wanted the security and income stability of a permanent job. She had thought that the meeting with David was just a formality. "Oh why had no one told me that this meeting would be so tough?" Elaine asked herself with sadness. With these thoughts, she went back out to the front of the store.

Discussion Questions

1. Consider Elaine's interaction with the customer and David and identify and analyze the sources of conflict in this situation.
2. How would you assess Elaine's approach to managing the conflict?
3. What do you think should have been done differently?

CLASS EXERCISE: THE CONTINGENCIES OF CONFLICT HANDLING

By Gerard A. Callanan and David F. Perri, West Chester University of Pennsylvania

PURPOSE This exercise is designed to help you understand the contingencies of applying conflict-handling styles in organizational settings.

INSTRUCTIONS

Step 1: Participants will read each of the five scenarios presented next and select the most appropriate response from among the five alternatives. Each scenario has a correct response for that situation.

Step 2 (Optional): The instructor may ask each student to complete the Conflict Handling Style Scale (available in Connect if assigned by the instructor) or a similar instrument. This instrument will provide an estimate of your preferred conflict-handling style.

Step 3: As a class, participants give their feedback on the responses to each of the scenarios, with the instructor guiding the discussion on the contextual factors embodied in each scenario. For each scenario, the class should identify the response selected by the majority. In addition, participants will discuss how they decided on the choices they made and the contextual factors they took into account in making their selections.

Step 4 (Optional): Students will compare their responses to the five scenarios with their results from the conflict-handling self-assessment. Discussion will focus on the extent to which each person's preferred conflict-handling style influenced their alternatives in this activity, and the implications of this style preference for managing conflict in organizations.

SCENARIO #1

Setting

You are a manager of a division in the accounting department of a large eastern U.S. bank. Nine exempt-level analysts and six nonexempt clerical staff report to you. Recently, one of your analysts, Jane Wilson, has sought the bank's approval for tuition reimbursement for the cost of an evening MBA program specializing in organizational behavior. The bank normally encourages employees to seek advanced degrees on a part-time basis. Indeed, through your encouragement, nearly all members of your staff are pursuing additional schoolwork. You consult the bank's policy manual and discover that two approvals are necessary for reimbursement—yours and that of the manager of training and development, Kathy Gordon. Further, the manual states that approval for reimbursement will be granted only if the coursework is "reasonably job related." Based on your review of the matter, you decide to approve Jane's request for reimbursement. However, Kathy Gordon rejects it outright, claiming that coursework in organizational behavior is not related to an accounting analyst position. She states that the bank will reimburse the analyst only for a degree in either accounting or finance. In your opinion, however, the interpersonal skills and insights to be gained from a degree in organizational behavior are job related and can also benefit the employee in future assignments. The analyst job requires interaction with a variety of individuals at different levels in the organization, and it is important that interpersonal and communication skills be strong.

After further discussion, it becomes clear that you and Kathy Gordon have opposite views on the matter. Since both of you are at the same organizational level and have equal status, it appears that you are at an impasse. Although the goal of reimbursement is important, you are faced with other pressing demands on your time. In addition, the conflict has diverted the attention of your work group away from its primary responsibilities. Because the school term is about to begin, it is essential that you and Kathy Gordon reach a timely agreement to enable Jane to pursue her coursework.

Action Alternatives for Scenario #1

Please indicate your first (1) and second (2) choices from among the following alternatives by writing the appropriate number in the space provided.

ACTION ALTERNATIVE	RANKING (1ST & 2ND)
1. You go along with Kathy Gordon's view and advise Jane Wilson to select either accounting or finance as a major for her MBA.	_____
2. You decide to withdraw from the situation completely, and tell Jane to work it out with Kathy Gordon on her own.	_____
3. You decide to take the matter to those in higher management levels and argue forcefully for your point of view. You do everything in your power to ensure that a decision will be made in your favor.	_____
4. You decide to meet Kathy Gordon halfway in order to reach an agreement. You advise Jane to pursue her MBA in accounting or finance, but also recommend that she minor in organizational behavior by taking electives in that field.	_____
5. You decide to work more closely with Kathy Gordon by attempting to get a clear as well as flexible policy written that reflects both of your views. Of course, this will require a significant amount of your time.	_____

SCENARIO #2

Setting

You are the vice president of a relatively large division (80 employees) in a medium-sized consumer products company. Due to the recent turnover of minority staff, your division has fallen behind in meeting the company's goal for Equal Employment Opportunity (EEO) hiring. Because of a scarcity of qualified minority candidates, it appears that you may fall further behind in achieving stated EEO goals.

Although you are aware of the problem, you believe that the low level of minority hiring is due to increased attrition in minority staff, as well as the lack of viable replacement candidates. However, the EEO officer believes that your hiring criteria are too stringent, resulting in the rejection of minority candidates with the basic qualifications to do the job. You support the goals and principles of EEO; however, you are concerned that the hiring of less-qualified candidates will weaken the performance of your division. The EEO officer believes that your failure to hire minority employees is damaging to the company in the short term because corporate goals will not be met, and in the long term because it will restrict the pool of minority candidates available for upward mobility. Both of you regard your concerns as important. Further, you recognize that both of you have the company's best interests in mind and that you have a mutual interest in resolving the conflict.

Action Alternatives for Scenario #2

Please indicate your first (1) and second (2) choices from among the following alternatives by writing the appropriate number in the space provided.

ACTION ALTERNATIVE	RANKING (1ST & 2ND)
1. You conclude that the whole problem is too complex an issue for you to handle right now. You put it on the "back burner" and decide to reconsider the problem at a later date.	_____
2. You believe that your view outweighs the perspective of the EEO officer. You decide to argue your position more vigorously and hope that your stance will sway the EEO officer to agree with your view.	_____
3. You decide to accept the EEO officer's view. You agree to use less stringent selection criteria and thereby hire more minority employees.	_____
4. You give in to the EEO officer somewhat by agreeing to relax your standards a little bit. This would allow slightly more minority hiring (but not enough to satisfy the EEO goal) and could cause a small reduction in the overall performance of your division.	_____
5. You try and reach a consensus that addresses each of your concerns. You agree to work harder at hiring more minority applicants and request that the EEO officer agree to help find the most qualified minority candidates available.	_____

SCENARIO #3

Setting

You are the manager in charge of the financial reporting section of a large insurance company. It is the responsibility of your group to make periodic written and oral reports to senior management regarding the company's financial performance. The company's senior management has come to rely on your quick and accurate dissemination of financial data as a way to make vital decisions in a timely fashion. This has given you a relatively high degree of organizational influence. You rely on various operating departments to supply you with financial information according to a preestablished reporting schedule.

In two days, you must make your quarterly presentation to the company's board of directors. However, the Claims Department has failed to supply you with several key pieces of information that are critical to your presentation. You check the reporting schedule and realize that you should have had the information two days ago. When you call Bill Jones, the Claims Department manager, he informs you that he cannot possibly have the data to you within the next two days. He states that other pressing work has a higher priority. Although you explain the critical need for these data, he is unwilling to change his position. You believe that your presentation is vital to the company's welfare and explain this to Bill Jones. Although Bill has less status than you, he has been known to take advantage of individuals who are unwilling or unable to push their point of view. With your presentation less than two days away, it is critical that you receive information from the Claims Department within the next 24 hours.

Action Alternatives for Scenario #3

Please indicate your first (1) and second (2) choices from among the following alternatives by writing the appropriate number in the space provided.

ACTION ALTERNATIVE	RANKING (1ST & 2ND)
1. Accept the explanation from Bill Jones and try to get by without the figures by using your best judgment as to what they would be.	_____
2. Tell Bill Jones that unless you have the data from his department on your desk by tomorrow morning, you will be forced to go over his head to compel him to give you the numbers.	_____
3. Meet Bill Jones halfway by agreeing to receive part of the needed figures and using your own judgment on the others.	_____
4. Try to get your presentation postponed until a later date, if possible.	_____
5. Forget about the short-term need for information and try to achieve a longer-term solution, such as adjusting the reporting schedule to better accommodate your mutual needs.	_____

SCENARIO #4

Setting

You are the production manager of a medium-sized building products company. You control a production line that runs on a three-shift basis. Recently, Ted Smith, the materials handling manager, requested that you accept a different packaging of the raw materials for the production process than what has been customary. He states that new machinery he has installed makes it much easier to provide the material in 100-pound sacks instead of the 50-pound bags that you currently receive. Ted further explains that the provision of the material in the 50-pound bags would put an immense strain on his operation, and he therefore has a critical need for you to accept the change. You know that accepting materials in the new packaging will cause some minor disruption in your production process, but it should not cause long-term problems for any of the three shifts. However, you are a little annoyed by the proposed change because Ted did not consult with you before he installed the new equipment. In the past, you and he have been open in your communication. You do not think that this failure to consult you represents a change in your relationship.

Because you work closely with Ted, it is essential that you maintain the harmonious and stable working relationship that you have built over the past few years. In addition, you may need some help from him in the future, since you already know that your operation will have special material requirements in about two months. You also know that Ted has influence at higher levels of the organization.

Action Alternatives for Scenario #4

Please indicate your first (1) and second (2) choices from among the following alternatives by writing the appropriate number in the space provided.

ACTION ALTERNATIVE	RANKING (1ST & 2ND)
1. Agree to accept the raw material in the different format.	_____
2. Refuse to accept the material in the new format because it would cause a disruption in your operation.	_____
3. Propose a solution where you accept material in the new format during the first shift but not during the second and third.	_____
4. Tell Ted Smith that you do not wish to deal with the issue at this time, but that you will consider his request and get back to him at a later date.	_____
5. You decide to tell Ted Smith of your concern regarding his failure to consult with you before installing new equipment. You inform him that you wish to find longer term solutions to the conflict between you.	_____

SCENARIO #5

Setting

You are employed as supervisor of the compensation and benefits section in the human resources department of a medium-sized pharmaceutical company. Your staff of three clerks is responsible for maintaining contacts with the various benefits providers and answering related questions from the company's employees. Your section shares secretarial, word processing, and copier resources with the training and development section of the department. Recently, a disagreement has arisen between you and Beth Hanson, the training and development supervisor, regarding when the secretarial staff should take their lunch breaks. Beth would like the secretarial staff to take their lunch breaks an hour later, to coincide with the time most of her people go to lunch. You know that the secretaries do not want to change their lunch times. Further, the current time is more convenient for your staff.

At this time, you are hard-pressed to deal with the situation. You have an important meeting with the provider of dental insurance in two days. It is critical that you are well prepared for this meeting, and these other tasks are a distraction.

Action Alternatives for Scenario #5

Please indicate your first (1) and second (2) choices from among the following alternatives by writing the appropriate number in the space provided.

ACTION ALTERNATIVE	RANKING (1ST & 2ND)
1. Take some time over the next day and propose a solution whereby three days a week, the secretaries take their lunch at the earlier time, but the other two days, they take lunch at the later time.	_____
2. Tell Beth Hanson you will deal with the matter in a few days, after you have addressed the more pressing issues.	_____
3. Let Beth Hanson have her way by agreeing to a later lunch hour for the secretarial staff.	_____
4. Flat out tell Beth Hanson that you will not agree to a change in the secretaries' lunchtime.	_____
5. Devote more time to the issue. Attempt to achieve a broad-based consensus with Beth Hanson that meets her needs as well as yours and those of the secretaries.	_____

Source: G.A. Callanan and D.F. Perri, "Teaching Conflict Management Using a Scenario-Based Approach," *Journal of Education for Business* 81 (January/February 2006): 131–39.

TEAM EXERCISE: KUMQUAT CONFLICT ROLE PLAY

PURPOSE This exercise is designed to help you understand the dynamics of interpersonal and intergroup conflict, as well as the effectiveness of negotiation strategies in specific conditions.

MATERIALS The instructor will distribute roles for Dr. Rexa, Dr. Chan, and a few observers. Ideally, each negotiation should occur in a private area, away from the other negotiations.

INSTRUCTIONS

Step 1: The instructor will divide the class into an even number of small teams (usually 4 or 5 students per team,

but larger teams are possible to accommodate larger classes). One student will remove himself or herself from the team to be an independent observer of that team and the negotiation (e.g., 10 observers if there are 10 teams). One-half of the teams will take the role of Dr. Rexa and the other half will be Dr. Chan.

Step 2:   The instructor will describe the activity and read out the statement by Cathal, representative of the farmer's cooperative that grows the world's only Caismirt Kumquats. The instructor will also state the time frames for preparing the negotiation and the actual negotiation.

Step 3:   With teams formed and the instructions read, the instructor will distribute the roles. Members within each team are given a short time (usually 10 minutes), but the instructor may choose another time limit) to learn their roles and decide their negotiating strategy.

Step 4:   After reading their roles and discussing strategy, each Dr. Chan team is matched with a Dr. Rexa team and begin negotiations. Observers will receive observation forms from the instructor, and will watch the paired teams during pre-negotiations and subsequent negotiations.

Step 5:   At the end of the exercise, the class will debrief on the negotiations. Observers, negotiators, and the instructor will discuss their observations and experiences and the implications for conflict management and negotiation.

Leadership in Organizational Settings

Carolyn McCall claims that she is not a turnaround expert. Yet the CEO of easyJet and her executive team have transformed the British discount airline into one of the most successful in the world. Previously CEO of Guardian Media Group, McCall joined easyJet when almost half of its flights arrived late, passenger satisfaction was low, employee morale was also low, in-flight service was poor, and many executives didn't understand or care about the customer experience.

McCall's transformational leadership is anchored on a vision of easyJet as a low-cost airline that delivers excellent customer service. She replaced several executives with leaders who were more committed to that vision. "I learnt very early on that the best leaders have brilliant people around them—individuals they can trust and delegate to," McCall explains. The airline attracted more frequent flyers by introducing allocated seating, better in-flight service, and more destinations. The airline's customer service also dramatically improved, in part by

treating its employees better. "Yes, we operate a low-cost model, but taking care of colleagues is the way you will make yourself the best operator within that model," McCall says.

McCall emphasizes that successful leaders need to have an inspiring vision, but also integrity and a clear self-concept as a leader. "Leaders need to be open and accessible, have a clear vision and the confidence to take decisions even if they're difficult ones," she advises. She also recognizes the importance of authentic leadership. "You need to be comfortable with yourself to be confident," she says, warning that "if you change yourself to adapt to that, it's even harder." However, McCall distinguishes pretending to be someone else from adapting your leadership style to the situation. "Of course in different situations you have to have different behaviors. You sometimes have to be a lot more assertive in meetings, but that's a change of tone, not character."

McCall also points out that effective leaders need to understand and manage emotions. "Emotional intelligence is important for leadership," McCall advises. Ian Davies, easyJet's director of engineering, says McCall's success as a leader is partly due to her high emotional intelligence, whether in tough negotiations or friendly interpersonal conversations. "'Everyone says it, but she really does have that great knack of making you believe you are the most important person in the world when she's speaking to you," he says.[1]

The dramatic turnaround of easyJet illustrates how Carolyn McCall and other leaders make a difference in an organization's survival and success. This opening case study also highlights specific leadership topics

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Through effective transformational leadership and specific leadership skills, easyJet CEO Carolyn McCall has transformed the British discount airline into one of the most successful in the world.

such as vision, emotional intelligence, and authentic leadership. Leadership is one of the most researched and discussed topics in the field of organizational behavior.[2] Google returns a whopping 511 million web pages where *leadership* is mentioned. Google Scholar lists 267,000 journal articles and books with *leader* or *leadership* in the title. Amazon lists more than 30,000 books in the English language with *leadership* in the title. The number of books or documents with the words *leader* or *leadership* added to the U.S. Library of Congress catalog over the past decade was 4 times more than two decades earlier and 48 times more than over a decade a century ago.

The topic of leadership receives so much attention because we are captivated by the capacity of some individuals to influence and motivate a large collective of people beyond expectations. This chapter explores leadership from four perspectives: transformational, managerial, implicit, and personal attributes.[3] Although some of these perspectives are currently more popular than others, each helps us to more fully understand the complex issue of leadership. The final section of this chapter looks at cross-cultural and gender issues in organizational leadership. But first, we learn about the meaning of leadership as well as shared leadership.

What Is Leadership?

12-1

Several years ago, 54 leadership experts from 38 countries reached a consensus that **leadership** is about influencing, motivating, and enabling others to contribute toward the effectiveness and success of the organizations of which they are members.[4] This definition has two key components. First, leaders motivate others through persuasion and other influence tactics. They use their communication skills, rewards, and other resources to energize the collective toward the achievement of challenging objectives. Second, leaders are enablers. They allocate resources, alter work relationships, minimize external disruptions, and establish other work environment changes that make it easier for employees to achieve organizational objectives.

SHARED LEADERSHIP

Organizational behavior experts have long argued that leadership is not about specific positions in the organizational hierarchy. Formal leaders are responsible for "leading" others, but companies are far more effective when everyone assumes leadership responsibilities in various ways and at various times. This emerging view, called **shared leadership,** is based on the idea that leadership is a role, not a position.[5] It doesn't belong to just one individual in the work unit. Instead, employees lead each other as the occasion arises. Shared leadership exists when employees champion the introduction of new

leadership
influencing, motivating, and enabling others to contribute toward the effectiveness and success of the organizations of which they are members

shared leadership
the view that leadership is a role, not a position assigned to one person; consequently, people within the team and organization lead each other

global connections 12.1

EllisDon: The Leaderful Construction Company

At EllisDon Corporation, leaders aren't just people in management jobs. The Canadian construction services giant believes that leadership extends to every employee in the organization. "Everyone is a leader, everyone is accountable to each other, and everyone is involved in the success of the company as a whole," says EllisDon CEO Geoff Smith. "It's a leadership philosophy throughout our company." EllisDon supports shared leadership by setting objectives and then giving employees a high degree of autonomy to achieve them. "Get good people, give them the authority, give them the support, and then get out of their way so you create leaders around you," Smith advises.[6]

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technologies and products.[7] It also exists when employees engage in organizational citizenship behaviors to assist the performance and well-being of coworkers and the overall team.

John Gardner, the former White House cabinet member who introduced Medicare, wrote almost three decades ago that organizations depend on employees across all levels of the organization to seek out opportunities and solutions rather than rely on formal leaders to do so.[8] Shared leadership is now gaining acceptance in the business community. For example, Fiat Chrysler Automobiles CEO Sergio Marchionne proclaims: "We've abandoned the Great Man model of leadership that long characterized Fiat and have created a culture where everyone is expected to lead."[9]

Shared leadership typically supplements formal leadership; that is, employees lead along with the formal manager, rather than replace the manager. However, W. L. Gore & Associates, Semco SA, Valve Corporation, and a few other unique companies rely almost completely on shared leadership because they don't have any formal managers on the organizational chart.[10] In fact, when Gore employees are asked "Are you a leader?" in annual surveys, more than 50 percent of them answer yes.

Shared leadership flourishes in organizations where the formal leaders are willing to delegate power and encourage employees to take initiative and risks without fear of failure (i.e., a learning orientation culture). Shared leadership also calls for a collaborative rather than internally competitive culture because employees take on shared leadership roles when coworkers support them for their initiative. Furthermore, shared leadership lacks formal authority, so it operates best when employees learn to influence others through their enthusiasm, logical analysis, and involvement of coworkers in their idea or vision.

transformational leadership
a leadership perspective that explains how leaders change teams or organizations by creating, communicating, and modeling a vision for the organization or work unit and inspiring employees to strive for that vision

Transformational Leadership Perspective

12-2

Most leadership concepts and practices can be organized into four perspectives: transformational, managerial, implicit, and personal attributes. By far the most popular of these perspectives today—and arguably the most important in the domain of leadership—is transformational leadership. **Transformational leadership** views leaders as change agents. They create, communicate, and model a shared vision for the team or organization. They encourage experimentation so employees find a better path to the future. Through these and other activities, transformational leaders also build commitment in followers to strive for that vision.

global connections 12.2

Lasvit's Vision of Breathtaking Light and Design

In less than a decade, Lasvit Group has become a global leader in the design and manufacture of Bohemian crystal and glass lighting. Founder and CEO Leon Jakimic continually communicates the vision of applying ground-breaking innovation to transform Bohemian crystal and glass into breathtaking light and design experiences. He explains that this vision inspires the Czech-based company's more than 500 employees to push the boundaries of creativity. "I want the team to be truly engaged and involved in a project, to sincerely believe in the business, and to share the same vision," he enthuses. "When everyone has that shared vision and is working toward the same goals, loyalty and a strong work ethic will follow."[11]

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There are several models of transformational leadership, but four elements are common throughout most of them and represent the core concepts of this leadership perspective. These four elements are: develop and communicate a strategic vision, model the vision, encourage experimentation, and build commitment to the vision (see Exhibit 12.1).[12]

DEVELOP AND COMMUNICATE A STRATEGIC VISION

The heart of transformational leadership is a strategic *vision*.[13] A vision is a positive image or model of the future that energizes and unifies employees.[14] Sometimes this vision is created by the leader; at other times, it is formed by employees or other stakeholders and then adopted and championed by the formal leader. The opening case study to this chapter described how Carolyn McCall led the turnaround of easyJet partly by championing a vision

EXHIBIT 12.1

Elements of Transformational Leadership

- Build commitment to the vision
- Develop/communicate a strategic vision
- Encourage experimentation
- Model the vision

Elements of Transformational Leadership
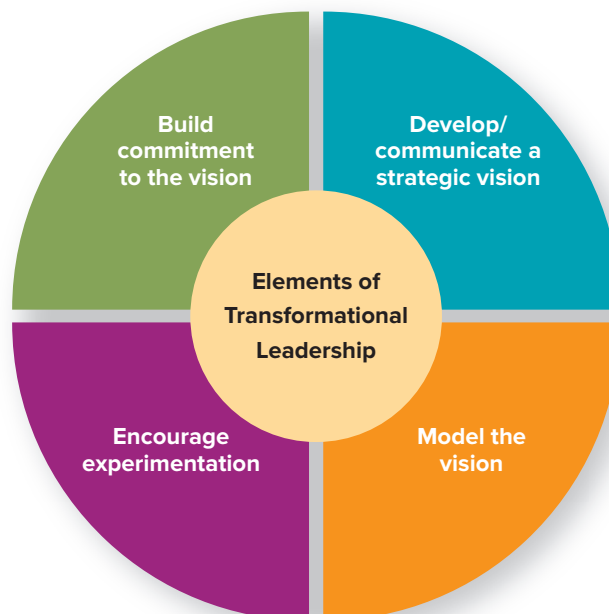
LEADING WITHOUT VISION[15]

47%

of 1,200 Canadian employees surveyed strongly or somewhat agree that senior management in their organization communicates a clear vision.

40%

of 1,061 American employees surveyed say they don't get (understand) the company's vision or have never seen it.

42%

of more than 40,000 employees surveyed in 300 global companies say they know their organization's vision, mission, and values.

38%

of 168,000 employees surveyed across 30 countries say they either do not believe in their employer's mission/purpose (vision) or don't understand it.

Photo: © Barbara Penoyar/Getty Images RF

of the airline as a low-cost, yet customer-friendly carrier. William Rogers, CEO of British radio station group UKRD, emphasizes that one of the key features of successful leaders is their "clarity of vision, so people can say: 'I know where we're going, what this journey is about, what our noble cause is.' For us, it's not just running a radio group and commercial success—it's about changing people's lives, impacting on communities."[16]

An effective strategic vision has several identifiable features.[17] It refers to an idealized future with a higher purpose. This purpose is associated with personal values that directly or indirectly fulfill the needs of multiple stakeholders. A values-based vision is particularly meaningful and appealing to employees, which energizes them to strive for that ideal. A vision is a challenging, distant, and abstract goal, so it needs to motivate employees to accomplish it. A vision is challenging because it requires substantial change, such as new work practices and belief systems.

A strategic vision is necessarily abstract for two reasons. One reason is that the vision hasn't yet been experienced (at least, not in this company or industry), so it isn't possible to detail what the vision looks like. The other reason is that an abstract description enables the vision to remain stable over time, yet is sufficiently flexible to accommodate operational adjustments in a shifting external environment. As such, a vision describes a broad noble cause related to fulfilling the needs of one or more stakeholder groups.

Another feature of an effective vision is that it is unifying. It is a superordinate objective that bonds employees together and aligns their personal values with the organization's values. In fact, a successful vision is really a shared vision because employees collectively define themselves by this aspirational image of the future as part of their identification with the organization.

A strategic vision's effectiveness depends on how leaders convey it to followers and other stakeholders.[18] Effective transformational leaders generate meaning and motivation in followers by relying on symbols, metaphors, stories, and other vehicles that transcend plain language.[19] These tools borrow images from other experiences, thereby creating richer meaning of the not-yet-experienced vision. Borrowing from existing experiences also generates desired emotions, which motivates people to pursue the vision. For instance, when McDonald's faced the daunting challenge of opening the company's first restaurants in Russia (back when it was the USSR), CEO George Cohen frequently reminded his team members that they were establishing "hamburger diplomacy."[20]

Along with using emotive language, successful transformational leaders generate meaning and motivation toward the vision by carefully choosing phrases that "frame" the vision. For example, leaders at DaVita refer to the company as a village and employees (called teammates) are citizens of that village who "cross the bridge," meaning that they make a commitment to the community. "The words we use, while simple in nature, are packed with meaning," explains an executive at the largest dialysis treatment group in the United States.[21]

Transformational leaders also communicate the vision with humility, sincerity, and a level of passion that reflects their personal belief in the vision and optimism that

employees can succeed. They strengthen team-orientation and employee self-efficacy by referring to the team's strengths and potential. By focusing on shared experiences and the central role of employees in achievement of the vision, transformational leaders suppress leader–follower differences, deflect attention from themselves, and avoid any image of superiority over the team.[22]

MODEL THE VISION

Transformational leaders not only talk about a vision; they enact it. They "walk the talk" by stepping outside the executive suite and doing things that symbolize the vision.[23] Leaders model the vision through significant events such as visiting customers, moving their offices closer to (or further from) employees, and holding ceremonies to symbolize significant change. However, they also enact the vision by ensuring that routine daily activities—meeting agendas, dress codes, executive schedules—are consistent with the vision and its underlying values.

Modeling the vision is important because it legitimizes and demonstrates what the vision looks like in practice. Modeling is also important because it builds employee trust in the leader. The greater the consistency between the leader's words and actions, the more employees will believe in and be willing to follow the leader. In fact, one survey reported that leading by example is the most important characteristic of a leader.[24] "Great leaders walk the talk," says Mike Perlis, president and chief executive officer of Forbes Media. "They lead by example. There isn't anything they ask people to do they're not willing to do themselves."[25]

ENCOURAGE EXPERIMENTATION

Transformational leadership is about change, and central to any change is discovering new behaviors and practices that are better aligned with the desired vision. Thus, effective transformational leaders encourage employees to question current practices and to experiment with new ways that are potentially more consistent with the visionary future state.[26] In other words, transformational leaders support a learning orientation (see Chapter 7). They encourage employees to continuously question current practices, actively experiment with new ideas and work processes, and view reasonable mistakes as a natural part of the learning process.[27]

BUILD COMMITMENT TOWARD THE VISION

Transforming a vision into reality requires employee commitment, and transformational leaders build this commitment in several ways.[28] Their words, symbols, and stories build a contagious enthusiasm that energizes people to adopt the vision as their own. Leaders demonstrate a can-do attitude by enacting and behaving consistently with their vision. This persistence and consistency reflect an image of honesty, trust, and integrity. By encouraging experimentation, leaders involve employees in the change process so it is a collective activity. Leaders also build commitment through rewards, recognition, and celebrations as they pass milestones along the road to the desired vision.

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SELF-ASSESSMENT 12.1:   **What Are Your Transformational Leadership Tendencies?**

Transformational leadership is about leading change toward a better future. This popular leadership perspective includes several dimensions, representing specific sets of behaviors. You can discover your level of transformational leadership on each dimension by locating this self-assessment in Connect if it is assigned by your instructor.

global connections 12.3

Tencent's Uncharismatic Transformational Leader

Tencent founder and CEO "Pony" Ma Huateng has led China's social media revolution, yet he is described more as a humble college grad than an overconfident charismatic leader. "Ma always smiles, but more like a shy fresh graduate, rather than a sophisticated and charismatic leader," says one of China's major newspapers. Starting with a basic instant messaging service, Ma expanded the company into microblogging (Tencent Weibo), social networking (Qzone), online games, and online payments (TenPay). More recently, it launched a walkie-talkie-style text/voice messaging system (WeChat), which now has more than 800 million users worldwide. Rather than relying on "the gift" of charisma, Ma has built Tencent through transformational leadership behaviors, including his vision of continuous innovation, encouragement of experimentation, and modeling of that innovative spirit.[29]

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TRANSFORMATIONAL LEADERSHIP AND CHARISMA

Some experts believe that charisma is an element of transformational leadership. They describe charismatic leadership either as an essential ingredient of transformational leadership or as transformational leadership in its highest form of excellence.[30] However, the emerging view, which this book adopts, is that charisma is distinct from transformational leadership. Charisma is a personal trait or relational quality that provides referent power over followers, whereas transformational leadership is a set of behaviors that engage followers toward a better future.[31]

Transformational leadership motivates followers through behaviors that persuade and earn trust, whereas charismatic leadership motivates followers directly through the leader's inherent referent power. For instance, communicating an inspiring vision is a transformational leadership behavior that motivates followers to strive for that vision. This motivational effect exists separate from the leader's charismatic appeal. If the leader is highly charismatic, however, his or her charisma will amplify follower motivation.

Being charismatic is not inherently good or bad, but several research studies have concluded that charismatic leadership can produce negative consequences.[32] One concern is that charismatic leadership tends to produce dependent followers. Transformational leadership has the opposite effect—it builds follower empowerment, which tends to reduce dependence on the leader.

Another concern is that leaders who possess the gift of charisma may become intoxicated by this power, which leads to a greater focus on self-interest than on the common good. "Charisma becomes the undoing of leaders," warned Peter Drucker many years ago. "It makes them inflexible, convinced of their own infallibility, unable to change."[33] The late management guru witnessed the destructive effects of charismatic political leaders in Europe a century ago and foresaw that this personal or relational characteristic would create similar problems for organizations. The main point here is that transformational leaders are not necessarily charismatic, and charismatic leaders are not necessarily transformational.

EVALUATING THE TRANSFORMATIONAL LEADERSHIP PERSPECTIVE

Transformational leaders do make a difference.[34] Subordinates are more satisfied and have higher affective organizational commitment under transformational leaders. They also perform their jobs better, engage in more organizational citizenship behaviors, and make better or more creative decisions. One study of bank branches reported that organizational commitment and financial performance increased when the branch manager completed a transformational leadership training program.[35]

Transformational leadership is currently the most popular leadership perspective, but it faces a number of challenges.[36] One problem is that some models engage in circular logic. They define and measure transformational leadership by its effects on employees (e.g., inspire employees), then (not surprisingly) report that this leadership is effective because it inspires employees. Instead, transformational leadership needs to be defined purely as a set of behaviors that people use to lead others through the change process. A second concern is that some transformational leadership theories combine leader behaviors with the personal characteristics of leaders. For instance, transformational leaders are described as visionary, imaginative, sensitive, and thoughtful, yet these personal characteristics are really predictors of transformational leadership behaviors.[37]

A third concern is that transformational leadership is usually described as a universal concept, that is, it should be applied in all situations. Only a few studies have investigated whether this form of leadership is more valuable in some situations than others.[38] For instance, transformational leadership is probably more appropriate when organizations need to continuously adapt to a rapidly changing external environment than when the environment is stable. Preliminary evidence suggests that the transformational leadership perspective is relevant across cultures. However, there may be specific elements of transformational leadership, such as the way visions are communicated and modeled, that are more appropriate in North America than in other cultures.

Managerial Leadership Perspective

12-3

managerial leadership
a leadership perspective stating that effective leaders help employees improve their performance and well-being toward current objectives and practices

Leaders don't spend all (or even most) of their time transforming the organization or work unit. They also engage in **managerial leadership**—daily activities that support and guide the performance and well-being of individual employees and the work unit toward current objectives and practices. Leadership experts recognize that leading (transformational leadership) differs from managing (managerial leadership).[39] Although the distinction between these two perspectives remains somewhat fuzzy, each cluster has a reasonably clear set of activities and strong research foundation.

One distinction between these two perspectives is that managerial leadership assumes the organization's (or department's) objectives are stable and aligned with the external environment.[40] It focuses on continuously developing or maintaining the effectiveness of employees and work units toward those established objectives and practices. In contrast, transformational leadership assumes the organization is misaligned with its environment and therefore needs to change its direction. This distinction is captured in the often-cited statement: "Managers are people who do things right and leaders are people who do the right thing."[41] Managers (managerial leadership behaviors) "do things right" by enabling employees to perform established goals more effectively. Leaders (transformational leadership behaviors) "do the right thing" by changing the organization or work unit so its objectives are aligned more closely with the external environment.

A second distinction is that managerial leadership is more micro-focused and concrete, because it relates to the specific performance and well-being objectives of individual employees and the immediate work unit. Transformational leadership is more macro-focused and abstract. It is directed toward an imprecise strategic vision for an entire organization, department, or team.

By applying managerial leadership, Pamela Dyson (front in photo) has significantly improved operational performance and client satisfaction among information technology staff at the U.S. Securities and Exchange Commission (SEC). "My focus was on the operational perspective and improving service delivery and customer service, because there wasn't a lot of that when we got here," Dyson explained, soon after being promoted to chief information officer at the federal government agency. "She's as good a manager as I've seen in IT in my career," says Jayne Seidman, SEC's deputy chief operating officer. "She really knows how to manage and listen to people. . . . If she sees a problem, she'll go and talk to somebody. . . . She's hands on in the way that helps the organization."[42]

© Photo by Jose Saenz

Although transformational and managerial leadership are discussed as two leadership perspectives, they are more appropriately described as *interdependent* perspectives.[43] In other words, transformational leadership and managerial leadership depend on each other. Transformational leadership identifies, communicates, and builds commitment to a better future for the organization or work unit. But these transformational leadership behaviors are not enough for organizational success. That success also requires managerial leadership to translate the abstract vision into more specific operational behaviors and practices, and to continuously improve employee performance and well-being in the pursuit of that future ideal.

Managerial leadership also depends on transformational leadership to set the right direction. Otherwise, managers might produce operational excellence toward goals that are misaligned with the organization's long-term survival. For instance, the leaders at Dell Inc. relied on managerial excellence to produce low-cost computers, yet the company subsequently suffered because the external environment shifted toward higher-priced, innovative products.[44] In other words, successful managerial leadership was not enough to make Dell successful. The company also needed transformational leadership to develop a vision that aligned the company's products more closely with the changing marketplace and inspired employees toward that vision.

As you might expect, senior executives require more transformational leadership behavior than do managers further down the hierarchy, likely because transformational leadership requires more discretion to enable macro-level change. However, managerial and transformational leadership are not embodied in different people or positions in the organization. Every manager needs to apply both transformational and managerial leadership behaviors to varying degrees. Indeed, even frontline nonmanagement employees who engage in shared leadership may be managerial (helping coworkers through a difficult project) or transformational (championing a more customer-friendly culture in the work unit).

TASK-ORIENTED AND PEOPLE-ORIENTED LEADERSHIP

Managerial leadership research began in the 1940s when several universities launched intensive investigations to answer the question "What behaviors make leaders effective?" They studied first-line supervisors by asking subordinates to rate their bosses on many behaviors. These independent research teams essentially identified the same two clusters of leadership behavior from literally thousands of items (Exhibit 12.2).[45]

EXHIBIT 12.2

Task- and People-Oriented Leadership Styles

Leaders are task-oriented when they . . .	Leaders are people-oriented when they . . .
• Assign work and clarify responsibilities. • Set goals and deadlines. • Evaluate and provide feedback on work quality. • Establish well-defined best work procedures. • Plan future work activities.	• Show interest in others as people. • Listen to employees. • Make the workplace more pleasant. • Show appreciation to employees for their performance contribution. • Are considerate of employee needs.

One cluster, called *task-oriented leadership,* includes behaviors that define and structure work roles. Task-oriented leaders assign employees to specific tasks, set goals and deadlines, clarify work duties and procedures, provide feedback on work quality, and plan work activities. The other cluster represents *people-oriented leadership*. This cluster includes behaviors such as listening to employees for their opinions and ideas, creating a pleasant physical work environment, showing interest in staff, appreciating employees for their contributions, and showing consideration of employee needs.

These early studies tried to find out whether effective managers are more task-oriented or more people-oriented. This proved to be a difficult question to answer because each style has its advantages and disadvantages. In fact, recent evidence suggests that effective leaders rely on both styles, but in different ways.[46] When leaders apply high levels of people-oriented leadership behavior, their employees tend to have more positive attitudes as well as lower absenteeism, grievances, stress, and turnover. When leaders apply task-oriented leadership behaviors, their employees tend to have higher job performance. Not surprisingly, employees generally prefer people-oriented bosses and they form negative attitudes toward bosses who are mostly task-oriented. However, task-oriented leadership is also appreciated to some degree. For example, college students value task-oriented instructors because those instructors provide clear expectations and well-prepared lectures that abide by the course objectives.[47]

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SELF-ASSESSMENT 12.2:   **What Is Your Preferred Managerial Leadership Style?**

Managerial leadership refers to behaviors that improve employee performance and well-being in the current situation. These objectives require a variety of managerial leadership styles in different situations. You can discover your level on the two most commonly studied dimensions of managerial leadership by locating this self-assessment in Connect if it is assigned by your instructor.

SERVANT LEADERSHIP

servant leadership
the view that leaders serve followers, rather than vice versa; leaders help employees fulfill their needs and are coaches, stewards, and facilitators of employee development

Servant leadership is an extension or variation of people-oriented leadership because it defines leadership as serving others. In particular, servant leaders assist others in their need fulfillment, personal development, and growth.[48] Servant leaders ask "How can I help you?" rather than expecting employees to serve them. Servant leaders have been described as selfless, egalitarian, humble, nurturing, empathetic, and ethical coaches. The main objective of servant leadership is to help followers and other stakeholders fulfill their needs and potential, particularly "to become healthier, wiser, freer, more autonomous, more likely themselves to become servants."[49]

Servant leadership research suffers from ambiguous and conflicting definitions, but writers agree on a few features.[50] First, servant leaders have a natural desire or "calling" to serve others. This natural desire is a deep commitment to help others in their personal growth for that purpose alone. It goes beyond the leader's role obligation to help others and is not merely an instrument to achieve company objectives. Second, servant leaders maintain a relationship with others that is humble, egalitarian, and accepting. Servant leaders do not view leadership as a position of power. Rather, they serve without drawing attention to themselves, without evoking superior status, and without being judgmental about others or defensive of criticisms received. Third, servant leaders anchor their decisions and actions in ethical principles and practices. They display sensitivity to and enactment of moral values and are not swayed by social pressures or expectations to deviate from those values. In this respect, servant leadership relies heavily on the idea of authentic leadership that we discuss later in this chapter.

Servant leadership has recently gained the attention of organizational behavior scholars, but it has been ingrained in military leadership for decades. "If you look at our Army Values, the center of that is selfless service," explains General Daniel Allyn, vice-chief of staff of the United States Army (front right in photo). "The idea of servant leadership is you put others before yourself. That, to me, is an inherent quality of leadership, and our Warrior Ethos also speaks to it in 'I'll never leave a fallen comrade.' That implies that we're going to do all we can to ensure that we're always looking after the needs of our Soldiers."[51]
Source: SSG George Gutierrez/U.S. Army Forces Command/dvidshub.net

Servant leadership was introduced four decades ago and has had a steady following over the years, particularly among practitioners and religious leaders. Scholarly interest in this topic has bloomed quite recently, but the concept still faces a number of conceptual hurdles.[52] Although servant leadership writers generally agree on the three features we described earlier, many have included other characteristics that lack agreement and might confound the concept with its predictors and outcomes. Still, the notion that leaders should be servants has considerable currency and for many centuries has been embedded in the principles of major religions. One recent study also found that companies have higher performance (return on assets) when their chief executive officer exhibits servant leadership behaviors.[53]

PATH–GOAL LEADERSHIP THEORY

12-4

path–goal leadership theory
a leadership theory stating that effective leaders choose the most appropriate leadership style(s), depending on the employee and situation, to influence employee expectations about desired results and their positive outcomes

The servant leadership model implies that leaders should be servants in all circumstances. However, the broader literature on task-oriented and people-oriented leadership has concluded that the best style is contingent on the situation.[54] This "it depends" view is more consistent with the contingency anchor of organizational behavior discussed in Chapter 1. In other words, the most appropriate leadership style depends on the characteristics of the employees, work setting, the leader–follower relationship, and other factors.

Path–goal leadership theory is the dominant model that applies this contingency approach to managerial leadership. The main premise of path–goal theory is that effective leaders choose one or more leadership styles to influence employee expectations (their preferred path) regarding achievement of desired results (their work-related goals), as well as their perceived satisfaction with those results (outcome valences). In other words, path–goal theory recognizes that leadership is an important influence in the expectancy theory of motivation (Chapter 5) and its underlying formula of rational decision making (Chapter 7).[55] Leaders clarify the link between employee behaviors and outcomes, influence the valence of those outcomes, provide a work environment to facilitate goal accomplishment, and so forth.[56]

Path–Goal Leadership Styles   Exhibit 12.3 presents the path–goal theory of leadership. This model specifically highlights four leadership styles and several contingency factors leading to three indicators of leader effectiveness. The four leadership styles are:[57]

- *Directive.* Directive leadership is the same as task-oriented leadership, described earlier. This leadership style consists of clarifying behaviors that provide a psychological structure for subordinates. It includes clarifying performance goals, the means to reach those goals, and the standards against which performance will be judged. Directive leadership also includes judicious use of rewards and disciplinary actions.
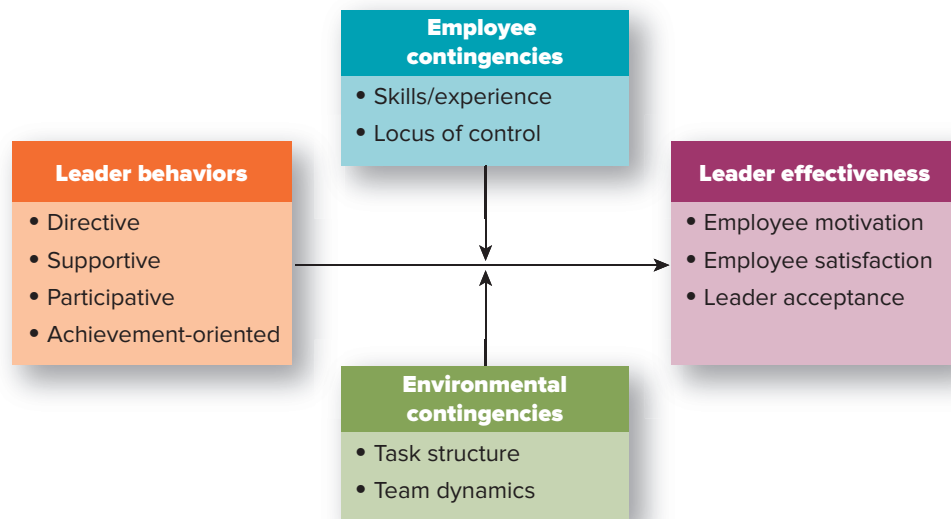
- *Supportive.* Supportive leadership is the same as people-oriented leadership, described earlier. This style provides psychological support for subordinates. The leader is friendly and approachable; makes the work more pleasant; treats employees with equal respect; and shows concern for the status, needs, and well-being of employees.

- *Participative.* Participative leadership behaviors encourage and facilitate employee involvement in decisions beyond their normal work activities. The leader consults with his or her staff, asks for their suggestions, and carefully reflects on employee views before making a decision. Participative leadership relates to involving employees in decisions (see Chapter 7).

- *Achievement-oriented.* This leadership style emphasizes behaviors that encourage employees to reach their peak performance. The leader sets challenging goals, expects employees to perform at their highest level, continuously seeks improvement in employee performance, and shows a high degree of confidence that employees will assume responsibility and accomplish challenging goals. Achievement-oriented leadership applies goal-setting theory as well as positive expectations in self-fulfilling prophecy.

The path–goal model contends that effective leaders are capable of selecting the most appropriate behavioral style (or styles) for each situation. Also, leaders often use two or more styles at the same time, if these styles are appropriate for the circumstances.

Path–Goal Theory Contingencies   As a contingency theory, path–goal theory states that each of the four leadership styles will be more effective in some situations than in others. The path–goal leadership model specifies two sets of situational variables that moderate the relationship between a leader's style and effectiveness: (1) employee characteristics and (2) characteristics of the employee's work environment. Several contingencies have already been studied within the path–goal framework, and the model is open for more variables in the future.[58] However, only four contingencies are reviewed here.

- *Skill and experience.* A combination of directive and supportive leadership is best for employees who are (or perceive themselves to be) inexperienced and unskilled.[59] Directive leadership gives subordinates information about how to accomplish the task, whereas supportive leadership helps them cope with the uncertainties of unfamiliar work situations. Directive leadership is detrimental when employees are skilled and experienced because it introduces too much supervisory control.

- *Locus of control.* People with an internal locus of control believe that they have control over their work environment (see Chapter 3). Consequently, these employees prefer participative and achievement-oriented leadership styles and may become frustrated with a directive style. In contrast, people with an external locus of control believe that their performance is due more to luck and fate, so they tend to be more satisfied with directive and supportive leadership.

- *Task structure.* Leaders should adopt the directive style when the task is nonroutine, because this style minimizes the role ambiguity that tends to occur in complex work situations (particularly for inexperienced employees).[60] The directive style is ineffective when employees have routine and simple tasks because the manager's guidance serves no purpose and may be viewed as unnecessarily close control. Employees in highly routine and simple jobs may require supportive leadership to help them cope with the tedious nature of the work and lack of control over the pace of work. Participative leadership is preferred for employees performing nonroutine tasks because the lack of rules and procedures gives them more discretion to achieve challenging goals. The participative style is ineffective for employees in routine tasks because they lack discretion over their work.

- *Team dynamics.* Cohesive teams with performance-oriented norms act as a substitute for most leader interventions. High team cohesion substitutes for supportive leadership, whereas performance-oriented team norms substitute for directive and possibly achievement-oriented leadership. Thus, when team cohesion is low, leaders should use a supportive style. Leaders should apply a directive style to counteract team norms that oppose the team's formal objectives. For example, the team leader may need to exert authority if team members have developed a norm to "take it easy" rather than get a project completed on time.

Evaluating Path–Goal Theory   Path–goal theory has received more research support than other managerial leadership models. In fact, one study reported that path–goal theory explains more about effective leadership than does the transformational leadership model.[61] This stronger effect is likely because most managers spend more of their time engaging in managerial rather than transformational leadership.[62]

Support for the path–goal model is far from ideal, however. A few contingencies (e.g., task structure) have limited research support. Other contingencies and leadership styles in the path–goal leadership model haven't been investigated at all.[63] Another concern is that as path–goal theory expands, the model may become too complex for practical use. Few people would be able to remember all the contingencies and the appropriate leadership styles for those contingencies.

Another limitation of path–goal theory is its assumption that effective leaders can adapt their behaviors and styles to the immediate situation. In reality, leaders typically have a preferred style. It takes considerable effort for leaders to choose and enact different styles to match the situation. In spite of these limitations, path–goal theory remains a relatively robust theory of managerial leadership.

OTHER MANAGERIAL LEADERSHIP THEORIES

Several other managerial leadership theories have developed over the years. Some overlap with the path–goal model's leadership styles, but most use simpler and more abstract contingencies. We will briefly mention only two here because of their popularity and historical significance to the field.

Situational Leadership Theory   One of the most popular managerial leadership theories among practitioners is the **situational leadership theory (SLT),** developed by

situational leadership theory (SLT)

a commercially popular but poorly supported leadership model stating that effective leaders vary their style (telling, selling, participating, delegating) with the motivation and ability of followers

Paul Hersey and Ken Blanchard.[64] SLT suggests that effective leaders vary their style with the ability and motivation (or commitment) of followers. The most recent version uses several labels to describe followers, such as "enthusiastic beginner" (low ability, high motivation).

The situational leadership model also identifies four leadership styles—telling, selling, participating, and delegating—that Hersey and Blanchard distinguish by the amount of task-oriented and people-oriented behavior provided. For example, "telling" has high task behavior and low supportive behavior. The situational leadership model has four quadrants, with each quadrant showing the leadership style that is most appropriate under different circumstances.

In spite of its popularity, several studies and at least three reviews have concluded that the situational leadership model lacks empirical support.[65] Only one part of the model apparently works, namely, that leaders should use "telling" (i.e., task-oriented style) when employees lack motivation and ability. This relationship is also documented in path–goal theory. The model's elegant simplicity is attractive and entertaining, but most parts don't represent reality very well.

Fiedler's contingency model
a leadership model stating that leader effectiveness depends on whether the person's natural leadership style is appropriately matched to the situation (the level of situational control)

Fiedler's Contingency Model

Fiedler's contingency model, developed by organizational behavior scholar Fred Fiedler and his associates, is the earliest managerial leadership theory that adopted the contingency approach.[66] According to this model, leader effectiveness depends on whether the person's natural leadership style is appropriately matched to the situation. The theory examines two leadership styles that essentially correspond to the previously described people-oriented and task-oriented styles. Unfortunately, Fiedler's model relies on a questionnaire that does not measure either leadership style very well.

Fiedler's model suggests that the best leadership style depends on the level of *situational control,* that is, the degree of power and influence that the leader possesses in a particular situation. Situational control is affected by three factors in the following order of importance: leader–member relations, task structure, and position power.[67] *Leader–member relations* refers to how much employees trust and respect the leader and are willing to follow his or her guidance. *Task structure* refers to the clarity or ambiguity of operating procedures. *Position power* is the extent to which the leader possesses legitimate, reward, and coercive power over subordinates. These three contingencies form the eight possible combinations of *situation favorableness* from the leader's viewpoint. Good leader–member relations, high task structure, and strong position power create the most favorable situation for the leader because he or she has the most power and influence under these conditions.

Fiedler's theory lacks research support, mainly due to flaws with its leadership-style scale, its limited focus on only two leadership styles, and its creation of a single contingency variable (leader–member relations) based on an unexplainable arrangement of three situational factors in a hierarchy.[68] However, Fiedler's model makes two lasting contributions to leadership knowledge. One contribution is that it recognizes the importance of the leader's power in determining the best leadership style. Leader power is not explicit in other managerial leadership models.

Second, contrary to the assumptions of most leadership theories, Fiedler argues that leaders might not be able to change their style easily to fit the situation. Instead, they tend to rely mainly on one style that is most consistent with their personality and values. Leaders with high agreeableness personality and benevolence values tend to prefer supportive leadership, for example, whereas leaders with high conscientiousness personality and achievement values feel more comfortable with the directive style of leadership.[69] More recent scholars have also proposed that leadership styles are "hardwired," contrary to what contingency leadership theories assume.[70] Leaders might be able to alter their style temporarily, but they tend to rely mainly on one style that is most consistent with their personality and values.

LEADERSHIP SUBSTITUTES

So far, we have looked at managerial leadership theories that recommend using different leadership styles in various situations. But one theory, called **leadership substitutes,** identifies conditions that either limit the leader's ability to influence subordinates or make a particular leadership style unnecessary. The literature identifies several conditions that possibly substitute for task-oriented or people-oriented leadership. Task-oriented leadership might be less important when performance-based reward systems keep employees directed toward organizational goals. Similarly, increasing employee skill and experience might reduce the need for task-oriented leadership. This proposition is consistent with path–goal leadership theory, which states that directive leadership is unnecessary—and may be detrimental—when employees are skilled or experienced.[71]

Some research suggests that effective leaders help team members learn to lead themselves through leadership substitutes; in other words, coworkers substitute for leadership in high-involvement team structures.[72] Coworkers instruct new employees, thereby providing directive leadership. They also provide social support, which reduces stress among fellow employees. Teams with norms that support organizational goals may substitute for achievement-oriented leadership, because employees encourage (or pressure) coworkers to stretch their performance levels.[73]

The leadership substitutes model has intuitive appeal, but the evidence so far is mixed. Some studies show that a few substitutes do replace the need for task- or people-oriented leadership, but others do not. The difficulties of statistically testing for leadership substitutes may account for some problems, but a few writers contend that the limited support is evidence that leadership plays a critical role regardless of the situation.[74] At this point, we can conclude that leadership substitutes might reduce the need for leaders, but they do not completely replace leaders in these situations.

Implicit Leadership Perspective

12-5

Research on transformational and managerial leadership has found that leaders do "make a difference"; that is, leaders significantly influence the performance of their departments and organizations. However, a third leadership perspective, called **implicit leadership theory,** explains that followers' perceptions also play a role in a leader's effectiveness. The implicit leadership perspective has two components: leader prototypes and the romance of leadership.[75]

PROTOTYPES OF EFFECTIVE LEADERS

One aspect of implicit leadership theory states that everyone has *leadership prototypes*— preconceived beliefs about the features and behaviors of effective leaders.[76] These prototypes, which develop through socialization within the family and society, shape the follower's expectations and acceptance of others as leaders. These expectations and affirmations influence the employee's willingness to be a follower. Leadership prototypes not only support a person's role as leader; they also influence our perception of the leader's effectiveness. In other words, leaders are often perceived as more effective when they look and act consistently with observers' prototype of a leader.[77]

Why does this prototype comparison process occur? People want to trust their leader before they are willing to serve as followers, yet the leader's actual effectiveness usually isn't known for several months or possibly years. The prototype comparison process is a quick (although faulty) way of estimating the leader's effectiveness.

leadership substitutes
a theory identifying conditions that either limit a leader's ability to influence subordinates or make a particular leadership style unnecessary

implicit leadership theory
a theory stating that people evaluate a leader's effectiveness in terms of how well that person fits preconceived beliefs about the features and behaviors of effective leaders (leadership prototypes) and that people tend to inflate the influence of leaders on organizational events

global connections 12.4

Semco CEO Warns against the Romance of Charismatic Leadership

As the CEO of a successful company (Semco SA) and the author of best-selling business books, Ricardo Semler is a giant among corporate leaders in South America. Yet he warns of the "romance of leadership" problems that can occur when employees are blinded by charismatic leadership. "People will naturally create and nurture a charismatic figure. The charismatic figure, on the other hand, feeds this," Semler explains. "The people at Semco don't look and act like me. They are not yes-men by any means. . . . [Yet] they credit me with successes that are not my own, and they don't debit me my mistakes."[78]

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THE ROMANCE OF LEADERSHIP

Along with relying on implicit prototypes of effective leaders, followers tend to inflate the perceived influence of leaders on the organization's success. This "romance of leadership" effect exists because people in most cultures want to believe that leaders make a difference.

connect

SELF-ASSESSMENT 12.3:   Do Leaders Make a Difference?

People have different views about the extent to which leaders influence the organization's success. Those with a high romance of leadership attribute the causes of organizational events much more to its leaders and much less to the economy, competition, and other factors beyond the leader's short-term control. You can discover your Romance of Leadership score by locating this self-assessment in Connect if it is assigned by your instructor.

There are two basic reasons why people overestimate the leader's influence on organizational outcomes.[79] First, leadership is a useful way for us to simplify life events. It is easier to explain organizational successes and failures in terms of the leader's ability than by analyzing a complex array of other forces. Second, there is a strong tendency in the United States and other Western cultures to believe that life events are generated more by people than by uncontrollable natural forces.[80] This illusion of control is satisfied by believing that events result from the rational actions of leaders. In other words, employees feel better believing that leaders make a difference, so they actively look for evidence that this is so.

One way that followers inflate their perceptions that leaders make a difference is through fundamental attribution error (see Chapter 3). Research has found that (at least in Western cultures) leaders are given credit or blame for the company's success or failure because employees do not readily see the external forces that also influence these events. Leaders reinforce this belief by taking credit for organizational successes.[81]

The implicit leadership perspective provides valuable advice to improve leadership acceptance. It highlights the fact that leadership is a perception of followers as much as

the actual behaviors and formal roles of people calling themselves leaders. Potential leaders must be sensitive to this fact, understand what followers expect, and act accordingly. Individuals who do not naturally fit leadership prototypes need to provide more direct evidence of their effectiveness as leaders.

Personal Attributes Perspective of Leadership

12-6

Since the beginning of recorded civilization, people have been interested in the personal characteristics that distinguish great leaders from the rest of us.[82] One groundbreaking review in the late 1940s concluded that no consistent list of leadership traits could be distilled from previous research. This conclusion was revised a decade later, suggesting that a few traits are associated with effective leaders.[83] These nonsignificant findings caused many scholars to give up their search for the personal characteristics of effective leaders.

Over the past two decades, leadership experts have returned to the notion that effective leaders possess specific personal attributes. Most scholarly studies long ago were apparently plagued by methodological problems, lack of theoretical foundation, and inconsistent definitions of leadership. The emerging research has largely addressed these problems, with the result that several attributes are consistently identified with effective leadership or leader emergence. The main leadership attributes are listed in Exhibit 12.4 and described as follows:[84]

- *Personality.* Most of the Big Five personality dimensions (see Chapter 2) are associated with effective leadership.[85] However, the strongest predictors are high levels of extraversion (outgoing, talkative, sociable, and assertive) and conscientiousness (careful, dependable, and self-disciplined). With high extraversion, effective leaders are comfortable having an influential role in social settings. With higher conscientiousness, effective leaders set higher goals for themselves (and others), are organized, and have a strong sense of duty to fulfill work obligations.

EXHIBIT 12.4   **Attributes of Effective Leaders**

LEADERSHIP ATTRIBUTE	DESCRIPTION
Personality	Effective leaders have higher levels of extraversion (outgoing, talkative, sociable, and assertive) and conscientiousness (careful, dependable, and self-disciplined).
Self-concept	Effective leaders have strong self-beliefs and a positive self-evaluation about their own leadership skills and ability to achieve objectives.
Drive	Effective leaders have an inner motivation to pursue goals.
Integrity	Effective leaders have strong moral principles, which are demonstrated through truthfulness and consistency of words with deeds.
Leadership motivation	Effective leaders have a need for socialized power (not personalized power) to accomplish team or organizational goals.
Knowledge of the business	Effective leaders have tacit and explicit knowledge about the company's environment, enabling them to make more intuitive decisions.
Cognitive and practical intelligence	Effective leaders have above-average cognitive ability to process information (cognitive intelligence) and ability to solve real-world problems by adapting to, shaping, or selecting appropriate environments (practical intelligence).
Emotional intelligence	Effective leaders have the ability to recognize and regulate their own emotions and the emotions of others.

- *Self-concept.* Successful leaders have a complex, internally consistent, and clear self-concept as a leader (see Chapter 3). This "leader identity" also includes a positive self-evaluation, including high self-esteem, self-efficacy, and internal locus of control.[86] While many people in leadership positions default to daily managerial leadership and define themselves as managers, effective leaders view themselves as both transformational and managerial, and are confident with both of these self-views.[87]

- *Drive.* Related to their high conscientiousness, extraversion, and self-evaluation, successful leaders have a moderately high need for achievement (see Chapter 5). This drive represents the inner motivation that leaders possess to pursue their goals and encourage others to move forward with theirs. Drive inspires inquisitiveness, an action orientation, and measured boldness to take the organization or team into uncharted waters.

- *Integrity.* Integrity involves having strong moral principles, which supports the tendency to be truthful and to be consistent in words and deeds. Leaders have a high moral capacity to judge dilemmas using sound values and to act accordingly. Notice that integrity is ultimately based on the leader's values, which provide an anchor for consistency. Several large-scale studies have reported that integrity and honesty are the most important characteristics of effective leaders.[88] Unfortunately, surveys also report that employees don't believe their leaders have integrity and, consequently, don't trust those leaders.

- *Leadership motivation.* Effective leaders don't just see themselves as leaders. They are also motivated to lead others. They have a strong need for *socialized power*, meaning that they want power to lead others in accomplishing organizational objectives and similar good deeds. This contrasts with a need for *personalized power*, which is the desire to have power for personal gain or for the thrill one might experience from wielding power over others (see Chapter 5).[89] Leadership motivation is also necessary because, even in collegial firms, leaders are in contests for positions further up the hierarchy. Effective leaders thrive rather than wither in the face of this competition.[90]

- *Knowledge of the business.* Effective leaders possess tacit and explicit knowledge of the business environment in which they operate, including subtle indications of emerging trends. Knowledge of the business also includes a good understanding of how their organization works effectively.

After two years as chief operating officer of LogMeIn, Bill Wagner was promoted to CEO of the Boston-based software and cloud-based remote connectivity services company. LogMeIn cofounder and former CEO Michael Simon praises Wagner's strong leadership attributes for the job. "I knew Bill had the leadership skills and vision to take the helm and drive our next chapter of growth," says Simon. Wagner previously worked in similar technology businesses, but he actively learned about the inner workings of LogMeIn when he joined the company. "When I arrived as COO a few years ago, it was imperative I get to know the business, so I adopted the habit of moving my desk every three to six months," Wagner explains. "I've sat on the same floor as sales, product, finance, and customer support." Wagner says this learning experience has enabled him to lead the Boston-based company, whereas an outsider would lack sufficient knowledge of the business. "I don't know how externally recruited CEOs manage it," he wonders.[91]

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- *Cognitive and practical intelligence.* Leaders have above-average cognitive ability to process enormous amounts of information. Leaders aren't necessarily geniuses; rather, they have a superior ability to analyze a variety of complex alternatives and opportunities. Furthermore, leaders have practical intelligence. This means that they can think through the relevance and application of ideas in real-world settings. Practical intelligence is particularly evident where problems are poorly defined, information is missing, and more than one solution may be plausible.[92]
- *Emotional intelligence.* In the opening case study to this chapter, easyJet CEO Carolyn McCall stated that an important attribute of effective leaders is emotional intelligence. In other words, effective leaders are able to recognize and regulate emotions in themselves and in other people (see Chapter 4).[93] For example, effective leaders can tell when their conversations are having the intended emotional effect on employees. They are also able to recognize and change their own emotional state to suit the situation, such as feeling optimistic and determined in spite of recent business setbacks.

AUTHENTIC LEADERSHIP

authentic leadership
the view that effective leaders need to be aware of, feel comfortable with, and act consistently with their values, personality, and self-concept

A few paragraphs ago, we said that successful leaders have a complex, internally consistent, and clear self-concept as a leader, and that they have a strong positive self-evaluation. These characteristics lay the foundation for **authentic leadership,** which refers to how well leaders are aware of, feel comfortable with, and act consistently with their values, personality, and self-concept.[94] Authenticity is mainly about knowing yourself and being yourself (see Exhibit 12.5). Leaders learn more about their personality, values, thoughts, and habits by reflecting on various situations and personal experiences. They also improve this self-awareness by receiving feedback from trusted people inside and outside the organization. Both self-reflection and receptivity to feedback require high levels of emotional intelligence.

As people learn more about themselves, they gain a greater understanding of their inner purpose which, in turn, generates a long-term passion for achieving something worthwhile for the organization or society. Some leadership experts suggest that this inner purpose emerges from a life story, typically a transformative event or experience earlier in life that provides guidance for their later career and energy.[95]

Authentic leadership is more than self-awareness; it also involves behaving in ways that are consistent with that self-concept rather than pretending to be someone else. As easyJet CEO Carolyn McCall pointed out in the opening case study to this chapter, it is difficult enough to lead others as your natural self; to lead others while pretending to be someone else is nearly impossible. To be themselves, great leaders regulate their decisions and behavior in several ways. First, they develop their own style and, where appropriate, move into positions where that style is most effective. Although effective leaders adapt their behavior to the situation to some extent, they invariably understand and rely on decision methods and interpersonal styles that feel most comfortable to them.

EXHIBIT 12.5

Authentic Leadership

Know yourself
- Engage in self-reflection
- Receive feedback from trusted sources
- Understand your life story

Be yourself
- Develop your own style
- Apply your values
- Maintain a positive core self-evaluation

debating point

SHOULD LEADERS *REALLY* BE AUTHENTIC ALL THE TIME?

According to popular business books and several scholarly articles, authentic leadership is one of the core attributes of effective leaders. Authentic leaders know themselves and act in accordance with that self-concept. They live their personal values and find a leadership style that best matches their personality. Furthermore, authentic leaders have a sense of purpose, often developed through a crisis or similar "crucible" event in their lives.

It makes sense that leaders should be authentic. After all, as singer Liza Minnelli has often said: "I would rather be a first-rate version of myself than a second-rate version of anybody else."[96] In other words, leaders are better at acting out their natural beliefs and tendencies than by acting like someone else. Furthermore, authenticity results in consistency, which is a foundation of trust. So, by being authentic, leaders are more likely to be trusted by followers.[97]

But should leaders always be themselves and act consistently with their beliefs and personality? Not necessarily, according to a few experts. The concept of authentic leadership seems to be at odds with well-established research that people are evaluated as more effective leaders when they have a high rather than low self-monitoring personality.[98]

High "self-monitors" quickly understand their social environment and easily adapt their behavior to that environment. In other words, high self-monitors change their behavior to suit what others expect from them. In contrast, low self-monitors behave consistently with their personality and self-concept. They do not change their beliefs, style, or behaviors across social contexts. On the contrary, they feel much more content with high congruence between who they are and what they do, even when their natural style does not fit the situation.

Employees prefer an adaptive (i.e., high self-monitoring) leader because they have preconceived prototypes of how leaders should act (implicit leadership theory, which we discussed earlier in this chapter).[99] Authentic leaders are more likely to violate those prototypical expectations and, consequently, be viewed as less leader-like. The message from this is that leadership is a role that its incumbents are required to perform rather than to completely "act naturally." Ironically, while applauding the virtues of authentic leadership, the late leadership expert Warren Bennis acknowledged that "leadership is a performance art." His point was that leaders are best when they act naturally in that role, but the reality of any performance is that people can never fully be themselves.[100]

Furthermore, while being yourself is authentic, it may convey the image of being inflexible and insensitive.[101] This problem was apparent to a management professor and consultant when recently working with a client. The executive's staff followed a work process that was comfortable to the executive but not to many of her employees. When asked to consider adopting a process that was easier for her staff, the executive replied: "Look. This is just how I work." The executive was authentic, but the inflexibility undermined employee performance and morale.[102]

Second, effective leaders continually think about and consistently apply their stable hierarchy of personal values to those decisions and behaviors. Leaders face many pressures and temptations, such as achieving short-term stock price targets at the cost of long-term profitability. Experts note that authentic leaders demonstrate self-discipline by remaining anchored to their values. Third, leaders maintain consistency around their self-concept by having a strong, positive core self-evaluation. They have high self-esteem and self-efficacy as well as an internal locus of control (Chapter 3).

PERSONAL ATTRIBUTES PERSPECTIVE LIMITATIONS AND PRACTICAL IMPLICATIONS

Personality, experience, self-concept, and other personal characteristics potentially contribute to a leader's effectiveness. Still, the leadership attributes perspective has a few limitations.[103] First, it assumes that all effective leaders have the same personal characteristics that are equally important in all situations. This is probably a false assumption; leadership is far too complex to have a universal list of traits that apply to every condition. Some attributes might not be important all the time. Second, alternative combinations of attributes may be equally successful; two people with different sets of personal characteristics might be equally good leaders. Third, the personal attributes perspective views leadership as something within a person, yet experts emphasize that leadership is relational. People are effective leaders because of their favorable relationships with followers, not just because they possess specific personal characteristics.[104]

Also remember from our discussion earlier in this chapter that, in the short term, followers tend to define others as effective or ineffective leaders based on their personal characteristics rather than whether the leader actually makes a difference to the organization's success. People who exhibit self-confidence, extraversion, and other traits are called leaders because they fit the widely held prototype of an effective leader. Alternatively, if someone is successful, observers might assign several nonobservable personal characteristics to him or her, such as intelligence, confidence, and drive. In short, the link between personal characteristics and effective leadership is muddied by several perceptual distortions.

One important final point: The personal attributes perspective of leadership does not necessarily imply that leadership is a talent acquired at birth. On the contrary, attributes indicate only leadership *potential,* not leadership performance. People with these characteristics become effective leaders only after they have developed and mastered the necessary leadership behaviors. However, even those with fewer leadership attributes may become very effective leaders by more fully developing their potential.

Cross-Cultural and Gender Issues in Leadership

12-7

Along with the four perspectives of leadership presented throughout this chapter, cultural values and practices affect what leaders do. Culture shapes the leader's values and norms, which influence his or her decisions and actions. Cultural values also shape the expectations that followers have of their leaders. An executive who acts inconsistently with cultural expectations is more likely to be perceived as an ineffective leader. Furthermore, leaders who deviate from those values may experience various forms of influence to get them to conform to the leadership norms and expectations of the society. In other words, implicit leadership theory, described in a previous section of this chapter, explains differences in leadership practices across cultures.

Over the past several years, 150 researchers from dozens of countries have worked together on Project GLOBE (Global Leadership and Organizational Behavior Effectiveness) to identify the effects of cultural values on leadership.[105] The project organized countries into 10 regional clusters, of which the United States, Great Britain, and similar countries are grouped into the "Anglo" cluster. The results of this massive investigation suggest that some features of leadership are universal and some differ across cultures. According to the GLOBE project research, "charismatic visionary" is a universally recognized concept and middle managers around the world believe it is characteristic of effective leaders. *Charismatic visionary* represents a cluster of concepts including visionary, inspirational, performance orientation, integrity, and decisiveness.[106]

In contrast, the GLOBE studies found that participative leadership is perceived as characteristic of effective leadership in low power distance cultures but less so in high power distance cultures. For instance, one study reported that Mexican employees expect managers to make decisions affecting their work. Mexico is a high power distance culture, so employees in that country tend to prefer leaders who apply their authority rather than delegate their power most of the time.[107] In summary, some features of leadership are universal and some differ across cultures.

GENDER AND LEADERSHIP

Studies in field settings have generally found that male and female leaders do not differ in their levels of task-oriented or people-oriented leadership. The main explanation is that real-world jobs require similar behavior from male and female job incumbents.[108] However, women do adopt a participative leadership style more readily than their male counterparts. One possible reason is that, compared to boys, girls are often raised to be

more egalitarian and less status-oriented, which is consistent with being participative. There is also some evidence that women have somewhat better interpersonal skills than men, and this translates into their relatively greater use of the participative leadership style. A third explanation is that employees, on the basis of their own gender stereotypes, expect female leaders to be more participative, so female leaders comply with follower expectations to some extent.

Several studies report that women are rated higher than men on the emerging leadership qualities of coaching, teamwork, and empowering employees.[109] Yet studies also find that women are evaluated negatively when they try to apply the full range of leadership styles, particularly more directive and autocratic approaches. Thus, ironically, women may be well suited to contemporary leadership roles, yet they often continue to face limitations of leadership through the gender stereotypes and prototypes of leaders that are held by followers.[110] Overall, both male and female leaders must be sensitive to the fact that followers have expectations about how leaders should act, and negative evaluations may go to leaders who deviate from those expectations.

chapter summary

12-1   Define leadership and shared leadership.

Leadership is defined as the ability to influence, motivate, and enable others to contribute to the effectiveness and success of the organizations of which they are members. Leaders use influence to motivate followers and arrange the work environment so they do the job more effectively. Shared leadership views leadership as a role rather than a formal position, so employees throughout the organization act informally as leaders as the occasion arises. These situations include serving as champions for specific ideas or changes, as well as filling leadership roles where it is needed.

12-2   Describe the four elements of transformational leadership and explain why they are important for organizational change.

Transformational leadership begins with a strategic vision, which is a positive representation of a future state that energizes and unifies employees. A vision is values-based, a distant goal, abstract, and meaningful to employees. Transformational leaders effectively communicate the vision by framing it around values, showing sincerity and passion toward the vision, and using symbols, metaphors, and other vehicles that create richer meaning for the vision. Transformational leaders model the vision (walk the talk) and encourage employees to experiment with new behaviors and practices that are potentially more consistent with the visionary future state. They also build employee commitment to the vision through the preceding activities, as well as by celebrating milestones to the vision. Some transformational leadership theories view charismatic leadership as an essential ingredient of transformational leadership. However, this view is inconsistent with the meaning of charisma and at odds with research on the dynamics and outcomes of charisma in leader–follower relationships.

12-3   Compare managerial leadership with transformational leadership, and describe the features of task-oriented, people-oriented, and servant leadership.

Managerial leadership includes the daily activities that support and guide the performance and well-being of individual employees and the work unit to achieve current objectives and practices. Transformational and managerial leadership are dependent on each other, but they differ in their assumptions of stability versus change and their micro versus macro focus.

Task-oriented behaviors include assigning employees to specific tasks, clarifying their work duties and procedures, ensuring they follow company rules, and pushing them to reach their performance capacity. People-oriented behaviors include showing mutual trust and respect for subordinates, demonstrating a genuine concern for their needs, and having a desire to look out for their welfare.

Servant leadership defines leadership as serving others to support their need fulfillment and personal development and growth. Servant leaders have a natural desire or "calling" to serve others. They maintain a relationship with others that is humble, egalitarian, and accepting. Servant leaders also anchor their decisions and actions in ethical principles and practices.

12-4   Discuss the elements of path–goal theory, Fiedler's contingency model, and leadership substitutes.

The path–goal theory of leadership takes the view that effective managerial leadership involves diagnosing the situation and using the most appropriate style for it. The core model identifies four leadership styles—directive, supportive, participative, and achievement-oriented—and several contingencies related to the characteristics of the employee and of the situation.

Two other contingency leadership theories include the situational leadership theory and Fiedler's contingency theory. Research support is quite weak for both theories. However, a lasting

element of Fiedler's theory is the idea that leaders have natural styles and, consequently, they should be assigned to work units that fit their managerial style. Leadership substitutes theory identifies contingencies that either limit the leader's ability to influence subordinates or make a particular leadership style unnecessary.

12-5 Describe the two components of the implicit leadership perspective.

According to the implicit leadership perspective, people have leadership prototypes, which they use to evaluate the leader's effectiveness. Furthermore, people form a romance of leadership; they want to believe that leaders make a difference, so they engage in fundamental attribution error and other perceptual distortions to support this belief in the leader's impact.

12-6 Identify eight personal attributes associated with effective leaders and describe authentic leadership.

The personal attributes perspective identifies the characteristics of effective leaders. Recent writing suggests that leaders have specific personality characteristics, positive self-concept, drive, integrity, leadership motivation, knowledge of the business, cognitive and practical intelligence, and emotional intelligence. Authentic leadership refers to how well leaders are aware of, feel comfortable with, and act consistently with their self-concept. This concept consists mainly of two parts: self-awareness and engaging in behavior that is consistent with one's self-concept.

12-7 Discuss cultural and gender similarities and differences in leadership.

Cultural values influence the leader's personal values, which in turn influence his or her leadership practices. Women generally do not differ from men in the degree of people-oriented or task-oriented leadership. However, female leaders more often adopt a participative style. Research also suggests that people evaluate female leaders on the basis of gender stereotypes, which may result in higher or lower ratings.

key terms

critical thinking questions

1. Why is it important for top executives to value and support shared leadership?

2. Transformational leadership is the most popular perspective of leadership. However, it is far from perfect. Discuss the limitations of transformational leadership.

3. This chapter distinguished charismatic leadership from transformational leadership. Yet charisma is identified by most employees and managers as a characteristic of effective leaders. Why is charisma commonly related to leadership? In your opinion, are the best leaders charismatic? Why or why not?

4. Consider your favorite teacher. What people-oriented and task-oriented leadership behaviors did he or she use effectively? In general, do you think students prefer an instructor who is more people-oriented or task-oriented? Explain your preference.

5. Your employees are skilled and experienced customer service representatives who perform nonroutine tasks, such as solving unique customer problems. Use path–goal theory to identify the most appropriate leadership style(s) you should use in this situation. Be sure to fully explain your answer, and discuss why other styles are inappropriate.

6. Identify a current political leader (e.g., president, governor, mayor) and his or her recent accomplishments. Now, using the implicit leadership perspective, think of ways that these accomplishments of the leader may be overstated. In other words, explain why they may be due to factors other than the leader.

7. Find two newspaper ads for management or executive positions. What leadership personal attributes are mentioned in these ads? If you were on the selection panel, what methods would you use to identify these personal attributes in job applicants?

8. How do you think emotional intelligence, cognitive, and practical intelligence influence authentic leadership?

9. You hear two people debating the merits of women as leaders. One person claims that women make better leaders than do men because women are more sensitive to their employees' needs and involve them in organizational decisions. The other person counters that though these leadership styles may be increasingly important, most women have trouble gaining acceptance as leaders when they face tough situations in which a more autocratic style is required. Discuss the accuracy of the comments made in this discussion.

CASE STUDY: A WINDOW ON LIFE

By Steven L. McShane, Curtin University (Australia) and University of Victoria (Canada)

For Gilbert LaCrosse, there is nothing quite as beautiful as a handcrafted wood-framed window. LaCrosse's passion for windows goes back to his youth in Eau Claire, Wisconsin, where he learned how to make residential windows from an elderly carpenter. He learned about the characteristics of good wood, the best tools to use, and how to choose the best glass from local suppliers. LaCrosse apprenticed with the carpenter in his small workshop and, when the carpenter retired, was given the opportunity to operate the business himself.

LaCrosse hired his own apprentice as he built up business in the local area. His small operation soon expanded as the quality of windows built by LaCrosse Industries, Inc. became better known. Within eight years, the company employed nearly 25 people, and the business had moved to larger facilities to accommodate the increased demand from Wisconsin. In these early years, LaCrosse spent most of his time in the production shop, teaching new apprentices the unique skills that he had mastered and applauding the journeymen for their accomplishments. He would constantly repeat the point that LaCrosse products had to be of the highest quality because they gave families a "window on life."

After 15 years, LaCrosse Industries employed over 200 people. A profit-sharing program was introduced to give employees a financial reward for their contribution to the organization's success. Due to the company's expansion, headquarters had to be moved to another area of the city, but the founder never lost touch with the workforce. Although new apprentices were now taught entirely by the master carpenters and other craftspeople, LaCrosse would still chat with plant and office employees several times each week.

When a second work shift was added, LaCrosse would show up during the evening break with coffee and boxes of donuts and discuss how the business was doing and how it became so successful through quality workmanship. Production employees enjoyed the times when he would gather them together to announce new contracts with developers from Chicago and New York. After each announcement, LaCrosse would thank everyone for making the business a success. They knew that LaCrosse quality had become a standard of excellence in window manufacturing across the eastern part of the country.

It seemed that almost every time he visited, LaCrosse would repeat the now well-known phrase that LaCrosse products had to be of the highest quality because they provided a window on life to so many families. Employees never grew tired of hearing this from the company founder. However, it gained extra meaning when LaCrosse began posting photos of families looking through LaCrosse windows. At first, LaCrosse would personally visit developers and homeowners with a camera in hand. Later, as the "window on life" photos became known by developers and customers, people would send in photos of their own families looking through elegant front windows made by LaCrosse Industries. The company's marketing staff began using this idea, as well as LaCrosse's famous phrase, in their advertising. After one such marketing campaign, hundreds of photos were sent in by satisfied customers. Production and office employees took time after work to write personal letters of thanks to those who had submitted photos.

As the company's age reached the quarter-century mark, LaCrosse, now in his mid-fifties, realized that the organization's success and survival depended on expansion to other parts of the United States. After consulting with employees, LaCrosse made the difficult decision to sell a majority share to Build-All Products, Inc., a conglomerate with international marketing expertise in building products. As part of the agreement, Build-All brought in a vice president to oversee production operations while LaCrosse spent more time meeting with developers. LaCrosse would return to the plant and office at every opportunity, but often this would be only once a month.

Rather than visiting the production plant, Jan Vlodoski, the new production vice president, would rarely leave his office in the company's downtown headquarters. Instead, production orders were sent to supervisors by memorandum. Although product quality had been a priority throughout the company's history, less attention had been paid to inventory controls. Vlodoski introduced strict inventory guidelines and outlined procedures on using supplies for each shift. Goals were established for supervisors to meet specific inventory targets. Whereas employees previously could have tossed out several pieces of warped wood, they would now have to justify this action, usually in writing.

Vlodoski also announced new procedures for purchasing production supplies. LaCrosse Industries had highly trained purchasing staff who worked closely with senior craftspeople when selecting suppliers, but Vlodoski wanted to bring in Build-All's procedures. The new purchasing methods removed production leaders from the decision process and, in some cases, resulted in trade-offs that LaCrosse's employees would not have made earlier. A few employees quit during this time, saying that they did not feel comfortable about producing a window that would not stand the test of time. However, there were few jobs for carpenters at the time, so most staff members remained with the company.

After one year, inventory expenses decreased by approximately 10 percent, but the number of defective windows returned by developers and wholesalers had increased markedly. Plant employees knew that the number of defective windows would increase as they used somewhat

lower-quality materials to reduce inventory costs. However, they heard almost no news about the seriousness of the problem until Vlodoski sent a memo to all production staff saying that quality must be maintained. During the latter part of the first year under Vlodoski, a few employees had the opportunity to personally ask LaCrosse about the changes and express their concerns. LaCrosse apologized, saying due to his travels to new regions, he had not heard about the problems, and that he would look into the matter.

Exactly 18 months after Build-All had become majority shareholder of LaCrosse Industries, LaCrosse called together five of the original staff in the plant. The company founder looked pale and shaken as he said that Build-All's actions were inconsistent with his vision of the company and, for the first time in his career, he did not know what to do. Build-All was not pleased with the arrangement either.

Although LaCrosse windows still enjoyed a healthy market share and were competitive for the value, the company did not quite provide the minimum 18 percent return on equity that the conglomerate expected. LaCrosse asked his long-time companions for advice.

Discussion Questions

1. Identify the symptoms indicating that problems exist at LaCrosse Industries, Inc.

2. Use one or more leadership theories to analyze the underlying causes of the current problems at LaCrosse Industries. What other organizational behavior theories might also help explain some of the problems?

3. What should Gilbert LaCrosse do in this situation?

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👥 TEAM EXERCISE: LEADERSHIP DIAGNOSTIC ANALYSIS

PURPOSE To help students learn about the different path–goal leadership styles and when to apply each style.

INSTRUCTIONS

Step 1: Students individually write down two incidents in which someone has been an effective manager or leader over them. The leader and situation might be from work, a sports team, a student work group, or any other setting where leadership might emerge. For example, students might describe how their supervisor in a summer job pushed them to reach higher performance goals than they would have done otherwise. Each incident should state the actual behaviors that the leader used, not just general statements (e.g., "My boss sat down with me and we agreed on specific targets and deadlines, then he said several times over the next few weeks that I was capable of reaching those goals."). Each incident requires only two or three sentences.

Step 2: After everyone has written their two incidents, the instructor will form small groups (typically between four or five students). Each team will answer the following questions for each incident presented in that team:

1. Which path–goal theory leadership style(s)—directive, supportive, participative, or achievement-oriented—did the leader apply in this incident?

2. Ask the person who wrote the incident about the conditions that made this leadership style (or these styles, if more than one was used) appropriate in this situation. The team should list these contingency factors clearly and, where possible, connect them to the contingencies described in path–goal theory. (*Note:* The team might identify path–goal leadership contingencies that are not described in the book. These, too, should be noted and discussed.)

Step 3: After the teams have diagnosed the incidents, each team will describe to the entire class the most interesting incidents, as well as its diagnosis of that incident. Other teams will critique the diagnosis. Any leadership contingencies not mentioned in the textbook should also be presented and discussed.

Designing Organizational Structures

V

alve Corporation's organizational structure literally operates on wheels. Employees at the Bellevue, Washington, software and entertainment company have no bosses or departments to determine their job duties or location. Instead, they figure out where their talents are best needed in the company and move their desks (which have wheels) to that team. "Think of those wheels as a symbolic reminder that you should always be considering where you could move yourself to be more valuable," says Valve's quirky handbook. "There is no organizational structure keeping you from being in close proximity to the people who you'd help or be helped by most."

Valve's employees organize themselves into self-directed teams. "People commit to projects, and projects are self-organizing," explains one of Valve's game programmers. Each team agrees on its goals, deadlines, work rules, task assignments, and other issues. A lead member coordinates the team but is not a traditional manager. Project roles are determined through mutual agreement; pay is calculated from peer evaluations of each employee's contribution to Valve.

Another indication of Valve's flat organizational structure is that employees make corporate-level decisions through consensus. "Everyone is constantly making big decisions for the company, and deciding where we'll go and what products we should build and so forth," says Greg Coomer, one of Valve's earliest employees. Cofounder Gabe Newell is technically Valve's CEO, but he avoids being viewed as the top dog. "Of all the people at this company who aren't your boss, Gabe is the MOST not your boss, if you get what we're saying," employees are advised in the handbook.

Contrary to what you might think, Valve isn't a start-up with a handful of people. It's a multibillion-dollar company employing more than 100 engineers, artists, and other professionals. Yet for the past two decades, Valve's seemingly chaotic structure has suppressed bureaucracy and empowered employees to discover and produce innovative products. "Hierarchy is great for maintaining predictability and repeatability," says Valve's employee handbook. "But when you're an entertainment company that's spent the last decade going out of its way to recruit the most intelligent, innovative, talented people on Earth, telling them to sit at a desk and do what they're told obliterates 99 percent of their value."[1]

Source: Tim Eulitz/Wikimedia

Valve Corporation has a flat, organic organizational structure to leverage the creative and entrepreneurial potential of its more than 100 engineers, artists, and other professionals.

organizational structure
the division of labor as well as the patterns of coordination, communication, workflow, and formal power that direct organizational activities

Valve Corporation's organizational structure is different from most companies, but this design seems to serve the game maker and entertainment firm's strategic objectives. **Organizational structure** refers to the division of labor as well as the patterns of coordination, communication, workflow, and formal power that direct organizational activities. It formally dictates what activities receive the most attention as well as financial, power, and information resources. At Valve, for example, power and resources flow mainly to teams, who have almost complete autonomy over their work objectives and work processes.

Although the topic of organizational structure typically conjures up images of an organizational chart, this diagram is only part of the puzzle. Organizational structure includes these reporting relationships, but it also relates to job design, information flow, work standards and rules, team dynamics, and power relationships. As such, the organization's structure is an important instrument in an executive's toolkit for organizational change because it establishes new communication patterns and aligns employee behavior with the corporate vision.[2]

This chapter begins by introducing the two fundamental processes in organizational structure: division of labor and coordination. This is followed by a detailed investigation of the four main elements of organizational structure: span of control, centralization, formalization, and departmentalization. The latter part of this chapter examines the contingencies of organizational design, including external environment, organizational size, technology, and strategy.

Division of Labor and Coordination

13-1

All organizational structures include two fundamental requirements: the division of labor into distinct tasks and the coordination of that labor so employees are able to accomplish common goals.[3] Organizations are groups of people who work interdependently toward some purpose. To efficiently accomplish their goals, these groups typically divide the work into manageable chunks, particularly when there are many different tasks to perform. They also introduce various coordinating mechanisms to ensure that everyone is working effectively toward the same objectives.

DIVISION OF LABOR

Division of labor refers to the subdivision of work into separate jobs assigned to different people. Subdivided work leads to job specialization, because each job now includes a narrow subset of the tasks necessary to complete the product or service. Although Valve Corporation's leaders don't do the organizing, employees self-organize into project teams, and members of each team agree to the tasks they should perform. Valve encourages staff to become multiskilled, but most people gravitate toward one area of expertise or another. As companies get larger, this horizontal division of labor is usually accompanied by vertical division of labor. Some people are assigned the task of supervising employees, others are responsible for managing those supervisors, and so on. Valve has been able to avoid (or limit) this vertical division of labor by relying on employees to manage themselves and each other. But even Valve has team leaders who coordinate the work, along with marketing and strategy leaders who guide employee decisions on these matters.

Why do companies divide the work into several jobs? As we described in Chapter 6, job specialization increases work efficiency.[4] Job incumbents can master their tasks more quickly when work cycles are shorter. Less time is wasted changing from one task to another. Training costs are reduced because employees require fewer physical and mental skills to accomplish the assigned work. Finally, job specialization makes it easier to match people with specific aptitudes or skills to the jobs for which they are best suited.

Although one person working alone might be able to design a new online game at Valve, doing so would take much longer than having the work divided among several people with the required diversity of skills. Some employees are talented at thinking up innovative storylines, whereas others are better at preparing online drawings or working through financial costs.

COORDINATION OF WORK ACTIVITIES

When people divide work among themselves, they require coordinating mechanisms to ensure that everyone works in concert. Coordination is so closely connected to division of labor that the optimal level of specialization is limited by the feasibility of coordinating the work. In other words, an organization's ability to divide work among people depends on how well those people can coordinate with each other. Otherwise, individual effort is wasted due to misalignment, duplication, and mistiming of tasks. Coordination also tends to become more expensive and difficult as the division of labor increases. Therefore, companies specialize jobs only to the point where it isn't too costly or challenging to coordinate the people in those jobs.[5]

Every organization—from the two-person corner convenience store to the largest corporate entity—uses one or more of the following coordinating mechanisms:[6] informal communication, formal hierarchy, and standardization (see Exhibit 13.1). These forms of coordination align the work of staff within the same department as well as across work units. The coordinating mechanisms are also critical when several organizations work together, such as in joint ventures and humanitarian aid programs.[7]

Coordination through Informal Communication   All organizations rely on informal communication as a coordinating mechanism. This process includes sharing information on mutual tasks as well as forming common mental models so that employees synchronize work activities using the same mental road map.[8] Informal communication is vital in nonroutine and ambiguous situations because employees need to exchange a large volume of information through face-to-face communication and other media-rich channels. Valve Corporation relies heavily on informal communication as a coordinating mechanism. Employees organize themselves into teams and physically move close to each other to communicate directly and often on projects that typically enter uncharted territory.

EXHIBIT 13.1   **Coordinating Mechanisms in Organizations**

FORM OF COORDINATION	DESCRIPTION	SUBTYPES/STRATEGIES
Informal communication	Sharing information on mutual tasks; forming common mental models to synchronize work activities	• Direct communication • Liaison roles • Integrator roles • Temporary teams
Formal hierarchy	Assigning legitimate power to individuals, who then use this power to direct work processes and allocate resources	• Direct supervision • Formal communication channels
Standardization	Creating routine patterns of behavior or output	• Standardized skills • Standardized processes • Standardized output

Sources: Based on information in J. Galbraith, *Designing Complex Organizations* (Reading, MA: Addison-Wesley, 1973), 8–19; H. Mintzberg, *The Structuring of Organizations* (Englewood Cliffs, NJ: Prentice Hall, 1979), Chap. 1; D.A. Nadler and M.L. Tushman, *Competing by Design: The Power of Organizational Architecture* (New York: Oxford University Press, 1997), Chap. 6.

Although coordination through informal communication is easiest in small firms, information technologies have further enabled this coordinating mechanism in large organizations.[9] Companies employing thousands of people also support informal communication by keeping each production site small. Magna International follows this principle by keeping most of its plants to no more than 200 employees. The global auto-parts manufacturer has found that employees have difficulty remembering each other's names in plants that are any larger, a situation that makes informal communication more difficult as a coordinating mechanism.[10]

Larger organizations also encourage coordination through informal communication by assigning *liaison roles* to employees, who are expected to communicate and share information with coworkers in other work units. Where coordination is required among several work units, companies create *integrator roles*. These people are responsible for coordinating a work process by encouraging employees in each work unit to share information and informally coordinate work activities. Integrators do not have authority over the people involved in that process, so they must rely on persuasion and commitment. Brand managers for luxury perfumes have integrator roles because they ensure that the work of fragrance developers, bottle designers, advertising creatives, production, and other groups are aligned with the brand's image and meaning.[11]

Another way that larger organizations encourage coordination through informal communication is by organizing employees from several departments into temporary teams. Temporary cross-functional teams give employees more authority and opportunity to coordinate through informal communication. This process is now common in vehicle design, which Toyota pioneered more than three decades ago. As design engineers work on product specifications, team members from production engineering, manufacturing, marketing, purchasing, and other departments provide immediate feedback as well as begin their contribution to the process. Without the informal coordination available through teams, the preliminary car design would pass "over the wall" from one department to the next—a much slower process.[12]

Coordination through Formal Hierarchy   Informal communication is the most flexible form of coordination, but it can become chaotic as the number of employees increases. Consequently, as organizations grow, they rely increasingly on a second coordinating mechanism: formal hierarchy.[13] Hierarchy assigns legitimate power to individuals, who then use this power to direct work processes and allocate resources. In other words, work is coordinated through direct supervision—the chain of command. For instance, Walmart stores have managers and assistant managers who are responsible for ensuring that employees are properly trained, perform their respective tasks, and coordinate effectively with other staff.

A century ago, management scholars applauded the formal hierarchy as the best coordinating mechanism for large organizations. They argued that organizations are most effective when managers exercise their authority and employees receive orders from only one supervisor. The chain of command—in which information flows

COORDINATION THROUGH MICROMANAGEMENT[14]

44% of 434 American human resource professionals polled identify micromanaging as a major complaint or concern that younger employees have about older managers.

59% of 450 American employees surveyed say they have worked for a micromanager.

31% of 97,000 employees surveyed in 30 countries describe their company's leadership as oppressive or authoritative.

18% of 300 American human resource managers say that micromanaging employees has the most negative effect on employee morale (second only to lack of open, honest communication).

25% of 500 American employees surveyed say they currently work for a "micromanager."

Photo: © Steve Hamblin/Corbis RF

across work units only through supervisors and managers—was viewed as the backbone of organizational strength.

Although still important, formal hierarchy is much less popular today. One problem, which Valve's cofounders have tried to avoid, is that hierarchical organizations are not as agile for coordination in complex and novel situations. Communicating through the chain of command is rarely as fast or accurate as direct communication among employees. Another concern with formal hierarchy is that managers are able to closely supervise only a limited number of employees. As the business grows, the number of supervisors and layers of management must increase, resulting in a costly bureaucracy. A third problem is that today's workforce demands more autonomy over work and more involvement in company decisions. Coordination through formal hierarchy tends to limit employee autonomy and involvement, which increases employee complaints of being "micromanaged."

Coordination through Standardization   Standardization, the third means of coordination, involves creating routine patterns of behavior or output. This coordinating mechanism takes three distinct forms:

- *Standardized processes.* Quality and consistency of a product or service can often be improved by standardizing work activities through job descriptions and procedures.[15] For example, flowcharts represent a form of coordination through standardized processes. This coordinating mechanism works best when the task is routine (such as mass production) or simple (such as stocking shelves), but it is less effective in nonroutine and complex work such as product design (which Valve employees do).
- *Standardized outputs.* This form of standardization involves ensuring that individuals and work units have clearly defined goals and output measures (e.g., customer satisfaction, production efficiency). For instance, to coordinate the work of salespeople, companies assign sales targets rather than specific behaviors.
- *Standardized skills.* When work activities are too complex to standardize through processes or goals, companies often coordinate work effort by ensuring that job incumbents have the necessary knowledge and skills. Valve Corporation relies on coordination through standardized skills. It carefully hires people for their skills in software engineering, animation, and related fields, so they can perform tasks without job descriptions or precise guidelines. Training is also a form of standardization through skills. Many companies have in-house training programs where employees learn how to perform tasks consistent with company expectations.

Division of labor and coordination of work represent the two fundamental ingredients of all organizations. But how work is divided, which coordinating mechanisms are emphasized, who makes decisions, and other issues are related to the four elements of organizational structure that we discuss over the next two sections of this chapter.

Elements of Organizational Structure

13-2

Organizational structure has four elements that apply to every organization. This section introduces three of them: span of control, centralization, and formalization. The fourth element—departmentalization—is presented in the next section.

SPAN OF CONTROL

In the 1980s, an average of five people (typically vice presidents) reported directly to chief executive officers of *Fortune* 500 companies. By the end of the 1990s, these CEOs

had an average of 6.5 direct reports. Today, *Fortune* 500 CEOs have an average of 10 direct reports, double the number a few decades earlier. This increase reflects the fact that most *Fortune* 500 companies are far more complex today. They operate in many markets, have more variety of products, and employ people with a broader array of technical specialties. Each type of variation demands top-level attention, so CEOs have more vice presidents than ever before reporting directly to them. In other words, they have a wider span of control.[16]

span of control
the number of people directly reporting to the next level above in the hierarchy

Span of control (also called *span of management*) refers to the number of people directly reporting to the next level above in the hierarchy. A narrow span of control exists when very few people report directly to a manager, whereas a wide span exists when a manager has many direct reports.[17] A century ago, French engineer and management scholar Henri Fayol strongly recommended a relatively narrow span of control, typically no more than 20 employees per supervisor and 6 supervisors per manager. Fayol championed formal hierarchy as the primary coordinating mechanism, so he believed that supervisors should closely monitor and coach employees. His views were similar to those of Napoleon, who declared that senior military leaders should have no more than five officers directly reporting to them. These prescriptions were based on the belief that managers simply could not monitor and control any more subordinates closely enough.[18]

Today, we know better. The best-performing manufacturing plants currently have an average of 38 production employees per supervisor (see Exhibit 13.2).[19] What's the secret here? Did Fayol, Napoleon, and others miscalculate the optimal span of control? The answer is that those sympathetic to hierarchical control believed that employees should perform the physical tasks, whereas supervisors and other management personnel should

EXHIBIT 13.2   Recommended, Actual, Estimated, and Enforced Spans of Control[20]

Entity	Value
Bowling Green U (Actual: 2015)	4.3
Napoleon (Max.: 1815)	5
Oregon (Actual: 2011)	5.7
Fayol (Max. Mgt.: 1916)	6
Portland (Actual: 2013)	6
Google (Min.: 2014)	7
Phoenix (Actual: 2011)	8.1
Toronto (Actual: 2012)	8.8
U.S. Companies (Est.: 2014)	9.7
Iowa State (Actual: 2011)	10
Texas State (Law: 2003)	11
Toronto Transit (Actual: 2015)	11.7
Iowa State (Goal: 2012)	15
Fayol (Max. nonmgt.: 1916)	20
U.S. Postal Service (Goal nonmgt.: 2013)	25
FedEx (Actual: 2008)	25
Tom Peters (Min.: 1988)	25
Best U.S. Plants (Survey: 2000)	38

Note: Data represent the average number of direct reports per manager. "Max." is the maximum spans of control recommended by Napoleon Bonaparte and Henri Fayol. "Min." is the minimum span of control applied to teams by Google and recommended by Tom Peters. "Est." is the estimated average span of control across all major U.S. companies, according to consulting firm Deloitte. "Goal" refers to the span of control targets that the U.S. Postal Service and State of Iowa are trying to achieve. (USPS currently exceeds its goal.) The State of Texas number is the span of control mandated by law. The Best U.S. Plants number is the average span of control in American manufacturing facilities identified by *Industry Week* magazine as the most effective. "Actual" refers to the spans of control reported in the cities of Phoenix, Portland, and Toronto, the public service of the U.S. states of Oregon and Iowa, Bowling Green University, the Toronto Transit Commission, and FedEx Corporation in the years indicated. The City of Toronto number excludes firefighters and parks, which have unusually high spans of control. When these units are included, Toronto's span of control is 16.29.

global connections 13.1

BBC Further Flattens the Hierarchy

The British Broadcasting Corporation (BBC) has one of the lowest overhead costs among public-sector and regulated companies in the United Kingdom. Overhead (management and administration) represents less than 8 percent of total costs. Yet, with declining television license fee income, the BBC is further reducing management numbers and flattening the corporate hierarchy. "In some places there are currently 10 layers of people and management and this will be cut to a maximum of seven in the future," advises BBC Director-General Tony Hall.

Lord Hall warns that in addition to being a source of overhead costs, hierarchy "slows down decision making." He suggests that reducing management layers will improve the BBC because it excels with "as few barriers as possible to creativity, allowing people, teams and ideas to come together to do their best work. It is not one which allows bureaucracy, layers, and box-ticking to get in the way."[21]

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make the decisions and monitor employees to make sure they performed their tasks. In contrast, the best-performing manufacturing operations today rely on self-directed teams, so direct supervision (formal hierarchy) is supplemented with other coordinating mechanisms. Self-directed teams coordinate mainly through informal communication and various forms of standardization (i.e., training and processes), so formal hierarchy plays more of a supporting role.

Managers can often accommodate a wider span of control because staff members are self-managing and coordinate mainly through standardized skills. For example, more than two dozen employees, ranging from project specialists to sales support staff, report directly to Amy Geiger, director of sales operations at Sunrise Identity. "Amy is a big proponent of letting her employees be self-led," says one of Geiger's direct reports at the Bellevue, Washington, marketing and merchandising agency. "She is against micromanaging and wants her employees to grow from their own learned experiences."[22]

A second factor influencing the best span of control is whether employees perform routine tasks. A wider span of control is possible when employees perform routine jobs, because they require less direction or advice from supervisors. A narrow span of control is necessary when employees perform novel or complex tasks, because these employees tend to require more supervisory decisions and coaching. This principle is illustrated in a survey of property and casualty insurers. The average span of control in commercial-policy processing departments is around 15 employees per supervisor, whereas the span of control is 6.1 in claims service and 5.5 in commercial underwriting. Staff members in the latter two departments perform more technical work, so they have more novel and complex tasks, which requires more active supervision. Commercial-policy processing, on the other hand, is like production work. Tasks are routine and have few exceptions, so managers have less coordinating to do with each employee.[23]

A third influence on span of control is the degree of interdependence among employees within the department or team.[24] Generally, a narrow span of control is necessary for highly interdependent jobs because employees tend to experience more conflict with each other, which requires more of a manager's time to resolve. Also, employees are less clear on their personal work performance in highly interdependent tasks, so supervisors spend more time providing coaching and feedback.

Tall versus Flat Structures   Span of control is interconnected with organizational size (number of employees) and the number of layers in the organizational hierarchy. Consider two companies with the same number of employees. If Company A has a wider span of control (more direct reports per manager) than Company B, then Company A necessarily has fewer layers of management (i.e., a flatter structure). The reason for this relationship is that a company with a wider span of control has more employees per supervisor, more supervisors for each middle manager, and so on. This larger number of direct reports, compared to a company with a narrower span of control, is possible only by removing layers of management.

The interconnection of span of control, organizational size (number of employees), and number of management layers has important implications for companies. As organizations grow, they typically employ more people, which means they must widen the span of control, build a taller hierarchy, or both. Most companies end up building taller structures because they rely on direct supervision to some extent as a coordinating mechanism and there are limits to how many people each manager can coordinate.

Unfortunately, building a taller hierarchy (more layers of management) creates problems. One concern is that executives in tall structures tend to receive lower-quality and less timely information. People tend to filter, distort, and simplify information before it is passed to higher levels in the hierarchy because they are motivated to frame the information in a positive light or to summarize it more efficiently. In contrast, in flat hierarchies, information is manipulated less and is usually transmitted much more quickly than in tall hierarchies. "Any new idea condemned to struggle upward through multiple levels of rigidly hierarchical, risk-averse management is an idea that won't see daylight . . . until it's too late," warns Sergio Marchionne, CEO of Fiat Chrysler Automobiles.[25]

A second problem is that taller structures have higher overhead costs. With more managers per employee, tall hierarchies necessarily have more people administering the company, thereby reducing the percentage of staff who are actually making the product or providing the service. A third issue with tall hierarchies is that employees usually feel less empowered and engaged in their work. Hierarchies are power structures, so more levels of hierarchy tend to draw power away from people at the bottom of that hierarchy. Indeed, the size of the hierarchy itself tends to focus power around managers rather than employees.[26]

These problems have prompted companies to remove one or more levels in the organizational hierarchy.[27] KenGen had more than 15 layers of hierarchy a few years ago. Today, the 1,500 employees at Kenya's leading electricity generation company are organized in a hierarchy with only 6 layers. Sandvik also "delayered," reducing its hierarchy from 13 layers between the CEO and the most junior to only 7 layers.[28] Although flattening the hierarchy has advantages, critics warn that it can also lead to problems.

CENTRALIZATION AND DECENTRALIZATION

centralization

the degree to which formal decision authority is held by a small group of people, typically those at the top of the organizational hierarchy

Centralization means that formal decision-making authority is held by a small group of people, typically those at the top of the organizational hierarchy. Most organizations begin with centralized structures, because the founder makes most of the decisions and tries to direct the business toward his or her vision. As organizations grow, however, they diversify and their environments become more complex. Senior executives aren't able to process all the decisions that significantly influence the business. Consequently, larger organizations typically *decentralize;* that is, they disperse decision authority and power throughout the organization.

The optimal level of centralization or decentralization depends on several contingencies that we will examine later in this chapter. However, different degrees of decentralization can occur simultaneously in different parts of an organization. For instance, 7-Eleven centralizes decisions about information technology and supplier purchasing to improve buying power, increase cost-efficiencies, and minimize complexity across the organization. Yet it decentralizes local inventory decisions to store managers because they have the best information about their customers and can respond quickly to local

debating point

SHOULD ORGANIZATIONS CUT BACK MIDDLE MANAGEMENT?

Business leaders face the ongoing challenge of preventing their organization from ballooning into a fat bureaucracy with too many layers of middle managers. Indeed, it has become a mantra for incoming CEOs to gallantly state they will "delayer" or "flatten" the corporate hierarchy, usually as part of a larger mandate to "empower" the workforce.

As we describe in this chapter, there are several valid arguments for minimizing the corporate hierarchy, particularly by cutting back middle management. As companies employ more managers, they increase overhead costs and have a lower percentage of people actually generating revenue by making products or providing services. A taller hierarchy also undermines effective communication between the top executive team and frontline staff—who are usually the first to receive valuable knowledge about the external environment. Middle managers have a tendency to distort, simplify, and filter information as it passes from them to higher authorities in the company. A third reason for cutting back middle management is that they absorb organizational power. As companies add more layers, they remove more power that might have been assigned directly to frontline employees. In other words, tall hierarchies potentially undermine employee empowerment.

These concerns seem logical, but slashing the hierarchy can have several unexpected consequences that outweigh any benefits. In fact, a growing chorus of management experts warn about several negative long-term consequences of cutting out too much middle management.[29]

Critics of delayering point out that all companies need managers to translate corporate strategy into coherent daily operations. "Middle managers are the link between your mission and execution," advises a senior hospital executive. "They turn our strategy into action and get everyone on the same page."[30] Furthermore, managers are needed to make quick decisions, coach employees, and help resolve conflicts. These valuable functions are underserved when the span of control becomes too wide.

Delayering increases the number of direct reports per manager and thus significantly increases management workload and corresponding levels of stress. Managers partly reduce the workload by learning to give subordinates more autonomy rather than micromanaging them. However, this role adjustment itself is stressful (same responsibility, but less authority or control). Companies often increase the span of control beyond the point at which many managers are capable of coaching or leading their direct reports.

A third concern is that delayering results in fewer managerial jobs, so companies have less maneuverability to develop managerial skills. Promotions are also riskier because they involve a larger jump in responsibility in flatter, compared to taller, hierarchies. Furthermore, having fewer promotion opportunities means that managers experience more career plateauing, which reduces their motivation and loyalty. Chopping back managerial career structures also sends a signal that managers are no longer valued. "Delayering has had an adverse effect on morale, productivity and performance," argues a senior government executive. "Disenfranchising middle management creates negative perceptions and lower commitment to the organization with consequent reluctance to accept responsibility."[31]

market needs. "We could never predict a busload of football players on a Friday night, but the store manager can," explains a 7-Eleven executive.[32]

FORMALIZATION

formalization

the degree to which organizations standardize behavior through rules, procedures, formal training, and related mechanisms

Formalization is the degree to which organizations standardize behavior through rules, procedures, formal training, and related mechanisms.[33] In other words, companies become more formalized as they increasingly rely on various forms of standardization to coordinate work. McDonald's restaurants and most other efficient fast-food chains typically have a high degree of formalization because they rely on standardization of work processes as a coordinating mechanism. Employees have precisely defined roles, right down to how much mustard should be dispensed, how many pickles should be applied, and how long each hamburger should be cooked.

Older companies tend to become more formalized because work activities become routinized, making them easier to document into standardized practices. Larger companies also tend to have more formalization because direct supervision and informal communication among employees do not operate as easily when large numbers of people are involved. External influences, such as government safety legislation and strict accounting rules, also encourage formalization.

Formalization may increase efficiency and compliance, but it can also create problems.[34] Rules and procedures reduce organizational flexibility, so employees follow

MECHANISTIC STRUCTURE	ORGANIC STRUCTURE
• Narrow span of control • High centralization • High formalization	• Wide span of control • High decentralization • Low formalization
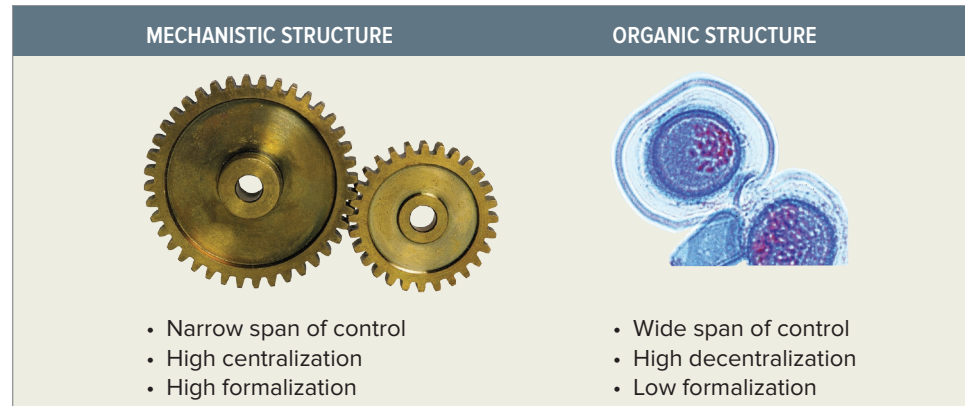
prescribed behaviors even when the situation clearly calls for a customized response. High levels of formalization tend to undermine organizational learning and creativity. Some work rules become so convoluted that organizational efficiency would decline if they were actually followed as prescribed. Formalization is also a source of job dissatisfaction and work stress. Finally, rules and procedures have been known to take on a life of their own in some organizations. They become the focus of attention rather than the organization's ultimate objectives of producing a product or service and serving its dominant stakeholders.

MECHANISTIC VERSUS ORGANIC STRUCTURES

We discussed span of control, centralization, and formalization together because they cluster around two broader organizational forms: mechanistic and organic structures (see Exhibit 13.3).[35] A **mechanistic structure** is characterized by a narrow span of control and high degree of formalization and centralization. Mechanistic structures have many rules and procedures, limited decision making at lower levels, tall hierarchies of people in specialized roles, and vertical rather than horizontal communication flows. Tasks are rigidly defined and are altered only when sanctioned by higher authorities.

Companies with an **organic structure** have the opposite characteristics. They operate with a wide span of control, decentralized decision making, and little formalization. Tasks are fluid, adjusting to new situations and organizational needs. Valve Corporation, which was described at the beginning of this chapter, has a highly organic structure. With at most two layers (some claim it has one layer, and therefore no hierarchy), Valve's span of control is about as wide as a company can get. Decision making is decentralized down to teams and individuals. "Three people at the company can ship anything," says one of Valve's longest-serving employees. Any employee alone can launch a product without permission, but the company encourages at least three people because "the work gets better if you just check with a couple of people before you decide to push a button."[36] Valve also has minimal formalization. The company doesn't have job descriptions and seems to have few lists of procedures for hiring, buying, or other activities.

As a general rule, mechanistic structures operate better in stable environments because they rely on efficiency and routine behaviors. Organic structures work better in rapidly changing (i.e., dynamic) environments because they are more flexible and responsive to the changes. Organic structures are also more compatible with organizational learning and high-performance workplaces because they emphasize information sharing and an empowered workforce rather than hierarchy and status.[37] However, the effectiveness of organic structures depends on how well employees have developed their roles and expertise.[38] Without these conditions, employees are unable to coordinate effectively with each other, resulting in errors and gross inefficiencies.

mechanistic structure
an organizational structure with a narrow span of control and a high degree of formalization and centralization

organic structure
an organizational structure with a wide span of control, little formalization, and decentralized decision making

Forms of Departmentalization

13-3

Span of control, centralization, and formalization are important elements of organizational structure, but most people think about organizational charts when the discussion of organizational structure arises. The organizational chart represents the fourth element in the structuring of organizations, called *departmentalization.* Departmentalization specifies how employees and their activities are grouped together. It is a fundamental strategy for coordinating organizational activities because it influences organizational behavior in the following ways:[39]

- Departmentalization establishes the chain of command—the system of common supervision among positions and units within the organization. It frames the membership of formal work teams and typically determines which positions and units must share resources. Thus, departmentalization establishes interdependencies among employees and subunits.

- Departmentalization focuses people around common mental models or ways of thinking, such as serving clients, developing products, or supporting a particular skill set. This focus is typically anchored around the common budgets and measures of performance assigned to employees within each departmental unit.

- Departmentalization encourages specific people and work units to coordinate through informal communication. With common supervision and resources, members within each configuration typically work near each other, so they can use frequent and informal interaction to get the work done.

There are almost as many organizational charts as there are businesses, but the six most common pure types of departmentalization are simple, functional, divisional, team-based, matrix, and network.

SIMPLE STRUCTURE

Most companies begin with a *simple structure*.[40] They employ only a few people and typically offer only one distinct product or service. There is minimal hierarchy—usually just employees reporting to the owners. Employees perform broadly defined roles because there are insufficient economies of scale to assign them to specialized jobs. The simple structure is highly flexible and minimizes the walls that form between employees in other structures. However, the simple structure usually depends on the owner's direct supervision to coordinate work activities, so it is very difficult to operate as the company grows and becomes more complex.

FUNCTIONAL STRUCTURE

As organizations grow, they typically shift from a simple structure to a functional structure. Even after they adopt more complex organizational structures that we discuss later, they

global connections 13.2

Chapman's Ice Cream Grows Its Organizational Structure

Chapman's Ice Cream Limited had a classic simple organizational structure when David and Penny Chapman started their business back in 1973. The couple and four employees performed all the work in a century-old creamery located in the village of Markdale, Ontario, Canada. "We did everything," recalls company president Penny Chapman (center in photo with David at right and son Ashley with several employees). "We made the mixes, built the packages, we worked in cold storage . . . David went out on the road to do sales."

Chapman's grew quickly by offering unique ice cream flavors. The work was eventually divided into more specialized tasks and a functional structure emerged around production, marketing, research, and other departments. Today, Chapman's is Canada's largest independent ice cream manufacturer, employing 500 people and producing more than 200 products on 20 production lines. The company is also a global award winner for innovation in ice cream products.[41]

© Chapman's

functional structure

an organizational structure in which employees are organized around specific knowledge or other resources

will have a functional structure at some level of the hierarchy. A **functional structure** organizes employees around specific knowledge or other resources (see Exhibit 13.4). Employees with marketing expertise are grouped into a marketing unit, those with production skills are located in manufacturing, engineers are found in product development, and so on. Organizations with functional structures are typically centralized to coordinate their activities effectively.

Evaluating the Functional Structure   The functional structure creates specialized pools of talent that typically serve everyone in the organization. Pooling talent into one group improves economies of scale compared to dispersing functional specialists over different parts of the organization. The functional structure also increases employee identity with the specialization or profession. Direct supervision is easier in a functional structure because managers oversee people with common issues and expertise.[42]

The functional structure also has limitations.[43] Grouping employees around their skills tends to focus attention on those skills and related professional needs rather than on the company's products, services, or client needs. Unless people are transferred from one function to the next, they might not develop a broader understanding of the business. Compared with other structures, the functional structure usually produces more dysfunctional conflict and poorer coordination in serving clients or developing products. These problems occur because employees need to work with coworkers in other departments to

EXHIBIT 13.4

A Functional Organizational Structure

Chief executive

- Manufacturing
- Design
- Administration
- Marketing
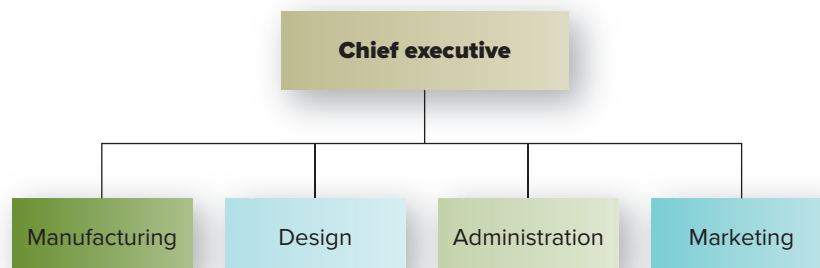
complete organizational tasks, yet they have different subgoals and mental models about how to perform the work effectively. Together, these problems require substantial formal controls and coordination when people are organized around functions.

DIVISIONAL STRUCTURE

divisional structure

an organizational structure in which employees are organized around geographic areas, outputs (products or services), or clients

The **divisional structure** (sometimes called the *multidivisional* or *M-form* structure) groups employees around geographic areas, outputs (products or services), or clients. Exhibit 13.5 illustrates these three variations of divisional structure.[44] The *geographic divisional structure* organizes employees around distinct regions of the country or world. Exhibit 13.5(a) illustrates a geographic divisional structure adopted by Barrick Gold Corporation, the world's largest gold-mining company. The *product/service divisional structure* organizes employees around distinct outputs. Exhibit 13.5(b) illustrates a simplified version of this type of structure at Philips. The Dutch electronics company divides its workforce mainly into three divisions: health care products, lighting products, and consumer products. (Philips also has a fourth organizational group consisting of the research and design functions.) The *client divisional structure* organizes employees around specific customer groups. Exhibit 13.5(c) illustrates a customer-focused divisional structure adopted by the U.S. Internal Revenue Service.[45]

Which form of divisional structure should large organizations adopt? The answer depends mainly on the primary source of environmental diversity or uncertainty.[46] Suppose an organization has one type of product sold to people across the country. If customers

EXHIBIT 13.5   **Three Types of Divisional Structure**
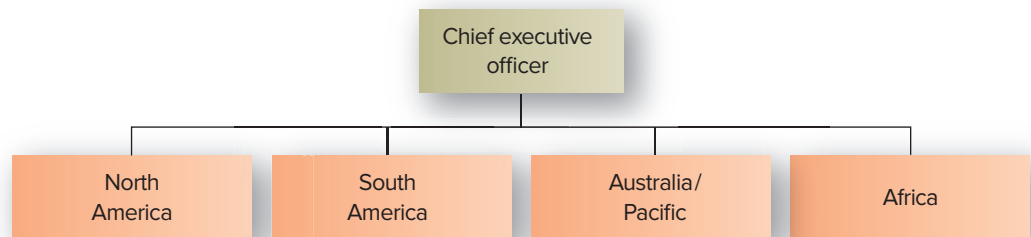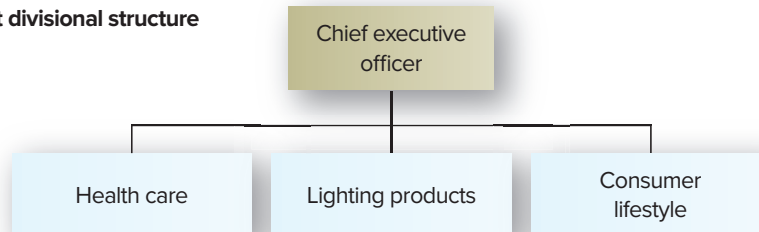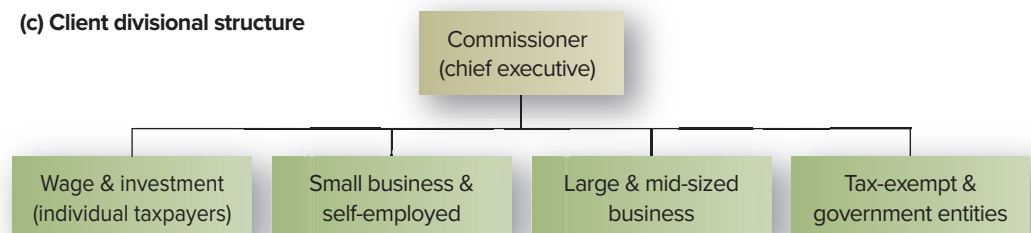
Note: Diagram (a) shows a global geographic divisional structure similar to Barrick Gold Corp.; diagram (b) is similar to the product divisions at Philips; diagram (c) is similar to the customer-focused structure at the U.S. Internal Revenue Service.

global connections 13.3

Toyota's Evolving Divisional Structure

Toyota Motor Company was recently fined $1.2 billion by the U.S. government, the largest ever against an automaker, because it "misled regulators, misled customers, and even misstated the facts to Congress" regarding safety issues with its accelerator pedals. The Japanese company's safety processes and reporting procedures will be monitored in the United States for three years. How could one of the largest and most respected automakers in the world get into this situation? A panel of independent experts commissioned by Toyota identified several issues ranging from supplier product quality to business processes. However, its main conclusion was that Toyota's functional organizational structure was inappropriate for the global organization.

Toyota's functional structure created silos around each specialization (sales, engineering, manufacturing), which transmitted information selectively to headquarters in Japan. The result was that most decisions were made by executives in Japan with limited knowledge about practices and problems in specific regions. Based on that review, Toyota added two regional divisions (essentially dividing the world into two groups) to the existing functional structure. "Dealing with our overseas operations on a regional basis, rather than a functional basis, will enable us to conduct decision making on a more-comprehensive basis," said Toyota CEO Akio Toyoda when announcing the updated structure.

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Toyota's revised organizational structure lasted only two years. Faced with rapid technological change and increasing competition, the automaker recently announced a massive reorganization that divides the company into several vehicle product groups, such as compact cars and commercial vehicles, as well key functional areas (power train and connected technology). Appended to the new divisional structure are the two regional groups. "This structural change may not be the ultimate solution, but it is certainly an opportunity . . . to strengthen our workforce and further promote making ever-better cars," says Toyoda.[47]

have different needs across regions, or if state governments impose different regulations on the product, then a geographic structure would be best so the company can be more vigilant about this diversity. On the other hand, if the company sells several types of products across the country and customer preferences and government regulations are similar everywhere, then a product structure would likely work best.

Coca-Cola, Nestlé, and many other food and beverage companies are organized mainly around geographic regions because consumer tastes and preferred marketing strategies vary considerably around the world. Even though McDonald's makes the same Big Mac throughout the world, the company has more fish products in Hong Kong and more vegetarian products in India, in line with traditional diets in those countries. Philips, on the other hand, is organized around products because consumer preferences around the world are similar within each product group. Hospitals from Geneva, Switzerland, to Santiago, Chile, buy similar medical equipment from Philips, whereas the manufacturing and marketing of these products are quite different from Philips' consumer electronics business.

Many companies are moving away from structures that organize people around geographic clusters.[48] One reason is that clients can purchase products online and communicate with businesses from almost anywhere in the world, so local representation is becoming less important. Reduced geographic variation is another reason for the shift away from geographic structures; freer trade has reduced government intervention, and consumer preferences for many products and services are becoming more similar (converging) around the world. The third reason is that large companies increasingly have global business customers who demand one global point of purchase, not one in every country or region.

Evaluating the Divisional Structure   The divisional organizational structure is a building-block structure; it accommodates growth relatively easily. As the company

develops new products, services, or clients, it can sprout new divisions. The divisional structure is also outcome-focused. It directs employee attention to customers and products, rather than to their own specialized knowledge.[49]

These advantages are offset by a number of limitations. First, the divisional structure tends to duplicate resources, such as production equipment and engineering or information technology expertise. Also, unless the division is quite large, resources are not used as efficiently as they are in functional structures where resources are pooled across the entire organization. The divisional structure also creates silos of knowledge. Expertise is spread across several autonomous business units, which reduces the ability and perhaps motivation of the people in one division to share their knowledge with counterparts in other divisions. In contrast, a functional structure groups experts together, thereby supporting knowledge sharing.

Finally, the preferred divisional structure depends on the company's primary source of environmental diversity or uncertainty. This principle seems to be applied easily enough at Coca-Cola, McDonald's, and Philips, but many global organizations experience diversity and uncertainty in terms of geography, product, *and* clients. Consequently, some organizations revise their structures back and forth or create complex structures that attempt to give all three dimensions equal status. This ambivalence generates further complications, because organizational structure decisions shift power and status among executives. If the company switches from a geographic to a product structure, people who lead the geographic fiefdoms suddenly get demoted under the product chiefs. In short, leaders of global organizations struggle to find the best divisional structure, often resulting in the departure of some executives and frustration among those who remain.

TEAM-BASED STRUCTURE

team-based organizational structure
an organizational structure built around self-directed teams that complete an entire piece of work

We began this chapter describing Valve Corporation, the Bellevue, Washington, games software and entertainment company with an unusual organizational structure. Valve's structure is decidedly flat (minimal hierarchy), but it is perhaps best described as a completely team-based organizational structure. A **team-based organizational structure** is built around self-directed teams that complete an entire piece of work, such as manufacturing a product or developing an electronic game. This type of structure is usually organic. There is a wide span of control because teams operate with minimal supervision. In its most extreme variation, such as at Valve, there is no formal leader, just someone selected by other team members to help coordinate the work and liaise with top management.

Team structures are highly decentralized because almost all day-to-day decisions are made by team members rather than someone further up the organizational hierarchy. Many team-based structures also have low formalization because teams are given relatively few rules about how to organize their work. Instead, executives assign quality and quantity output targets, and often productivity improvement goals, to each team. Teams are then encouraged to use available resources and their own initiative to achieve those objectives.

Team-based structures are usually found within the manufacturing or service operations of larger divisional structures. Several GE Aircraft Engines plants are organized as team-based structures, but these plants operate within GE's larger divisional structure. However, a small number of firms apply the team-based structure from top to bottom, including W. L. Gore & Associates, Semco SA, Morning Star Company, and Valve Corporation, where almost all employees work in teams.

Evaluating the Team-Based Structure   The team-based structure has gained popularity because it is more flexible and responsive in turbulent environments.[50] It tends to reduce costs because teams have less reliance on formal hierarchy (direct supervision). A cross-functional team structure improves communication and cooperation across traditional boundaries. With greater autonomy, this structure also allows quicker and more informed decision making.[51] For this reason, some hospitals have shifted from functional departments to cross-functional teams. Teams composed of nurses, radiologists, anesthetists, a pharmacology representative, possibly social workers, a rehabilitation therapist,

global connections 13.4

Haier Group's Team-Based Organizational Structure

Haier Group, the world's largest white goods (domestic appliance) manufacturer, recently introduced a radical team-based organizational structure that encourages entrepreneurial decision making among frontline employees and improves their connection with customers. The Chinese company's new structure is built around self-organizing work teams called ZZJYTs (the acronym for "zi zhu jing ying ti," meaning independent operating unit in Chinese).

First-level ZZJYTs consist of sales, R&D, marketing, and finance teams of between 10 and 20 people who are closest to customers and therefore best suited to make operational decisions. "In the past, employees waited to hear from the boss; now, they listen to the customer," says Zhang Ruimin, Haier's CEO who has transformed the company from a money-losing government enterprise in 1984 to its current position as an industry leader. Second-level ZZJYTs are essentially teams of supervisory facilitators who support the first level teams. The third layer of ZZJYTs are the divisional and functional managers.

Haier has created an internal marketplace whereby ZZJYTs and individual employees compete with each other. When the Haier team responsible for a model of

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washing machines needs market research, it selects the ZZJYT with the best proposal to provide that research. Entrepreneurial employees also compete with each other to receive approval (based on votes from employees and sometimes suppliers) to develop an innovative product. The successful employee forms a team from members from across Haier Group and secures assistance from other ZZJYTs as well as outside resources (suppliers, research centers).[52]

and other specialists communicate and coordinate more efficiently, thereby reducing delays and errors.[53]

Contrasted with these benefits, the team-based structure can be costly to maintain due to the need for ongoing interpersonal skills training. Teamwork potentially takes more time to coordinate than formal hierarchy during the early stages of team development. Employees may experience more stress due to increased ambiguity in their roles. Team leaders also experience more stress due to increased conflict, loss of functional power, and unclear career progression ladders. In addition, team structures suffer from duplication of resources and potential competition (and lack of resource sharing) across teams.[54]

MATRIX STRUCTURE

ABB Group, one of the world's largest power and automation technology engineering firms, has four product divisions, such as power grids and process automation. It employs more than 135,000 people across 100 countries, so the global giant also has several regional groups (Americas, AMEA, and Europe). What organizational structure would work best for ABB? For example, should the head of power grids in North America report to the worldwide head of power products in Zurich, Switzerland, or to the head of North American operations?

matrix structure
an organizational structure that overlays two structures (such as a geographic divisional and a product structure) in order to leverage the benefits of both

For ABB, the answer is to have a **matrix structure,** which overlays two structures (in this case, a product divisional and geographic divisional structure) to leverage the benefits of both.[55] Exhibit 13.6 shows a product–geographic matrix structure, which is a simplified version of ABB's structure. The dots represent the individuals who have two bosses. For example, the head of power grids in Europe reports to ABB's worldwide president of power grids as well as to ABB's president of European regional operations.

A common mistake is to assume that everyone in this type of matrix organizational structure reports to two bosses. In reality, only managers at one level in the organization

EXHIBIT 13.6

Matrix Organizational Structure at ABB Group

Note: This diagram is for illustrative purposes only. It represents a simplified version of ABB's most recent structure. The complete top-level structure also has three nonmatrixed functional groups (finance, legal, HR) reporting to the CEO. In addition, this diagram assumes ABB has a pure matrix structure, in which both product and regional chiefs have equal power. ABB says it continues to have a matrix structure, but its recent reorganization seems to give more direct line authority to product groups rather than regional groups.

Regional Groups

Product Groups

	Americas	Asia, Middle East, Africa (AMEA)	Europe
Power Grids	●	●	●
Electrification Products	●	●	●
Discrete Automation and Motion	●	●	●
Process Automation	●	●	●

● Product leader in that region
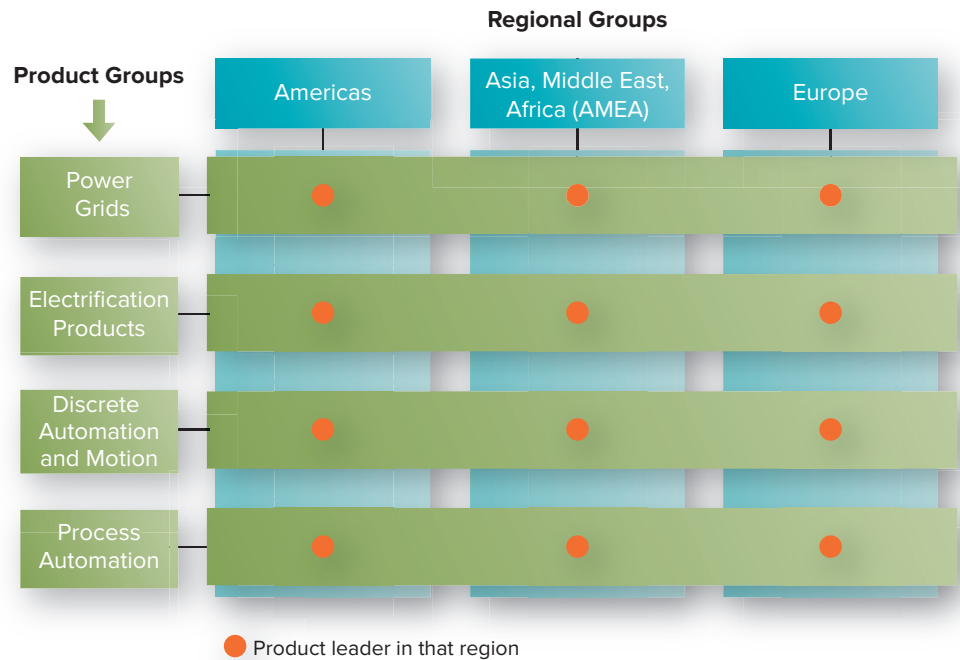
(typically country-specific product managers) have two bosses. For example, as mentioned, ABB's executive responsible for power grids in Europe reports to both the product and regional leaders. However, employees below that country product leader report to only one manager in the European operations.

The product–geographic matrix structure is the most common matrix design among global companies. For instance, Nestlé, Procter & Gamble, and Shell have variations of this matrix structure because these firms recognize that regional groups and product/services groups are equally important. Other variations of matrix structures also exist in global businesses, however. Investment bank Macquarie Group overlays client groups (such as securities, investment funds, and currencies/commodities) with four functional groups (risk management, legal/governance, financial management, and corporate operations).[56]

Global organizations tend to have complex designs that combine different types of structures, so a "pure" matrix design is relatively uncommon. A pure matrix gives equal power to leaders of both groups (products and regions, for example), whereas in reality companies often give more power to one set of groups while the other set of groups has mostly "dotted line" or advisory authority. So, although ABB's head of power grids has two bosses, the global president of power grids might have more final say or line authority than the regional leader.

Some companies also deviate from the pure matrix structure by applying it only to some regions. One such example is Cummins Inc., which is mainly organized around product divisions but has a matrix structure in China, India, and Russia. These markets are large, have high potential, and are potentially less visible to headquarters, so the country leaders are given as much authority as the product leaders within those regions. "I think in China there's still enough lack of transparency, there's still enough uniqueness to the market that having some kind of coordination across business units gets the greatest synergies," explains Michael Barbalas, China president of Goodrich Corporation.[57]

A second type of matrix structure, which can be applied to small or large companies, overlays a functional structure with a project structure.[58] BioWare adopted this project–functional matrix structure soon after the electronic games company was born two decades ago. Most BioWare employees have two managers. One manager leads the specific project to which employees are assigned, such as *Star Wars, Mass Effect,* and *Dragon Age*; the other manager is head of the employee's functional specialization, such as art,

global connections 13.5

Matrix Structure Troubles at Hana Financial Group

Hana Financial Group reorganized around a matrix structure that overlaps its client businesses (retail banking, brokerage, insurance) with product groups (money management, investments, bonds, etc.). The Korean bank says the new structure has noticeably improved collaboration across businesses and produced better financial results.

Korea's financial supervisory service (FSS) has a different view of Hana's structure. It claims that Hana's matrix structure is partly responsible for widespread embezzlement of gift certificates for tourists at about 60 bank branches. "In a matrix structure, marketing, performance reviews, and the power to make decisions on personnel lies with the head of the business unit, while internal control and risk management are the responsibility of the affiliated company's CEO," explains a high-ranking FSS official. "This can lead to a blind spot in management."[59]

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programming, audio, quality assurance, and design.[60] Employees are assigned permanently to their functional unit but physically work with the temporary project team. When the project nears completion, the functional boss reassigns employees in his or her functional specialization to another project.

Evaluating the Matrix Structure   The project–functional matrix structure usually makes very good use of resources and expertise, making it ideal for project-based organizations with fluctuating workloads. When properly managed, it improves communication efficiency, project flexibility, and innovation, compared to purely functional or divisional designs. It focuses employees on serving clients or creating products, yet keeps people organized around their specialization. The result is that knowledge sharing improves and human resources are used more efficiently. Matrix structures for global organizations (e.g., product–geographic structures) are also a logical choice when, as in the case of ABB Group, two different dimensions (regions and products) are equally important. Structures determine executive power and what should receive priority; the matrix structure works best when the business environment is complex and two different dimensions deserve equal attention and integration. Executives who have worked in a global matrix also say they have more freedom, likely because their two bosses are more advisory and less command and control focused.[61]

In spite of these advantages, the matrix structure has several well-known problems.[62] One concern is that it increases conflict among managers who equally share power. Employees working at the matrix level have two bosses and, consequently, two sets of priorities that aren't always aligned with each other. Project leaders might squabble with functional leaders regarding the assignment of specific employees to projects as well as regarding the employee's technical competence. However, successful companies manage this conflict by developing and promoting leaders who can work effectively in matrix structures. "Of course there's potential for friction," says an executive at IBM India. "In fact, one of the prerequisites to attaining a leadership position at IBM is the ability to function in a matrix structure."[63]

Ambiguous accountability is another challenge with matrix structures. In a functional or divisional structure, one manager is responsible for everything, even the most

unexpected issues. But in a matrix structure, the unusual problems don't get resolved because neither manager takes ownership of them.[64] Due to this ambiguous accountability, matrix structures have been blamed for corporate ethical misconduct, such as embezzlement at Hana Financial Group in Korea and massive bribery at Siemens AG in Germany. Oracle co-CEO Mark Hurd warned of this problem: "The more accountable I can make you, the easier it is for you to show you're a great performer," says Hurd. "The more I use a matrix, the easier I make it to blame someone else."[65] The combination of dysfunctional conflict and ambiguous accountability in matrix structures also explains why some employees experience more stress and why some managers are less satisfied with their work arrangements.

NETWORK STRUCTURE

BMW AG and Daimler AG aren't eager to let you know this, but some of their vehicles manufactured by them with Germanic precision are not constructed by them or in Germany. Some of BMW's 5 Series vehicles and all of Daimler's Mercedes G class luxury SUVs are made by Magna Steyr in Austria. Both BMW and Daimler Benz are hub organizations that own and market their respective brands, whereas Magna Steyr and other suppliers are spokes around the hub that provide production, engineering, and other services that get the auto firms' luxury products to customers.[66]

> **network structure**
> an alliance of several organizations for the purpose of creating a product or serving a client

BMW, Daimler, and many other organizations are moving toward a **network structure** as they design and build a product or serve a client through an alliance of several organizations.[67] As Exhibit 13.7 illustrates, this collaborative structure typically consists of several satellite organizations bee-hived around a hub or core firm. The core firm orchestrates the network process and provides one or two other core competencies, such as marketing or product development. In our example, BMW or Mercedes is the hub that provides marketing and management, whereas other firms perform many other functions. The core firm

EXHIBIT 13.7

A Network Organizational Structure
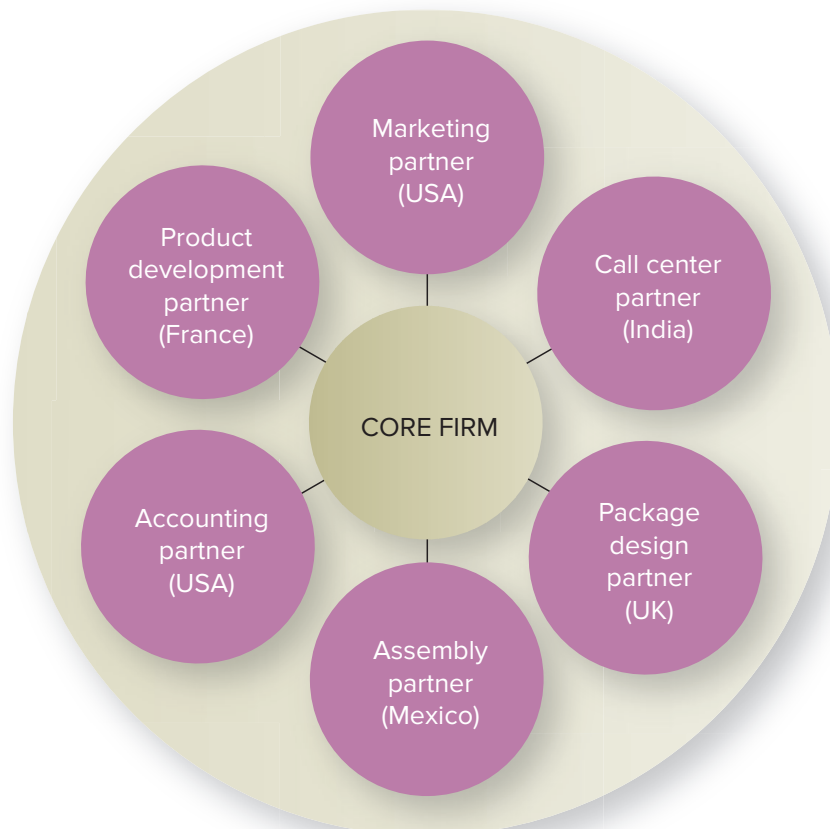
might be the main contact with customers, but most of the product or service delivery and support activities are farmed out to satellite organizations located anywhere in the world. Extranets (web-based networks with partners) and other technologies ensure that information flows easily and openly between the core firm and its array of satellites.[68]

One of the main forces pushing toward a network structure is the recognition that an organization has only a few *core competencies*. A core competency is a knowledge base that resides throughout the organization and provides a strategic advantage. As companies discover their core competency, they outsource noncritical tasks to other organizations that have a core competency at performing those tasks. For instance, BMW decided long ago that facilities management is not one of its core competencies, so it outsourced this function from its British engine plant to Dalkia, which specializes in facility maintenance and energy management.[69]

Companies are also more likely to form network structures when technology is changing quickly and production processes are complex or varied.[70] Many firms cannot keep up with the hyperfast changes in information technology, so they have outsourced their entire information system departments to IBM, HP Enterprise Business, and other firms that specialize in information system services. Similarly, many high-technology firms form networks with electronic equipment manufacturers that have expertise in diverse production processes.

Evaluating the Network Structure   Organizational behavior theorists have long argued that executives should think of their companies from the metaphor of plasma-like organisms rather than rigid machines.[71] Network structures come close to the organism metaphor because they offer the flexibility to realign their structure with changing environmental requirements. If customers demand a new product or service, the core firm forms new alliances with other firms offering the appropriate resources. For example, by working with Magna Steyr, Jaguar Land Rover was recently able to launch a wider variety of new models than was possible with its own manufacturing resources. When Magna Steyr's clients need a different type of manufacturing, they aren't saddled with nonessential facilities and resources. Network structures also offer efficiencies because the core firm becomes globally competitive as it shops worldwide for subcontractors with the best people and the best technology at the best price. Indeed, the pressures of global competition have made network structures more vital, and computer-based information technology has made them possible.[72]

A potential disadvantage of network structures is that they expose the core firm to market forces. Other companies may bid up the price for subcontractors, whereas the short-term cost would be lower if the company hired its own employees to perform the same function. Another problem is that information technology makes worldwide communication much easier, but it will never replace the degree of control organizations have when manufacturing, marketing, and other functions are in-house. The core firm can use arm's-length incentives and contract provisions to maintain the subcontractor's quality, but these actions are relatively crude compared with maintaining the quality of work performed by in-house employees.

Contingencies of Organizational Design

13-4

Most organizational behavior theories and concepts have contingencies: Ideas that work well in one situation might not work as well in another situation. This contingency approach is certainly relevant when choosing the most appropriate organizational structure.[73] In this section, we introduce four contingencies of organizational design: external environment, size, technology, and strategy.

EXTERNAL ENVIRONMENT

The best structure for an organization depends on its external environment. The external environment includes anything outside the organization, including most stakeholders (e.g., clients, suppliers, government), resources (e.g., raw materials, human resources,

information, finances), and competitors. Four characteristics of external environments influence the type of organizational structure best suited to a particular situation: dynamism, complexity, diversity, and hostility.[74]

Dynamic versus Stable Environments   Dynamic environments have a high rate of change, leading to novel situations and a lack of identifiable patterns. Organic structures in which employees are experienced and coordinate well in teams are better suited to dynamic environments, so the organization can adapt more quickly to changes.[75] In contrast, stable environments are characterized by regular cycles of activity and steady changes in supply and demand for inputs and outputs. Events are more predictable, enabling the firm to apply rules and procedures. Mechanistic structures are more efficient when the environment is predictable, so they tend to be more profitable than organic structures under these conditions.

Complex versus Simple Environments   Complex environments have many elements, whereas simple environments have few things to monitor. As an example, a major university library operates in a more complex environment than a small-town public library. The university library's clients require several types of services—book borrowing, online full-text databases, research centers, course reserve collections, and so on. A small-town public library has fewer of these demands placed on it. The more complex the environment, the more decentralized the organization should become. Decentralization is a logical choice for complex environments because decisions are pushed down to people and subunits who possess the information needed to make informed choices.

Diverse versus Integrated Environments   Organizations located in diverse environments have a greater variety of products or services, clients, and regions. In contrast, an integrated environment has only one client, product, and geographic area. The more diversified the environment, the more the firm needs to use a divisional structure aligned with that diversity. If it sells a single product around the world, a geographic divisional structure would align best with the firm's geographic diversity, for example. Diverse environments also call for decentralization. By pushing decision making further down the hierarchy, the company can adapt better and more quickly to diverse clients, government requirements, and other circumstances related to that diversity.

Hostile versus Munificent Environments   Firms located in a hostile environment face resource scarcity and more competition in the marketplace. Hostile environments are typically dynamic ones because they reduce the predictability of access to resources and demand for outputs. Organic structures tend to be best in hostile environments. However, when the environment is extremely hostile—such as a severe shortage of supplies or tumbling market share—organizations tend to temporarily centralize so that decisions can be made more quickly and executives feel more comfortable being in control.[76] Ironically, centralization may result in lower-quality decisions during organizational crises because top management has less information, particularly when the environment is complex.

ORGANIZATIONAL SIZE

Larger organizations have different structures than do smaller organizations, for good reason.[77] As the number of employees increases, job specialization increases due to a greater division of labor. The greater division of labor requires more elaborate coordinating mechanisms. Thus, larger firms make greater use of standardization (particularly work processes and outcomes) to coordinate work activities. These coordinating mechanisms create an administrative hierarchy and greater formalization. Historically, larger organizations make less use of informal communication as a coordinating mechanism. However, emerging information technologies and increased emphasis on empowerment have caused informal communication to regain its importance in large firms.[78]

Larger organizations also tend to be more decentralized than are smaller organizations. Executives have neither sufficient time nor expertise to process all the decisions that significantly influence the business as it grows. Therefore, decision-making

authority is pushed down to lower levels, where employees are able to make decisions on issues within their narrower range of responsibility.

TECHNOLOGY

Technology is another factor to consider when designing the best organizational structure for the situation.[79] *Technology* refers to the mechanisms or processes an organization relies on to make its products or services. In other words, technology isn't just the equipment used to make something; it also includes how the production process is physically arranged and how the production work is divided among employees. The two main technological contingencies are variability and analyzability, both of which we described as job characteristics in Chapter 6. *Task variability* refers to how predictable the job duties are from one day to the next. In jobs with high variability, employees perform several types of tasks, but they don't know which of those tasks are required from one day to the next. Low variability occurs when the work is highly routine and predictable. *Task analyzability* refers to how much the job can be performed using known procedures and rules. In jobs with high task analyzability, employees have well-defined guidelines to direct them through the work process. In jobs with low task analyzability, employees tackle unique situations with few (if any) guidelines to help them determine the best course of action.

An organic, rather than a mechanistic, structure should be introduced where employees perform tasks with high variability and low analyzability, such as in a research setting. The reason is that employees face unique situations with little opportunity for repetition. In contrast, a mechanistic structure is preferred where the technology has low variability and high analyzability, such as an assembly line. Assembly work is routine, highly predictable, and has well-established procedures—an ideal situation for a mechanistic structure to operate efficiently.

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SELF-ASSESSMENT 13.2: **Does Your Job Require an Organic or Mechanistic Structure?**

Different jobs require different types of organizational structures. For some jobs, employees work better in an organic structure. In other jobs, a mechanistic structure helps incumbents perform their work better. Think of the job you currently have or recently held, or even your "job" as a student. You can discover which structure is better for your job by locating this self-assessment in Connect if it is assigned by your instructor.

ORGANIZATIONAL STRATEGY

organizational strategy
the way the organization positions itself in its environment in relation to its stakeholders, given the organization's resources, capabilities, and mission

Organizational strategy refers to the way the organization positions itself in its environment in relation to its stakeholders, given the organization's resources, capabilities, and mission.[80] In other words, strategy represents the decisions and actions applied to achieve the organization's goals. Although size, technology, and environment influence the optimal organizational structure, these contingencies do not necessarily determine structure. Instead, corporate leaders formulate and implement strategies that shape both the characteristics of these contingencies as well as the organization's resulting structure.

This concept is summed up with the simple phrase "structure follows strategy."[81] Organizational leaders decide how large to grow and which technologies to use. They take steps to define and manipulate their environments, rather than let the organization's fate be entirely determined by external influences. Furthermore, organizational structures don't evolve as a natural response to environmental conditions; they result from conscious human decisions. Thus, organizational strategy influences both the contingencies of structure and the structure itself.

If a company's strategy is to compete through innovation, a more organic structure would be preferred because it is easier for employees to share knowledge and be creative. If a company chooses a low-cost strategy, a mechanistic structure is preferred because it maximizes production and service efficiency.[82] Overall, it is now apparent that organizational structure is influenced by size, technology, and environment, but the organization's strategy may reshape these elements and loosen their connection to organizational structure.

chapter summary

13-1   Describe three types of coordination in organizational structures.

Organizational structure is the division of labor as well as the patterns of coordination, communication, workflow, and formal power that direct organizational activities. All organizational structures divide labor into distinct tasks and coordinate that labor to accomplish common goals. The primary means of coordination are informal communication, formal hierarchy, and standardization.

13-2   Discuss the role and effects of span of control, centralization, and formalization, and relate these elements to organic and mechanistic organizational structures.

The four basic elements of organizational structure are span of control, centralization, formalization, and departmentalization. The optimal span of control—the number of people directly reporting to the next level in the hierarchy—depends on what coordinating mechanisms are present other than formal hierarchy, whether employees perform routine tasks, and how much interdependence there is among employees within the department.

Centralization occurs when formal decision authority is held by a small group of people, typically senior executives. Many companies decentralize as they become larger and more complex, but some sections of the company may remain centralized while other sections decentralize. Formalization is the degree to which organizations standardize behavior through rules, procedures, formal training, and related mechanisms. Companies become more formalized as they get older and larger. Formalization tends to reduce organizational flexibility, organizational learning, creativity, and job satisfaction.

Span of control, centralization, and formalization cluster into mechanistic and organic structures. Mechanistic structures are characterized by a narrow span of control and a high degree of formalization and centralization. Companies with an organic structure have the opposite characteristics.

13-3   Identify and evaluate six types of departmentalization.

Departmentalization specifies how employees and their activities are grouped together. It establishes the chain of command, focuses people around common mental models, and encourages coordination through informal communication among people and subunits. A simple structure employs few people, has minimal hierarchy, and typically offers one distinct product or service. A functional structure organizes employees around specific knowledge or other resources. This structure fosters greater specialization and improves direct supervision, but it weakens the focus on serving clients or developing products.

A divisional structure groups employees around geographic areas, clients, or outputs. This structure accommodates growth and focuses employee attention on products or customers rather than tasks. However, this structure also duplicates resources and creates silos of knowledge. Team-based structures are very flat, with low formalization, and organize self-directed teams around work processes rather than functional specialties. The matrix structure combines two structures to leverage the benefits of both types. However, this approach requires more coordination than functional or pure divisional structures, may dilute accountability, and increases conflict. A network structure is an alliance of several organizations for the purpose of creating a product or serving a client.

13-4   Explain how the external environment, organizational size, technology, and strategy are relevant when designing an organizational structure.

The best organizational structure depends on whether the environment is dynamic or stable, complex or simple, diverse or integrated, and hostile or munificent. Another contingency is the organization's size. Larger organizations need to become more decentralized and more formalized. The work unit's technology—including variability of work and analyzability of problems—influences whether it should adopt an organic or mechanistic structure. These contingencies influence but do not necessarily determine structure. Instead, corporate leaders formulate and implement strategies that shape both the characteristics of these contingencies and the organization's resulting structure.

key terms

centralization, p. 368

divisional structure, p. 373

formalization, p. 369

functional structure, p. 372

matrix structure, p. 376

mechanistic structure, p. 370

network structure, p. 379

organic structure, p. 370

organizational strategy, p. 382

organizational structure, p. 362

span of control, p. 366

team-based organizational structure, p. 375

critical thinking questions

1. Valve Corporation's organizational structure was described at the beginning of this chapter. What coordinating mechanism is likely most common in this organization? Describe the extent and form in which the other two types of coordination might be apparent at Valve.

2. Think about the business school or other organizational unit whose classes you are currently attending. What is the dominant coordinating mechanism used to guide or control the instructor? Why is this coordinating mechanism used the most here?

3. Administrative theorists concluded many decades ago that the most effective organizations have a narrow span of control. Yet today's top-performing manufacturing firms have a wide span of control. Why is this possible? Under what circumstances, if any, should manufacturing firms have a narrow span of control?

4. Leaders of large organizations struggle to identify the best level and types of centralization and decentralization. What should companies consider when determining the degree of decentralization?

5. Diversified Technologies, Inc. (DTI) makes four types of products, each type to be sold to different types of clients. For example, one product is sold exclusively to automobile repair shops, whereas another is used mainly in hospitals. Expectations within each client group are surprisingly similar throughout the world. The company has separate marketing, product design, and manufacturing facilities in Asia, North America, Europe, and South America because, until recently, each jurisdiction had unique regulations governing the production and sales of these products. However, several governments have begun the process of deregulating the products that DTI designs and manufactures, and trade agreements have opened several markets to foreign-made products. Which form of departmentalization might be best for DTI if deregulation and trade agreements occur?

6. Mechanistic and organic structures are two organizational forms. How do the three types of coordination mechanisms operate through these forms?

7. From an employee perspective, what are the advantages and disadvantages of working in a matrix structure?

8. Suppose you have been hired as a consultant to diagnose the environmental characteristics of your college or university. How would you describe the school's external environment? Is the school's existing structure appropriate for this environment?

CASE STUDY: MERRITT'S BAKERY

In 1979, Larry and Bobbie Merritt bought The Cake Box, a small business located in a tiny 450-foot store in Tulsa, Oklahoma. The couple were the only employees. "I would make cakes and Bobbie would come in and decorate them," Larry recalls. Bobbie Merritt was already skilled in decorating cakes, whereas baking was a new occupation for Larry Merritt, who previously worked as a discount store manager. So, Larry spent hours pouring over baking books in the local library and testing recipes through trial-and-error experimentation. "I threw away a lot of ingredients that first year," he recalls.

Sales were initially slow. Then, a doughnut shop around the corner was put up for sale, and its owner made it possible for the Merritts to buy that business. They moved to the larger location and changed the company's name to Merritt's Bakery to reflect the broader variety of products sold. The Merritts hired their first two employees, who performed front-of-store sales and service. Over the next decade, Merritt's Bakery's physical space doubled and its revenues increased 13-fold. The company employed 20 people by the time it made its next move.

In 1993, Merritt's Bakery moved to a 6,000-foot location across the street. The business became so popular that customers were lining up down the street to buy its fresh-baked goods. "That looks like success to a lot of people, but that was failure," says Bobbie Merritt. The problem was that the couple didn't want to delegate production to employees, but they couldn't produce their baked goods or decorate their carefully crafted cakes fast enough to keep up with demand. "We felt like failures because we had to work those 20 hours (per day)," she reflects.

At some point, the Merritts realized that they had to become business owners and managers rather than bakers. They devised a plan to grow the business and drew up an organizational structure that formalized roles and responsibilities. When a second Merritt's Bakery store opened across town in 2001, each store was assigned a manager, a person in charge of baking production, another in charge of cake decorating and pastries, and someone responsible for sales. A third store opened a few years later. Larry worked on maintaining quality by training bakery staff at each store. "Because it is so difficult to find qualified bakers nowadays, I want to spend more time teaching and developing our products," he said at the time.

Christian Merritt, one of Larry and Bobbie's sons, joined the business in 2000 and now runs the business. An engineer by training with experience in the telecommunications industry, Christian soon developed flowcharts that describe precise procedures for most work activities, ranging from simple store-front tasks (cashiering) to unusual events such as a power outage. These documents standardized work activities to maintain quality with less reliance on direct supervision. Christian also introduced computer systems to pool information across stores about how much

inventory exists, which products are selling quickly, and how much demand exists for Merritt's famous custom cakes. The information improved decision making about production, staffing, and purchasing without having to directly contact or manage each store as closely.

In late 2007, Merritt's Bakery opened a dedicated production center near the original store and moved all production staff into the building, affectionately called "the Fort." The centralized production facility reduced costs by removing duplication of staff and equipment, provided more consistent quality, and allowed the stores to have more front store space for customers.

Merritt's Bakery also refined its training programs, from the initial orientation session to a series for modules on specific skills. For example, front-of-store staff complete a series of clinics that add up to 20 hours of training. The company also introduced special selection processes so people with the right personality and skills are hired into these jobs. Employees at Merritt's production facility receive decorator training through a graduated program over a longer time. One or two managers at the production site closely coach up to five new hires.

Today, Merritt's Bakery employs more than 80 people, including production managers, store managers, and a marketing director. Two-thirds of the business is in the creation of cakes for birthdays, weddings, and other events, but the company also has three busy and popular stores across Tulsa. "We're just now getting the pieces in place to start to treat Merritt's Bakery like a business, with a lot of parts that we manage from a distance," says Christian Merritt. "We're present but detached; we have our hands in a lot of things, but it's in managing stores instead of operating them."

Discussion Questions

1. How have the division and coordination of labor evolved at Merritt's Bakery from its beginnings to today?

2. Describe how span of control, centralization, and formalization have changed at Merritt's Bakery over the years. Is the company's organizational structure today more mechanistic or organic? Are these three organizational structure elements well suited to the company in their current form? Why or why not?

3. What form of departmentalization currently exists at Merritt's Bakery? Would you recommend this form of departmentalization to this company? Why or why not?

Sources: S. Cherry, "Not without Its Merritt's," *Tulsa World*, April 13, 2001, 19; D. Blossom, "Bakery Has Recipe for Success," *Tulsa World*, October 28, 2002, A7; M. Reynolds, "A Difficult Choice Pays Off for Merritt's Bakery," *Modern Baking*, March 2010, 39; "Flour Power," *Tulsa People*, May 2011. Information also was collected from the company's website, www.merrittsbakery.com.

TEAM EXERCISE: THE CLUB ED EXERCISE

By Cheryl Harvey and Kim Morouney, Wilfred Laurier University

PURPOSE This exercise is designed to help you understand the issues to consider when designing organizations at various stages of growth.

MATERIALS Each student team should have several flip chart sheets or other means to draw and show the class several organizational charts.

INSTRUCTIONS Each team discusses the scenario. The first scenario is presented in the following text. The instructor will facilitate discussion and notify teams when to begin the next step. The exercise and debriefing require approximately 90 minutes, though using fewer scenarios can reduce the time somewhat.

Step 1: Students are placed in teams (typically four or five people).

Step 2: After reading scenario #1, each team will design an organizational chart (departmentalization) that is most appropriate for this situation. Students should be able to describe the type of structure drawn and explain why it is appropriate. The structure should be drawn on an overhead transparency or flip chart for others to see during later class discussion. The instructor will set a fixed time (e.g., 15 minutes) to complete this task.

Scenario #1 Determined never to shovel snow again, you are establishing a new resort business on a small Caribbean island. The resort is under construction and is scheduled to open one year from now. You decide it is time to draw up an organizational chart for this new venture, called Club Ed.

Step 3: At the end of the time allowed, the instructor will present scenario #2 and each team will be asked to draw another organizational chart to suit that situation. Again, students should be able to describe the type of structure drawn and explain why it is appropriate.

Step 4: At the end of the time allowed, the instructor will present scenario #3, and each team will be asked to draw another organizational chart to suit that situation.

Step 5: Depending on the time available, the instructor might present a fourth scenario. The class will gather to present their designs for each scenario. During each presentation, teams should describe the type of structure drawn and explain why it is appropriate.

Source: Adapted from C. Harvey and K. Morouney, *Journal of Management Education* 22 (June 1998): 425–29.

Organizational Culture

learning objectives

Alibaba Group Holding Limited was less than two years old when Jack Ma (Ma Yun) and his 17 cofounders decided to more clearly define the company's core values. Alibaba had quickly outgrown Ma's apartment in Hangzhou, China, where the company was born, and was on its way to become one of the world's largest and most successful e-commerce companies. Shaping Alibaba's corporate culture during its infancy would provide a powerful way to guide employees for many years to come. "If Alibaba desires sustainable development, we must have a management philosophy," explains Ma. "But if we don't have a powerful and persistent corporate culture as the root, we cannot create the philosophy and thinking."

Alibaba's six core values are customer first, teamwork, embrace change, integrity, passion, and commitment. Alibaba is often described as having a "kung fu" culture in which employees are expected to "approach everything with fire in their belly" (passion) and to "demonstrate perseverance and excellence" (commitment). These values emanated from the Chinese martial arts novels that inspired Jack Ma. "You have to have the spirit of never give up, the fighting spirit, keep on doing," says Ma of the values that emerge from these kung fu novels.

Jack Ma substantially shaped and sustained Alibaba's culture, but it is also supported by various rituals, systems, structures, and other artifacts. Job applicants are assessed for their cultural fit as much as for their technical expertise. Employees are evaluated partly by how consistently they enact the company's values. Alibaba's recently built headquarters also reflects the e-commerce firm's cultural values. The campus-like cluster of connected low-rise buildings with open-space offices and a central commons encourages spontaneous informal interaction, creative collaboration, and a sense of integrated community.[1]

Alibaba Group Holding Limited has a strong organizational culture and applies several strategies we will describe in this chapter on shaping and maintaining that culture.

Organizational culture consists of the values and assumptions shared within an organization.[2] It defines what is important and unimportant in the company and, consequently, directs everyone in the organization toward the "right way" of doing things. You might think of organizational culture as the company's DNA—invisible to the naked eye, yet a powerful template that shapes what happens in the workplace.

> **organizational culture**
> the values and assumptions shared within an organization

This chapter begins by identifying the elements of organizational culture and then describing how culture is deciphered through artifacts. Next, we examine the relationship between organizational culture and organizational effectiveness, including the effects of cultural strength, fit, and adaptability. Our attention then turns to the challenges of and solutions to merging organizational cultures. The latter part of this chapter examines ways to change and strengthen organizational culture, and looks more closely at the related topic of organizational socialization.

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Alibaba has become one of the world's largest and most successful e-commerce companies by nurturing a strong organizational culture with values aligned with its dynamic external environment.

Elements of Organizational Culture

14-1

Organizational culture consists of shared values and assumptions. Exhibit 14.1 illustrates how these shared values and assumptions relate to each other and are associated with artifacts, which are discussed in the next section of this chapter. *Values* are stable, evaluative beliefs that guide our preferences for outcomes or courses of action in a variety of situations (see Chapters 1 and 2).[3] They are conscious perceptions about what is good or bad, right or wrong. In the context of organizational culture, values are discussed as *shared values,* which are values that people within the organization or work unit have in common and place near the top of their hierarchy of values.[4] For example, Alibaba's 17 cofounders identified six shared values that define the company's culture: customer first, teamwork, embrace change, integrity, passion, and commitment.

Organizational culture also consists of *shared assumptions*—a deeper element that some experts believe is the essence of corporate culture. Shared assumptions are nonconscious, taken-for-granted perceptions or ideal prototypes of behavior that are considered

EXHIBIT 14.1   Organizational Culture Assumptions, Values, and Artifacts

Artifacts of organizational culture

Physical structures

Language

Rituals and ceremonies

Stories and legends

Shared values
• Conscious beliefs.
• Evaluate what is good or bad, right or wrong.

Shared assumptions
• Nonconscious, taken-for-granted beliefs.
• Implicit mental models, ideal protoypes of behavior.

Organizational culture
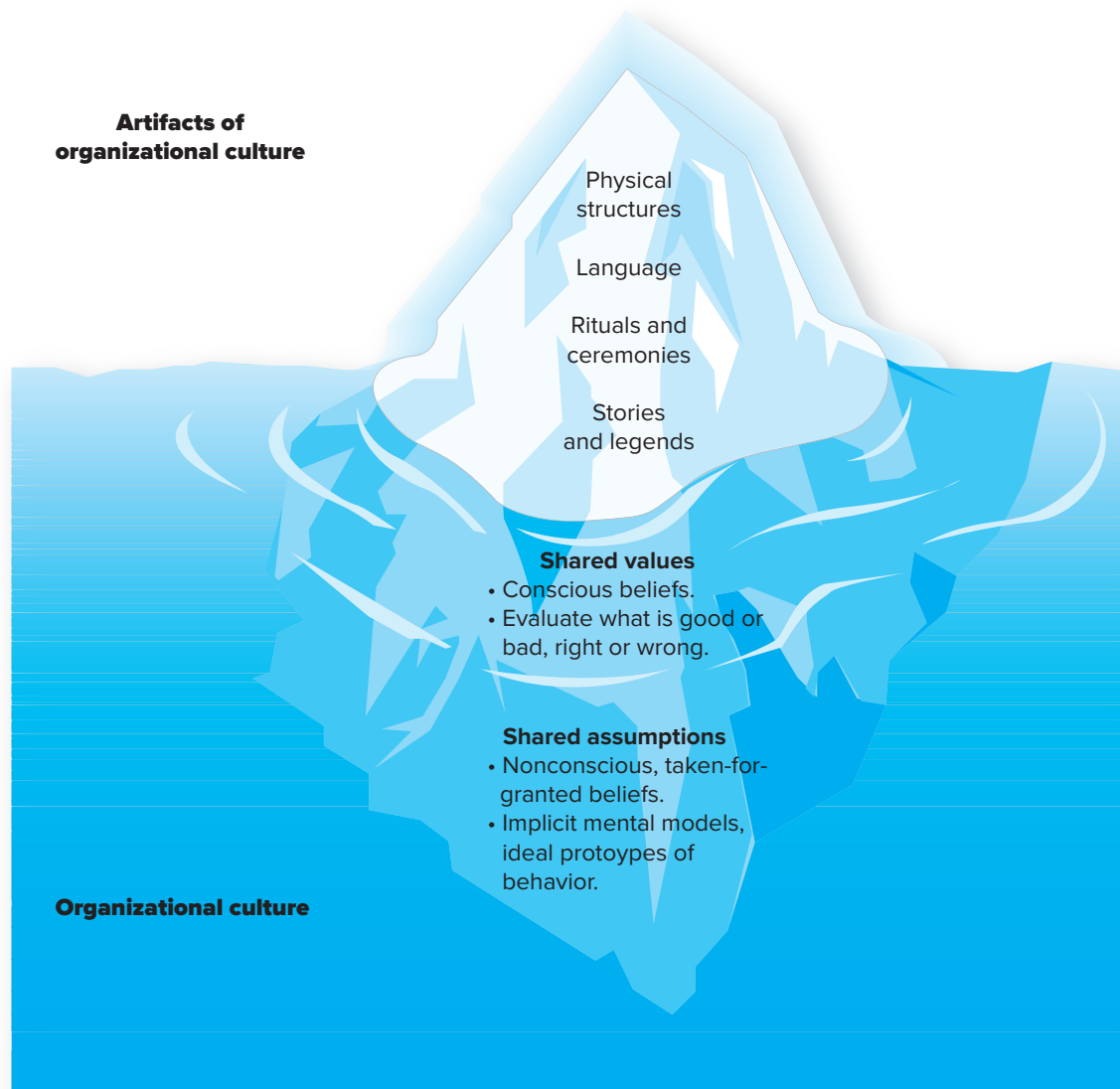
the correct way to think and act toward problems and opportunities. Shared assumptions are so deeply ingrained that you probably wouldn't discover them by surveying employees. Only by observing employees, analyzing their decisions, and debriefing them on their actions would these assumptions rise to the surface.

ESPOUSED VERSUS ENACTED VALUES

Most corporate websites have "Careers" web pages for job candidates, and many of these sites proudly list the company's core values. Do these values really represent the organization's culture? Some do, but these pages more likely describe *espoused values*—the values that corporate leaders hope will eventually become the organization's culture, or at least the values they want others to believe guide the organization's decisions and actions.[5] Espoused values are usually socially desirable, so they present a positive public image. Even if top management acts consistently with the espoused values, lower-level employees might not do so. Employees bring diverse personal values to the organization, some of which might conflict with the organization's espoused values.

Consider what BP says about its culture.[6] The British energy giant lists safety first among its five core values. "Everything we do relies upon the safety of our workforce and the communities around us. We care about the safe management of the environment." BP executives likely give the safety value considerable priority today, but past events suggest that it was probably no more than an espoused value until recently. BP was at the center of the Gulf of Mexico oil spill environmental disaster. A few months before the spill occurred, the U.S. government penalized BP with the largest health and safety fine in history for failing to sufficiently improve safety at its Texas City refinery. Four years earlier, 15 employees died in an explosion at that refinery. A U.S. government report on that explosion concluded that BP "did not provide effective safety culture leadership." A few years earlier, officials in Norway and Alaska also reported problems with BP's "safety culture." In short, BP identified safety (and its predecessor, responsibility) as a core value for many years, but it might have been only an espoused value rather than part of its actual culture.

An organization's culture is defined by its *enacted values,* not its espoused values. Values are *enacted* when they actually guide and influence decisions and behavior. They are values put into practice. Enacted values are apparent when watching executives and other employees in action, including their decisions, where they focus their attention and resources, how they behave toward stakeholders, and the outcomes of those decisions and behavior.

CORPORATE CULTURE ALIGNMENTS AND MISALIGNMENTS[7]

88% of 1,005 American employees surveyed believe a distinct workplace culture is important to business success.

84% of 2,219 executives and employees surveyed across several countries agree that their organization's culture is "critical" to business success.

75% of junior managers surveyed in the UK believe there is a mismatch between their company's "espoused values" and what actually goes on in the company.

52% of 933 North American CEOs and CFOs surveyed say their firm's current corporate culture tracks very closely with the firm's stated values.

51% of 2,219 executives and employees surveyed across several countries think their organization's culture is in need of a major overhaul.

25% of board of directors surveyed in the UK believe there is a mismatch between their company's "espoused values" and what actually goes on in the company.

Photo: © Flying Colours Ltd/Getty Images RF

CONTENT OF ORGANIZATIONAL CULTURE

Organizations differ considerably in their cultural content, that is, the relative ordering of shared values.[8] Consider Netflix and PPL Corporation. Netflix seems to prioritize individual performance with undertones of internal competitiveness. For instance, the online streaming media provider points out that "We're a team, not a family," that "Netflix leaders hire, develop, and cut smartly," and that "adequate performance gets a generous severance package." In contrast, electrical utility PPL seems to prioritize fulfillment of stakeholder needs, such as employee safety, customer service, and community support. It emphasizes mutual respect rather than competitive performance. PPL's six values include ensuring safety/health, delivering customer service, valuing each other and appreciating differences, getting the job done right, doing the right thing, and investing in communities.[9]

How many corporate cultures are there? Several models and measures classify organizational culture into a handful of easy-to-remember categories. One of these, shown in Exhibit 14.2, identifies seven corporate cultures. Another popular model identifies four organizational cultures organized in a two-by-two table representing internal versus external focus and flexibility versus control. Other models organize cultures around a circle with 8 or 12 categories. These circumplex models suggest that some cultures are opposite to others, such as an avoidance culture versus a self-actualization culture, or a power culture versus a collegial culture.[10]

These organizational culture models and surveys are popular with corporate leaders faced with the messy business of diagnosing their company's culture and identifying what kind of culture they want to develop. Unfortunately, they oversimplify the diversity of cultural values in organizations. The fact is, there are dozens of individual values, and many more combinations of values, so the number of organizational cultures that these models describe likely falls considerably short of the full set. One recent study reported that the nine most frequently stated values among the top 500 American companies are (most frequent listed first) integrity, teamwork, innovation, respect, quality, safety, community, communication, and hard work. But for each of these values, the researchers associated several related values. Some variations of "respect," for instance, are diversity, inclusion, development, empowerment, and dignity.[11] In other words, the largest American companies collectively list dozens of espoused values, so there are likely also dozens of enacted values.

A second concern is that most measures ignore the shared assumptions aspect of an organization's culture. This oversight likely occurs because measuring shared assumptions is even more difficult than measuring shared values. A third concern is that many measures of organizational culture incorrectly assume that organizations have a fairly clear, unified culture that is easily decipherable.[12] In reality, an organization's culture is typically blurry and fragmented. As we discuss next, organizations consist of diverse subcultures in which clusters of employees across the organization have different experiences and backgrounds that influence their preferred values. Ultimately, an organization's

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EXHIBIT 14.2

Organizational Culture Profile Dimensions and Characteristics

Source: Based on information in C.A. O'Reilly III, J. Chatman, and D.F. Caldwell, "People and Organizational Culture: A Profile Comparison Approach to Assessing Person–Organization Fit," *Academy of Management Journal* 34, no. 3 (1991): 487–518.

ORGANIZATIONAL CULTURE DIMENSION	CHARACTERISTICS OF THE DIMENSION
Innovation	Experimenting, opportunity seeking, risk taking, few rules, low cautiousness
Stability	Predictability, security, rule-oriented
Respect for people	Fairness, tolerance
Outcome orientation	Action-oriented, high expectations, results-oriented
Attention to detail	Precise, analytic
Team orientation	Collaboration, people-oriented
Aggressiveness	Competitive, low emphasis on social responsibility

culture is founded on the values of its employees. As long as employees have diverse values, an organization's culture will have noticeable variability. Thus, many of the popular organizational culture models and measures oversimplify the variety of organizational cultures and falsely presume that organizations can easily be identified within these categories.

connect

SELF-ASSESSMENT 14.1:   **Which Corporate Culture Do You Prefer?**

An organization's culture may be very appealing to some people and much less so to others. After all, each of us has a hierarchy of personal values, and that hierarchy may be compatible or incompatible with the company's shared values. You can discover which of four types of organizational culture you most and least prefer by locating this self-assessment in Connect if it is assigned by your instructor.

ORGANIZATIONAL SUBCULTURES

When discussing organizational culture, we are really referring to the *dominant culture,* that is, the values and assumptions shared most consistently and widely by the organization's members. The dominant culture is usually supported by senior management, but not always. Cultural values and assumptions can also persist in spite of senior management's desire for another culture. Furthermore, organizations are composed of *subcultures* located throughout their various divisions, geographic regions, and occupational groups.[13] Some subcultures enhance the dominant culture by espousing parallel assumptions and values. Others differ from but do not conflict with the dominant culture. Still others are called *countercultures* because they embrace values or assumptions that directly oppose the organization's dominant culture. It is also possible that some organizations (including some universities, according to one study) consist of subcultures with no decipherable dominant culture at all.[14]

Subcultures, particularly countercultures, potentially create conflict and dissension among employees, but they also serve two important functions.[15] First, they maintain the organization's standards of performance and ethical behavior. Employees who hold countercultural values are an important source of surveillance and critical review of the dominant order. They encourage constructive conflict and more creative thinking about how the organization should interact with its environment. Subcultures potentially support ethical conduct by preventing employees from blindly following one set of values. Subculture members continually question the "obvious" decisions and actions of the majority, thereby making everyone more mindful of the consequences of their actions.

The second function of subcultures is to act as spawning grounds for emerging values that keep the firm aligned with the evolving needs and expectations of customers, suppliers, communities, and other stakeholders. Companies eventually need to replace their existing dominant values with ones that are more appropriate for the changing environment. Subcultures nurture these values long before they become dominant values in the organization. If subcultures are suppressed, the organization may take longer to discover, develop, and adopt the emerging desired culture.

artifacts
the observable symbols and signs of an organization's culture

Deciphering Organizational Culture through Artifacts

14-2

Shared values and assumptions are not easily measured through surveys and might not be accurately reflected in the organization's values statements. Instead, as Exhibit 14.1 illustrated earlier, an organization's culture needs to be deciphered through a detailed investigation of artifacts. **Artifacts** are the observable symbols and signs of an organiza-

tion's culture, such as the way visitors are greeted, the organization's physical layout, and how employees are rewarded.[16] A few experts suggest that artifacts are the essence of organizational culture, whereas most others (including the authors of this book) view artifacts as symbols or indicators of culture. In other words, culture is cognitive (values and assumptions inside people's heads) whereas artifacts are observable manifestations of that culture. Either way, artifacts are important because they represent and reinforce an organization's culture.

Artifacts provide valuable evidence about a company's culture.[17] An organization's ambiguous (fragmented) culture is best understood by observing workplace behavior, listening to everyday conversations among staff and with customers, studying written documents and emails, viewing physical structures and settings, and interviewing staff about corporate stories. In other words, to truly understand an organization's culture, we need to sample information from a variety of organizational artifacts.

The Mayo Clinic conducted such an assessment a few years ago. An anthropologist was hired to decipher the medical organization's culture at its headquarters in Minnesota and to identify ways of transferring that culture to its two newer sites in Florida and Arizona. For six weeks, the anthropologist shadowed employees, posed as a patient in waiting rooms, did countless interviews, and accompanied physicians on patient visits. The final report outlined Mayo's dominant culture and how its satellite operations varied from that culture.[18] Over the next few pages, we review four broad categories of artifacts: organizational stories and legends, language, rituals and ceremonies, and physical structures and symbols.

ORGANIZATIONAL STORIES AND LEGENDS

Alibaba is a relatively young company, yet the e-commerce firm's culture is already supported by several stories and legends. One famous story describes how a small band of employees joined a secret project to create Taobao, Alibaba's consumer trade portal, to compete directly with eBay in China. The group worked out of Alibaba's original offices, Jack Ma's former apartment which had been vacated a couple of years earlier. Through perseverance and "fire in their belly," the Taobao team built a business that whittled away at eBay's 80 percent market share. Within six years, Taobao was China's dominant consumer trading portal and eBay closed its operations.

Stories such as Alibaba's bold head-on competition with eBay permeate strong organizational cultures. Some tales recount heroic deeds, whereas others ridicule past events that deviate from the firm's core values. Organizational stories and legends serve as powerful social prescriptions of the way things should (or should not) be done. They add human realism to corporate expectations, individual performance standards, and the criteria for getting fired. Stories also produce emotions in listeners, and these emotions tend to improve listeners' memory of the lesson within the story.[19] Stories communicate corporate culture most effectively when they describe real people, are assumed to be true, and are known by employees throughout the organization. Stories are also prescriptive—they advise people what to do or not to do.[20]

ORGANIZATIONAL LANGUAGE

The language of the workplace speaks volumes about the company's culture. How employees talk to each other, describe customers, express anger, and greet stakeholders are all verbal symbols of shared values and assumptions. "What we say—and how we say it—can deeply affect a company's culture," advise Tom Kelley and David Kelley, leaders of design firm IDEO.[21] An organization's culture particularly stands out when employees habitually use customized phrases and labels. At The Container Store, for instance, employees compliment each other about "being Gumby," meaning that they are being as flexible as the once-popular green toy to help a customer or another employee.[22]

The unique organizational culture of DaVita HealthCare Partners, Inc. is reflected in the language heard throughout its workplace. The Denver-based provider of kidney care and dialysis services is called the "village" (not the company) and its chief executive is the "mayor" of the village. DaVita's 65,000 staff members are "teammates" (not employees) who eventually become "citizens" of the village as they "cross the bridge," meaning that they embrace the company's culture. These aren't contrived slogans. The language symbolizes DaVita's deeply held cultural beliefs that employee well-being and performance depend on the human connection of workplace community that, in turn, translates into superior service to DaVita's patients.[23]
© DaVita HealthCare Partners, Inc.

Language also captures less complimentary cultural values. At Goldman Sachs, "elephant trades" are apparently large investment transactions with huge profit potential, so the investment firm allegedly encourages its salespeople to go "elephant hunting" (seeking out these large trades from clients). A former Goldman Sachs manager reported that some employees at the investment firm also routinely described their clients as "muppets." "My muppet client didn't put me in comp on the trade we just printed," said one salesperson, meaning that the client was a fool because he didn't compare prices, so the salesperson overcharged him. The "muppet" label seems to reveal a culture with a derogatory view of clients. When this language use became public, Goldman Sachs scanned its internal emails for the "muppet" label and warned employees not to use the term.[24]

RITUALS AND CEREMONIES

rituals
the programmed routines of daily organizational life that dramatize the organization's culture

Rituals are the programmed routines of daily organizational life that dramatize an organization's culture.[25] They include how visitors are greeted, how often senior executives visit subordinates, how people communicate with each other, how much time employees take for lunch, and so on. These rituals are repetitive, predictable events that have symbolic meaning of underlying cultural values and assumptions. For instance, BMW's fast-paced culture is quite literally apparent in the way employees walk around the German automaker's offices. "When you move through the corridors and hallways of other companies' buildings, people kind of crawl, they walk slowly," observes a BMW executive.

ceremonies
planned displays of organizational culture, conducted specifically for the benefit of an audience

"But BMW people tend to move faster."[26] **Ceremonies** are more formal artifacts than rituals. Ceremonies are planned activities conducted specifically for the benefit of an audience. This would include publicly rewarding (or punishing) employees or celebrating the launch of a new product or newly won contract.

PHYSICAL STRUCTURES AND SYMBOLS

Winston Churchill once said: "We shape our buildings; thereafter, they shape us."[27] The former British prime minister was reminding us that an organization's culture affects building decisions, but the size, shape, location, and age of the resulting structure subsequently reinforces or alters that culture. Physical structures might support a company's emphasis on teamwork, environmental friendliness, hierarchy, or any other set of values.[28] As the opening case study to this chapter described, Alibaba's recently built headquarters tries to symbolize and reinforce the company's culture, particularly its emphasis on teamwork, collaboration, and community.

Another example is Mars, Inc., one of the world's largest food manufacturers (Uncle Ben's, Pedigree pet food, Wrigley's gum, etc.). The privately held company's low-profile (some say secretive) culture is evident from its nondescript head offices in most countries. Mars' global head office in Virginia could easily be mistaken for an upscale brick warehouse. There is no corporate identification at all, just a "private property" sign. Mars' head office is so low profile that locals call it the Kremlin. The chair of Nestlé once thought he arrived at the wrong address when visiting his major competitor.[29]

Even if the building doesn't make much of a statement, there is a treasure-trove of physical artifacts inside. Desks, chairs, office space, and wall hangings (or lack of them) are just a few of the items that might convey cultural meaning.[30] Each physical artifact alone might not say much, but put enough of them together and you can see how they symbolize the organization's culture. For example, one prominent workspace design and manufacturing company recently identified the workspace features typically found at companies with several different cultures. Exhibit 14.3 summarizes the physical space design of collaborative and creative cultures compared to cultures that emphasize efficiency (control) and competition. Collaborative and creative cultures value more teamwork and flexibility, so space design is informal and enables spontaneous group discussion. Controlling and competitive cultures tend to have more structural office arrangements and provide more space for individual work than teamwork.

EXHIBIT 14.3

Workspace Design and Organizational Culture

(Left) © Robert Daly/Getty Images RF; (Right) © Hero Images/Getty Images RF

Source: Based on information in *How to Create a Successful Organizational Culture: Build It—Literally* (Holland, MI: Haworth Inc., June 2015).

COLLABORATIVE AND CREATIVE CULTURES	CONTROLLING AND COMPETITIVE CULTURES
• More team space	• More individual space
• Informal space	• More formal than informal space
• Low/medium enclosure	• High/medium enclosure
• Flexible environment	• More fixed environment
• Organic layout	• More structured, symmetrical layout

Is Organizational Culture Important?

14-3

Does organizational culture improve organizational effectiveness? Launi Skinner thinks so. "You can have the best strategy in the world, but culture will kill strategy," warns the CEO of First West Credit Union in Vancouver, Canada, and former senior executive at Starbucks in the United States. Quicken Loans CEO Bill Emerson agrees. When asked why the Detroit-based finance company has grown so quickly, Emerson replied: "The No. 1 thing is culture. It allows us to move very quickly and react very quickly in making business decisions."[31]

Launi Skinner, Bill Emerson, and many other leaders believe that an organization's success partly depends on its culture. Many writers of popular-press management books also assert that the most successful companies have strong cultures. In fact, one popular management book, *Built to Last,* suggests that successful companies are "cultlike" (although not actually cults, the authors are careful to point out).[32] Does OB research support this view that companies are more effective when they have a strong culture? Yes, potentially, but the evidence indicates that the relationship depends on a few conditions.[33]

MEANING AND POTENTIAL BENEFITS OF A STRONG CULTURE

Before discussing these contingencies, let's examine the meaning of a "strong" organizational culture and its potential benefits. The strength of an organization's culture refers to how widely and deeply employees hold the company's dominant values and assumptions. In a strong organizational culture, most employees across all subunits understand and embrace the dominant values. These values and assumptions are also institutionalized through well-established artifacts, which further entrench the culture. In addition, strong cultures tend to be long-lasting; some can be traced back to the values and assumptions established by the company's founder. In contrast, companies have weak cultures when the dominant values are held mainly by a few people at the top of the organization, the culture is difficult to interpret from artifacts, and the cultural values and assumptions are unstable over time or highly varied across the organization.

Under the right conditions, companies are more effective when they have strong cultures because of the three important functions listed in Exhibit 14.4 and described as follows:

1. *Control system.* Organizational culture is a deeply embedded form of social control that influences employee decisions and behavior.[34] Culture is pervasive and operates nonconsciously. Think of it as an automatic pilot, nonconsciously directing employees so their behavior is consistent with organizational expectations. For this reason, some writers describe organizational culture as a compass that points everyone in the same direction.

2. *Social glue.* Organizational culture is the social glue that bonds people together and makes them feel part of the organizational experience.[35] Employees are motivated to internalize the organization's dominant culture because it fulfills their need for social identity. This social glue attracts new staff and retains top performers. It also becomes the common thread that holds employees together in global organizations. "The values of the company are really the bedrock—the glue which holds the firm together," says former Infosys CEO Nandan Nilekani.[36]

3. *Sense making.* Organizational culture helps employees make sense of what goes on and why things happen in the company.[37] Corporate culture also makes it easier for them to understand what is expected of them. For instance, research has found that sales employees in companies with stronger organizational cultures have clearer role perceptions and less role-related stress.[38]

EXHIBIT 14.4   Potential Benefits and Contingencies of Culture Strength

Benefits of culture strength depend upon . . .

- Whether culture content fits the environment
- Moderate, not cultlike, strength
- An adaptive culture

Functions of strong cultures

- Control system
- Social glue
- Sense making

Organizational outcomes

- Organizational performance
- Employee well-being
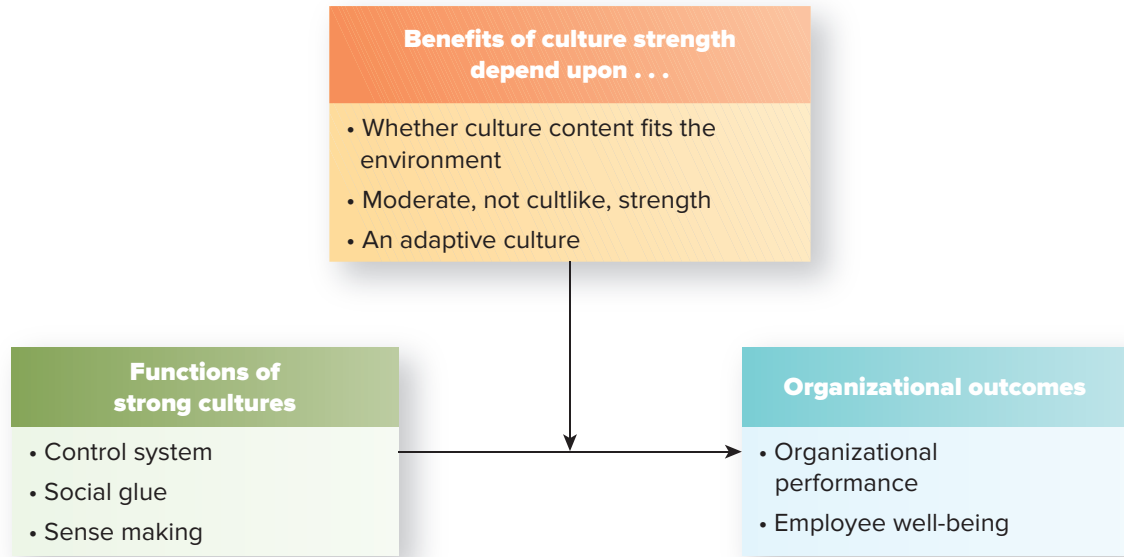
CONTINGENCIES OF ORGANIZATIONAL CULTURE AND EFFECTIVENESS

Studies have found only a moderately positive relationship between culture strength and organizational effectiveness. The reason for this weak link is that strong cultures improve organizational effectiveness only under specific conditions (see Exhibit 14.4). The three main contingencies are (1) whether the culture content is aligned with the environment; (2) whether the culture is moderately strong, not cultlike; and (3) whether the culture incorporates an adaptive culture.

Culture Content Is Aligned with the External Environment   The benefits of a strong culture depend on whether its content—the culture's dominant values and assumptions—is aligned with the external environment. Companies require an employee-centric culture in environments where business success depends mainly on employee talent, whereas an efficiency-focused culture may be more critical for companies in environments with strong competition and standardized products. If the dominant values are congruent with the environment, then employees are more likely to engage in decisions and behaviors that improve the organization's interaction with that environment. But when the dominant values are misaligned with the environment, a strong culture encourages decisions and behaviors that can undermine the organization's connection with its stakeholders.

For example, Coles became a successful competitor in the Australian retail food industry after it was acquired by Wesfarmers, which injected a strong culture around performance and customer service. Wesfarmers is a highly successful Australian conglomerate, but it doesn't nurture the same culture in all of its businesses (food, hardware, clothing, office supplies, fertilizers, mining, etc.). Instead, Wesfarmers' executive team encourages each company to maintain a strong culture around the values that matter most for that industry and its stakeholders. "It would be a huge mistake if we tried to impose one culture over all these businesses," explains Wesfarmers CEO Richard Goyder. "Bunnings (Australia's largest home improvement retailer) and Coles have to be customer-centric, whereas our coal business has to be absolutely focused on safety."[39]

According to Zappos CEO Tony Hsieh, a strong and aligned organizational culture is a key factor in the online shoe and clothing retailer's success. "Our number one priority is company culture," says Hsieh. "Our whole belief is that if we get the culture right then most of the other stuff like delivering great customer service or building a long-term enduring brand will just happen naturally on its own." However, Hsieh warns that every business needs to develop a culture that best suits its external environment. "We're not out there trying to say that other companies should try to adopt the Zappos values and culture," Hsieh advises. "All we're trying to say is that they should have their own values and really commit to them in order to build their own strong culture that's right for them."[40]

Source: TopRank Marketing/Flickr

Culture Strength Is Not the Level of a Cult

A second contingency is the degree of culture strength. Various experts suggest that companies with very strong cultures (i.e., corporate "cults") may be less effective than companies with moderately strong cultures.[41] One reason why corporate cults may undermine organizational effectiveness is that they lock people into mental models, which can blind them to new opportunities and unique problems. The effect of these very strong cultures is that people overlook or incorrectly define subtle misalignments between the organization's activities and the changing environment.

The other reason why very strong cultures may be dysfunctional is that they suppress dissenting subcultures. The challenge for organizational leaders is to maintain not only a strong culture but one that allows subcultural diversity. Subcultures encourage task-oriented conflict, which improves creative thinking and offers some level of ethical vigilance over the dominant culture. In the long run, a subculture's nascent values could become important dominant values as the environment changes. Corporate cults suppress subcultures, thereby undermining these benefits.

Culture Is an Adaptive Culture

A third condition influencing the effect of cultural strength on organizational effectiveness is whether the culture content includes an **adaptive culture.**[42] An adaptive culture embraces change, creativity, open-mindedness, growth, and learning. Organizational leaders across many industries increasingly view an adaptive culture as an important ingredient for the organization's long-term success. "At the end of the day, you have to create a culture that not only accepts change but seeks out how to change," says former GM CEO Dan Akerson. "It's critically important that we inculcate that into our culture."[43]

What does an adaptive culture look like? It is one in which employees recognize that the organization's survival and success depends on their ability to discover emerging changes in the external environment and to adapt their own behavior to those changes. Thus, employees in adaptive cultures see things from an open systems perspective and take responsibility for the organization's performance and alignment with the external environment.

In an adaptive culture, receptivity to change extends to internal processes and roles. Employees believe that satisfying stakeholder needs requires continuous improvement of internal work processes. They also recognize the importance of remaining flexible in their own work roles. The phrase "That's not my job" is found in nonadaptive cultures. Finally, an adaptive culture has a strong *learning orientation* because being receptive to change necessarily means that the company also supports action-oriented discovery. With a learning orientation, employees welcome new learning opportunities, actively experiment with new ideas and practices, view reasonable mistakes as a natural part of the learning process, and continuously question past practices (see Chapter 7).[44]

adaptive culture
an organizational culture in which employees are receptive to change, including the ongoing alignment of the organization to its environment and continuous improvement of internal processes

debating point

IS *CORPORATE CULTURE* AN OVERUSED PHRASE?

Corporate culture is probably one of the most frequently uttered phrases in organizations these days. That's quite an accomplishment for two words that were rarely paired together prior to 1982.[45] Executives say they have crafted the company's culture to attract top talent and better serve clients. Job applicants have made organizational culture one of the top factors in their decision whether to join the company. Journalists routinely blame corporate culture for business failures, deviant activities, and quirky employee conduct.

This chapter offers plenty of ammunition to defend the argument that organizational culture explains employee decisions and behavior. A strong culture is a control system that directs employee decisions and behavior. It is, after all, the "way we do things around here." The underlying assumptions of a company's culture further guide employee behavior without conscious awareness. A strong culture also serves as the company's "social glue," which strengthens cohesion among employees. In other words, employees in strong cultures have similar beliefs and values which, in turn, increases their motivation to follow the corporate herd.

Organizational culture can be a useful concept to explain workplace activities, but some OB experts suggest that the phrase is overused. To begin with, corporate culture is usually presented as a singular thing within the company—one company with one culture. This presumption of a homogeneous culture—in which every employee understands and embraces the same few dominant values—just doesn't exist. Every organization has a fragmented culture to varying degrees. Furthermore, many employees engage in façades of conformity. They pretend to live the company's values but don't actually do so because they don't believe in them.[46] Fragmentation and façades suggest that culture is not an integrated force field that manipulates people like mindless robots. Instead, employees ultimately make decisions based on a variety of influences, not only the organization's values and assumptions.

Another argument that corporate culture is overused to explain the workplace is that values don't drive behavior as often as many people believe. Instead, employees turn to their values to guide behavior only when they are reminded of their values or when the situation produces fairly obvious conflicting or questionable decisions.[47] Most of the time, frontline staff perform their jobs without much thought to their values. Their decisions are usually technical rather than values-based matters. As such, corporate culture has a fairly peripheral role in daily routine work activities.

A third problem is that organizational culture is a blunt instrument for explaining workplace behavior and for recommending how to change those behaviors. "Fix the culture" is almost meaningless because the problems prompting this advice could be due to any number of artifacts. Furthermore, some problems attributed to a poor corporate culture may be due to more mundane and precise dysfunctions—unintended consequences of poorly designed rewards, ineffective leadership, misaligned corporate strategy, biased information systems, and a host of other conditions.

Rather than blame the company's culture, we should pay more attention to specific systems, structures, behaviors, and attitudes that explain what went wrong. Furthermore, as one paper recently noted, organizational culture is often the outcome of these specific artifacts, not the cause of the problems those artifacts create.[48]

ORGANIZATIONAL CULTURE AND BUSINESS ETHICS

An organization's culture influences the ethical conduct of its employees. This makes sense because good behavior is driven by ethical values, and ethical values become embedded in an organization's dominant culture. For example, AIA Group, Hong Kong's largest life insurance company (by number of policies), has a strong culture focused on "doing the right thing, in the right way, with the right people, and the results will come." This means that employees are expected to think through the ramifications of their actions (right thing) and ensure they always work with integrity and teamwork (right way).[49]

The opposite is equally true. There are numerous instances where an organization's culture has caused unethical conduct. For example, critics claim that News Corp's news tabloids have had a culture that rewards aggressive, partisan, and sensationalistic tactics. This culture may have uncovered news, but it allegedly also pushed some journalists and executives over the ethical line, including illegally hacking into the phones of celebrities, crime victims, and politicians. A British parliamentary committee (among others) concluded that News Corp's wrongdoing was caused by a wayward culture that "permeated from the top throughout the organization." As one journalist concluded: "Phone hacking is done by employees within the corporate culture of 'whatever it takes.'"[50] The point here is that culture and ethics go hand-in-hand. To create a more ethical organization, leaders need to work on the enacted culture that steers employee behavior.

Merging Organizational Cultures

14-4

Senior executives at EllisDon, one of Canada's largest construction firms, couldn't believe their good fortune when Looby Construction indicated its interest in a take-over. Looby was a respected competitor, but EllisDon executives approached the potential acquisition cautiously. The two companies went through eight months of discussion before concluding that the acquisition made sense culturally as well as financially. "For us, the cultural fit is just as important or maybe more important than the financial side because if the culture doesn't fit, the financial side will never work," says EllisDon CEO Geoff Smith. "To ensure this, we had to open up to them just as much as they had to open up to us."[51]

EllisDon executives are acutely aware that mergers and acquisitions often fail financially when the merging organizations have incompatible cultures.[52] Unless the acquired firm is left to operate independently, companies with clashing cultures tend to undermine employee performance and customer service. Consequently, several studies estimate that only between 30 and 50 percent of corporate acquisitions add value.[53]

BICULTURAL AUDIT

bicultural audit

a process of diagnosing cultural relations between companies and determining the extent to which cultural clashes will likely occur

Organizational leaders can minimize cultural collisions in corporate mergers and fulfill their duty of due diligence by conducting a bicultural audit. A **bicultural audit** diagnoses cultural relations between the companies and determines the extent to which cultural clashes will likely occur.[54] The process begins by identifying cultural differences between the merging companies. This might occur by surveying employees or, as in the example of EllisDon and Looby Construction, through an extended series of meetings where executives and staff of both firms discuss how they think through important decisions in their business. From the survey data or meetings, the parties determine which differences between the two firms will result in conflict and which cultural values provide common ground on which to build a cultural foundation in the merged organization. The final stage involves identifying strategies and preparing action plans to bridge the two organizations' cultures.

STRATEGIES FOR MERGING DIFFERENT ORGANIZATIONAL CULTURES

In some cases, the bicultural audit results in a decision to end merger talks because the two cultures are too different to merge effectively. However, even with substantially different cultures, two companies may form a workable union if they apply the appropriate merger strategy. The four main strategies for merging different corporate cultures are assimilation, deculturation, integration, and separation (see Exhibit 14.5).[55]

Assimilation   Assimilation occurs when employees at the acquired company willingly embrace the cultural values of the acquiring organization. Typically, this strategy works best when the acquired company has a weak culture that is either similar to the acquiring company's culture or is dysfunctional, whereas the acquiring company's culture is strong and aligned with the external environment. The cultural assimilation strategy seldom produces cultural clashes because the acquiring firm's culture is highly respected and the acquired firm's culture is fairly easily altered. The assimilation strategy occurred when Southwest Airlines acquired AirTran Airways. The two firms already had similar cultures, but Southwest's legendary "Southwest way" culture also made the acquisition relatively free of culture clashes. "It's helpful that Southwest has a great cultural reputation," says a Southwest executive about the AirTran Airways acquisition.[56]

EXHIBIT 14.5   Strategies for Merging Different Organizational Cultures

MERGER STRATEGY	DESCRIPTION	WORKS BEST WHEN . . .
Assimilation	Acquired company embraces acquiring firm's culture.	Acquired firm has a weak culture and acquiring firm's culture is strong and successful.
Deculturation	Acquiring firm imposes its culture on unwilling acquired firm.	Rarely works—may be necessary only when acquired firm's culture is dysfunctional but its employees aren't yet aware of the problems.
Integration	Merging companies combine the two or more cultures into a new composite culture.	Existing cultures at both firms are relatively weak or have overlapping values and can be improved.
Separation	Merging companies remain distinct entities with minimal exchange of culture or organizational practices.	Firms operate successfully in different businesses requiring different cultures.

Sources: Based on ideas in A.R. Malekzadeh and A. Nahavandi, "Making Mergers Work by Managing Cultures," *Journal of Business Strategy* 11 (May/June 1990): 55–57; K.W. Smith, "A Brand-New Culture for the Merged Firm," *Mergers and Acquisitions* 35 (June 2000): 45–50.

Deculturation   Assimilation is rare. Employees usually resist organizational change, particularly when they are asked to throw away personal and cultural values. Under these conditions, some acquiring companies apply a *deculturation* strategy by imposing their culture and business practices on the acquired organization. The acquiring firm strips away artifacts and reward systems that support the old culture. People who cannot adopt the acquiring company's culture often lose their jobs. Deculturation may be necessary when the acquired firm's culture doesn't work, even when employees in the acquired company aren't convinced of this. However, this strategy is difficult to apply effectively because the acquired firm's employees resist the cultural intrusions from the buying firm, thereby delaying or undermining the merger process.

Integration   A third strategy is to combine the cultures of the two firms into one new composite culture that preserves the best features of the previous cultures. Integration is slow and potentially risky because there are many forces preserving the existing cultures. Still, this strategy should be considered when the companies have relatively weak cultures or when their cultures include several overlapping values. Integration works best when the cultures of both merging companies could be improved, which motivates employees to adopt the best cultural elements of the separate entities. Incorporating the best cultural elements of the original companies symbolizes that employees from both firms have meaningful values for the combined organization. "Find one thing in the organization that was good and use it as a cornerstone for a new culture," advises a respected executive who led several mergers and acquisitions. "People don't want to work for an organization for years and then be told its rubbish."[57]

Separation   A separation strategy occurs when the merging companies agree to remain distinct entities with minimal exchange of culture or organizational practices. This strategy is most appropriate when the two merging companies are in unrelated industries, because the most appropriate cultural values tend to differ by industry. Separation is also the preferred approach for the corporate cultures of diversified conglomerates. The cultural separation strategy is rare, however. Executives in acquiring firms usually have difficulty keeping their hands off the acquired firm. According to one estimate, only 15 percent of mergers leave the acquired company as a stand-alone unit.[58]

Alaska Airlines' acquisition of Virgin America brought audible gasps from customers and investment analysts alike. Both airlines are successful and their routes have a good fit, but many observers question the cultural fit of a combined airline. "I think of [Virgin America] as a young, hip airline. Alaska is more of a friendly aunt," says one business traveler. At first, Alaska CEO Brad Tilden proclaimed that both airlines have similar cultures focused on employees, customers, and safety. But after a few months, Tilden admitted he was struggling to decide whether the cultures are sufficiently different that they should be kept separate. Creating a single airline with the best cultural elements of both (integration strategy) would be more cost-efficient, but maintaining Alaska and Virgin as distinct operations (separation strategy) might avoid an internal culture clash and retain valued Virgin staff and customers. "It is the thing I'm losing the most sleep over with our merger," admits Tilden.[59]

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Changing and Strengthening Organizational Culture

14-5

Is it possible to change an organization's culture? Yes, but doing so isn't easy, the change rarely occurs quickly, and often the culture ends up changing (or replacing) corporate leaders. A few experts argue that an organization's culture "cannot be managed," so attempting to change the company's values and assumptions is a waste of time.[60] This may be an extreme view, but organizational culture experts generally agree that changing an organization's culture is a monumental challenge. At the same time, the external environment changes over time, so organizations need to shift their culture to maintain alignment with the emerging environment.

Over the next few pages, we will highlight five strategies that have had some success at altering and strengthening corporate cultures. These strategies, illustrated in Exhibit 14.6, are not exhaustive, but each seems to work well under the right circumstances.

ACTIONS OF FOUNDERS AND LEADERS

Whether deliberately or haphazardly, the company's founder usually forms an organization's culture.[61] The founder's personality, values, habits, and critical events all play a role in establishing the firm's core values and assumptions. The founder is often an inspiring visionary who provides a compelling role model for others to follow. In later years, organizational culture is reinforced through stories and legends about the founder that symbolize the core values. The influence of founders on organizational culture is evident at Alibaba, which was described at the beginning of this chapter. Lead cofounder Jack Ma embraced kung fu values, which later became the core elements of Alibaba's culture. "Alibaba is, in many ways, an extension of Jack Ma's personality," suggests one visitor from a Shanghai university who recently toured and analyzed the company. "His beliefs and values are clearly apparent in the company."[62]

Although founders usually establish an organization's culture, subsequent leaders need to actively guide, reinforce, and sometimes alter that culture.[63] This advice was recently echoed by Bill Emerson, CEO of Quicken Loans. "If you don't spend time to create a culture in your organization, one will create itself. And the one that creates itself is probably not going to be good."[64] The process of leading cultural change is associated with both transformational leadership and authentic leadership (see Chapter 12). In each of those models, leaders base their words and actions on personal

values, and those values potentially become a reflection of the organization's values. For instance, one recent study found that the preferred conflict-handling style of leaders influences the work unit's or organization's cultural expectations on how employees address conflict situations. Another study reported that work units or companies with strong servant leadership were more likely to have a culture that valued providing service to others.[65]

ALIGN ARTIFACTS WITH THE DESIRED CULTURE

Artifacts represent more than just the visible indicators of a company's culture. They are also mechanisms that keep the culture in place or shift the culture to a new set of values and assumptions. As we discuss in the next chapter on organizational change, systems and structures are important instruments to support the desired state of affairs. These systems and structures are artifacts, such as the workplace layout, reporting structure, office rituals, type of information distributed, and language that is reinforced or discouraged. Corporate cultures can also be strengthened through the artifacts of stories and behaviors. According to Max De Pree, former CEO of furniture manufacturer Herman Miller Inc., every organization needs "tribal storytellers" to keep the organization's history and culture alive.[66] Leaders play a role by creating memorable events that symbolize the cultural values they want to develop or maintain.

INTRODUCE CULTURALLY CONSISTENT REWARDS AND RECOGNITION

Reward systems and informal recognition practices are artifacts, but they deserve separate discussion because of their powerful effect on strengthening or reshaping an organization's culture.[67] For example, to change Home Depot's freewheeling culture, Robert Nardelli introduced precise measures of corporate performance and drilled managers with weekly performance objectives related to those metrics. A two-hour weekly

conference call became a ritual in which Home Depot's top executives were held accountable for the previous week's goals. These actions reinforced a more disciplined (and centralized) performance-oriented culture.[68]

SUPPORT WORKFORCE STABILITY AND COMMUNICATION

An organization's culture is embedded in the minds of its employees. Organizational stories are rarely written down; rituals and ceremonies do not usually exist in procedure manuals; organizational metaphors are not found in corporate directories. Thus, a strong culture depends on a stable workforce. Workforce stability is important because it takes time for employees to fully understand the organization's culture and how to enact it in their daily work lives. The organization's culture can literally disintegrate during periods of high turnover and precipitous downsizing because the corporate memory leaves with these employees.

Along with workforce stability, a strong organizational culture depends on a workplace where employees regularly interact with each other. This ongoing communication enables employees to develop shared language, stories, and other artifacts. Alibaba's headquarters has played an important role in this regard. The new campus in Hangzhou aggregates employees who were previously dispersed in various buildings around the city. Furthermore, the campus's central commons and each building's open-space layout encourage spontaneous informal interaction among employees.

USE ATTRACTION, SELECTION, AND SOCIALIZATION FOR CULTURAL FIT

A valuable way to strengthen and possibly change an organization's culture is to recruit and select job applicants whose values are compatible with the culture. One recent survey of more than 2,000 American hiring managers and human resource managers found that a job applicant's fit with the company's culture was the second most important factor in hiring that person (applicant skills was the top priority). A global poll of almost 170,000 people in 30 countries reported that the organization's culture has the greatest influence on their decision to apply for a job.[69]

This process of recruiting, selecting, and retaining applicants whose values are congruent with the organization's culture is explained by **attraction–selection–attrition (ASA) theory.**[70] ASA theory states that organizations have a natural tendency to attract, select, and retain people with values and personality characteristics that are consistent with the organization's character, resulting in a more homogeneous organization and a stronger culture.

attraction–selection–attrition (ASA) theory
a theory that states that organizations have a natural tendency to attract, select, and retain people with values and personality characteristics that are consistent with the organization's character, resulting in a more homogeneous organization and a stronger culture

- *Attraction.* Job applicants engage in self-selection by avoiding prospective employers whose values seem incompatible with their own values.[71] They look for subtle artifacts during interviews and through public information that communicate the company's culture. Some organizations often encourage this self-selection by actively describing their cultures. At Bankwest, for instance, job seekers can complete an online quiz that estimates their fit with the Australian financial institution's collegial, developmental, customer-focused culture.[72]

- *Selection.* How well the person "fits in" with the company's culture is often a factor in deciding which job applicants to hire.[73] Zappos carefully selects applicants whose personal values are aligned with the company's values. The applicant is first assessed for technical skills and experience at the online shoe and clothing retailer, then the applicant receives "a separate set of interviews purely for culture fit," says CEO Tony Hsieh. Unusual methods are sometimes applied to estimate an applicant's cultural fit. For example, to determine an applicant's humility (one of Zappos' core values), staff ask the Zappos-hired driver how

global connections 14.1

Spinning the Wheel for Culture Fit

As one of the world's most successful adventure travel companies, G Adventures depends on a strong culture to guide employee decisions and behavior. The Toronto-based firm maintains a strong culture by carefully hiring people whose values are compatible with its culture. "You can teach people the skills they need but you can't teach culture," explains G Adventures founder Bruce Poon Tip.

Job applicants short-listed by senior staff participate in the company's quirky G-Factor Interview, which is conducted by a random selection of three frontline staff. Job interviews at Base Camp (Toronto headquarters) occur in the "ball pit," the small room shown in this photo filled about one-foot-high with plastic balls. The applicant answers several questions randomly chosen from the spin of a large prize wheel on the wall (left side of this photo). The questions are unusual, such as: "If you had a tattoo on your forehead, what would it be?" Employees listen carefully to the answers to determine whether the applicant's values are compatible with G Adventures' culture. Applicants who fail the G-Factor Interview don't get hired, even if they have exceptional skills.[74]
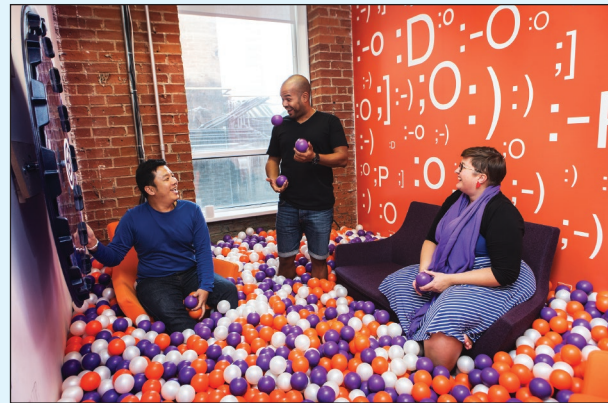
well he or she was treated by the applicant during the drive to the company's headquarters.

- *Attrition.* People are motivated to seek environments that are sufficiently congruent with their personal values and to leave environments that are a poor fit. This occurs because person–organization values congruence supports their social identity and minimizes internal role conflict. Even if employees aren't forced out, many quit when values incongruence is sufficiently high.[75] Zappos, G Adventures, and a few other companies will even pay newcomers to quit within the first few weeks of employment if they think there is a cultural mismatch.

Organizational Socialization

14-6

organizational socialization
the process by which individuals learn the values, expected behaviors, and social knowledge necessary to assume their roles in the organization

Organizational socialization is another process that companies rely on to maintain a strong corporate culture and, more generally, help newcomers adjust to the workplace. **Organizational socialization** is the process by which individuals learn the values, expected behaviors, and social knowledge necessary to assume their roles in the organization.[76] This process can potentially change employee values to become more aligned with the company's culture. However, changing an employee's personal values is much more difficult than is often assumed, because values are fairly stable beyond early adulthood. More likely, effective socialization gives newcomers a clearer understanding about the company's values and how they are translated into specific on-the-job behaviors.[77]

Along with supporting the organization's culture, socialization helps newcomer adjustment to coworkers, work procedures, and other corporate realities. Research indicates that when research-supported organizational socialization practices are applied, new hires tend to perform better, have higher job satisfaction, and remain longer with the organization.[78]

LEARNING AND ADJUSTMENT PROCESS

Organizational socialization is a process of both learning and adjustment. It is a learning process because newcomers try to make sense of the company's physical workplace, social dynamics, and strategic and cultural environment. They learn about the organization's performance expectations, power dynamics, corporate culture, company history, and jargon. They also need to form successful and satisfying relationships with other people from whom they can learn the ropes.[79] In other words, effective socialization supports newcomers' *organizational comprehension*. It accelerates development of an accurate cognitive map of the physical, social, strategic, and cultural dynamics of the organization. Ideally, this learning should be distributed over time to minimize information overload.

Organizational socialization is also an adjustment process because individuals need to adapt to their new work environment. They develop new work roles that reconfigure their social identity, adopt new team norms, and practice new behaviors.[80] The adjustment process is fairly rapid for many people, usually occurring within a few months. However, newcomers with diverse work experience seem to adjust better than those with limited previous experience, possibly because they have a larger toolkit of knowledge and skills to make the adjustment possible.[81]

psychological contract
the individual's beliefs about the terms and conditions of a reciprocal exchange agreement between that person and another party (typically an employer)

PSYCHOLOGICAL CONTRACTS

The **psychological contract** refers to the individual's beliefs about the terms and conditions of a reciprocal exchange agreement between that person and another party (the employer in most work situations). The psychological contract is a perception formed during recruitment and throughout the organizational socialization process about what the employee is entitled to receive and is obliged to offer the employer in return.[82]

Job applicants form perceptions of what the company will offer them by way of career and learning opportunities, job resources, pay and benefits, quality of management, job security, and so forth. They also form perceptions about what the company expects from them, such as hours of work, continuous skill development, and demonstrated loyalty. The psychological contract continues to develop and evolve after job applicants become employees, but they are also continuously testing the employer's fulfillment of that exchange relationship.

Steve Wu assumed that his new job as an investment analyst would involve long hours working on prestigious fast-paced deals. The recent UCLA graduate experienced the long hours, but much of the work was drudgery. The reality shock and psychological contract violation motivated Wu to quit for a mobile-gaming start-up just one month before his first year, forfeiting a five-figure bonus. Chris Martinez also expected long hours at the private equity firm that hired him, but admits the work involved "repetitive, simple work" on spreadsheets, little of which was ever seen by corporate clients. "It's almost expected that an analyst, especially in their first year, is just going to be miserable," says Martinez, who has since quit. Wu and Martinez aren't alone feeling that their psychological contracts had been violated. One recent study found that new hires at a dozen investment banks stayed an average of only 17 months, down from 26 months a decade earlier and 30 months two decades ago.[85]
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Types of Psychological Contracts   Some psychological contracts are more transactional whereas others are more relational.[83] Transactional contracts are primarily short-term economic exchanges. Responsibilities are well defined around a fairly narrow set of obligations that do not change over the life of the contract. People hired in temporary positions and as consultants tend to have transactional contracts. To some extent, new employees also form transactional contracts until they develop a sense of continuity with the organization.[84]

Relational contracts, on the other hand, are rather like marriages; they are long-term attachments that encompass a broad array of subjective mutual obligations. Employees with a relational psychological contract are more willing to contribute

their time and effort without expecting the organization to pay back this debt in the short term. Relational contracts are also dynamic, meaning that the parties tolerate and expect that mutual obligations are not necessarily balanced in the short run. Not surprisingly, organizational citizenship behaviors are more likely to prevail under relational than transactional contracts. Permanent employees are more likely to believe they have a relational contract.

STAGES OF ORGANIZATIONAL SOCIALIZATION

Organizational socialization is a continuous process, beginning long before the first day of employment and continuing throughout one's career within the company. However, it is most intense when people move across organizational boundaries, such as when they first join a company or get transferred to an international assignment. Each of these transitions is a process that can be divided into three stages. Our focus here is on the socialization of new employees, so the three stages are called preemployment socialization, encounter, and role management (see Exhibit 14.7). These stages parallel the individual's transition from outsider to newcomer and then to insider.[86]

Stage 1: Preemployment Socialization   Think back to the months and weeks before you began working in a new job (or attending a new school). You actively searched for information about the company, formed expectations about working there, and felt some anticipation about fitting into that environment. The preemployment socialization stage encompasses all the learning and adjustment that occurs before the first day of work. In fact, a large part of the socialization adjustment process occurs during this stage.[87]

The main problem with preemployment socialization is that outsiders rely on indirect information about what it is like to work in the organization. This information is often distorted by inherent conflicts during the mating dance between employer and applicant.[88] One conflict occurs between the employer's need to attract qualified applicants and the applicant's need for complete information to make accurate employment decisions. Many firms describe only positive aspects of the job and company, causing applicants to accept job offers with incomplete or false expectations.

Another conflict that prevents accurate exchange of information occurs when applicants avoid asking important questions about the company because they want to convey a favorable image to their prospective employer. For instance, applicants usually don't like to ask about starting salaries and promotion opportunities because

EXHIBIT 14.7   **Stages of Organizational Socialization**

Preemployment Socialization (Outsider)	Encounter (Newcomer)	Role Management (Insider)	Socialization Outcomes
• Learn about the organization and job • Form employment relationship expectations	• Test expectations against perceived realities	• Strengthen work relationships • Practice new role behaviors • Resolve work–nonwork conflicts	• Higher motivation • Higher loyalty • Higher satisfaction • Lower stress • Lower turnover

global connections 14.2

Connected Socialization at trivago

Trivago, the world's largest hotel search company, puts considerable resources into its talent (employee) socialization process. Before their first day of work, new hires are assigned a buddy to answer their questions. The entire first week of employment is dedicated to socialization and other aspects of onboarding at the company's headquarters in Düsseldorf, Germany. Throughout the week, new employees attend information sessions (as shown in this photo) and enjoy several events that help them learn more about the company and form strong bonds with each other. "The whole mission during this week is to get to know trivago, integrate into our culture here, and get to know as many people as possible," explains Samantha Strube, trivago's talent integration team leader.[89]

© Trivago

it makes them seem greedy or aggressive. Yet, unless the employer provides this information, applicants might fill in the missing details with false assumptions that produce inaccurate expectations.

Two other types of conflict tend to distort preemployment information for employers. Applicants engage in impression management when seeking employment, and this tends to motivate them to hide negative information, act out of character, and occasionally embellish information about their past accomplishments. At the same time, employers are sometimes reluctant to ask certain questions or use potentially valuable selection devices because they might scare off applicants. Unfortunately, employers form inaccurate expectations about job candidates because they receive exaggerated résumés and are often reluctant to ask for more delicate information from those applicants.

Stage 2: Encounter   The first day on the job typically marks the beginning of the encounter stage of organizational socialization. This is the stage in which newcomers test how well their preemployment expectations fit reality. Many companies fail that test, resulting in **reality shock**—the stress that results when employees perceive discrepancies between their preemployment expectations and on-the-job reality.[90] Reality shock doesn't necessarily occur on the first day; it might develop over several weeks or even months as newcomers form a better understanding of their new work environment.

Reality shock is common in many organizations.[91] Newcomers sometimes face *unmet expectations* whereby the employer doesn't deliver on its promises, such as failing to provide challenging projects or the resources to get the work done. However, new hires also experience reality shock due to *unrealistic expectations,* which are distorted work expectations formed from the information exchange conflicts described earlier. Whatever the cause, reality shock impedes the learning and adjustment process because the newcomer's energy is directed toward managing the resulting stress.[92]

Stage 3: Role Management   Role management, the third stage of organizational socialization, really begins during preemployment socialization, but it is most active as employees make the transition from newcomers to insiders. They strengthen relationships

reality shock
the stress that results when employees perceive discrepancies between their preemployment expectations and on-the-job reality

with coworkers and supervisors, practice new role behaviors, and adopt attitudes and values consistent with their new positions and the organization. Role management also involves resolving the conflicts between work and nonwork activities, including resolving discrepancies between their personal values and those emphasized by the organizational culture.

IMPROVING THE SOCIALIZATION PROCESS

Companies have a tendency to exaggerate positive features of the job and neglect to mention the undesirable elements. Their motivation is to attract as many job applicants as possible, which they assume will improve the selection choices. Unfortunately, this flypaper approach often ends badly. Those hired soon discover that the actual workplace is not as favorable as the employer's marketing hype (i.e., unmet expectations), resulting in reality shock and a broken psychological contract. In contrast, a **realistic job preview (RJP)** offers a balance of positive and negative information about the job and work context.[93] This balanced description of the company and work helps job applicants decide for themselves whether their skills, needs, and values are compatible with the job and organization.

RJPs scare away some applicants, but they also tend to reduce turnover and increase job performance.[94] This occurs because RJPs help applicants develop more accurate pre-employment expectations, which, in turn, minimize reality shock. RJPs represent a type of vaccination by preparing employees for the more challenging and troublesome aspects of work life. There is also some evidence that RJPs increase affective organizational commitment. One explanation is that companies providing candid information are easier to trust. Another explanation is that RJPs show respect for the psychological contract and concern for employee welfare.[95]

Socialization Agents   Ask new employees what most helped them adjust to their jobs and chances are they will mention helpful coworkers, bosses, or maybe even friends who work elsewhere in the organization. The fact is, socialization agents play a central role in this process.[96] Supervisors tend to provide technical information, performance feedback, and information about job duties. They also improve the socialization process by giving newcomers reasonably challenging first assignments, buffering them from excessive demands, helping them form social ties with coworkers, and generating positive emotions around their new work experience.[97]

Coworkers are important socialization agents because they are easily accessible, can answer questions when problems arise, and serve as role models for appropriate behavior. New employees tend to receive this information and support when coworkers welcome them into the work team. Coworkers also aid the socialization process by being flexible and tolerant in their interactions with new hires.

Newcomer socialization is most successful when companies help to strengthen social bonds between the new hires and current employees. Cisco Systems is a role model in this regard. For example, one newcomer at the California-based Internet technology company recently described how during the first two weeks teammates helped her learn about the work context, took her out to restaurants, actively sought her ideas in team meetings, and held a game night so everyone could have fun socializing after work. Lupin Limited has a popular buddy system that not only improves socialization of newcomers at the Mumbai, India, pharmaceutical company; it has also become a valuable form of leadership development for the buddy coworker. "A happy by-product of the buddy program is the biggest supervisor training program the company has ever conducted in its history," says Divakar Kaza, Lupin's president of human resources.[98]

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realistic job preview (RJP) a method of improving organizational socialization in which job applicants are given a balance of positive and negative information about the job and work context

chapter summary

14-1 Describe the elements of organizational culture and discuss the importance of organizational subcultures.

Organizational culture consists of the values and assumptions shared within an organization. Shared assumptions are nonconscious, taken-for-granted perceptions or beliefs that have worked so well in the past that they are considered the correct way to think and act toward problems and opportunities. Values are stable, evaluative beliefs that guide our preferences for outcomes or courses of action in a variety of situations.

Organizations differ in their cultural content, that is, the relative ordering of values. There are several classifications of organizational culture, but they tend to oversimplify the wide variety of cultures and completely ignore the underlying assumptions of culture. Organizations have subcultures as well as the dominant culture. Subcultures maintain the organization's standards of performance and ethical behavior. They are also the source of emerging values that replace misaligned core values.

14-2 Describe four categories of artifacts through which corporate culture is deciphered.

Artifacts are the observable symbols and signs of an organization's culture. Four broad categories of artifacts include organizational stories and legends, rituals and ceremonies, language, and physical structures and symbols. Understanding an organization's culture requires the assessment of many artifacts because they are subtle and often ambiguous.

14-3 Discuss the importance of organizational culture and the conditions under which organizational culture strength improves organizational performance.

Organizational culture has three main functions: a form of social control, the "social glue" that bonds people together, and a way to help employees make sense of the workplace. Companies with strong cultures generally perform better than those with weak cultures, but only when the cultural content is appropriate for the organization's environment. Also, the culture should not be so strong that it drives out dissenting values, which may form emerging values for the future. Organizations should have adaptive cultures in which employees support ongoing change in the organization and their own roles.

14-4 Compare and contrast five strategies for merging organizational cultures.

Organizational culture clashes are common in mergers and acquisitions. This problem can be minimized by performing a bicultural audit to diagnose the compatibility of the organizational cultures. The four main strategies for merging different corporate cultures are integration, deculturation, assimilation, and separation.

14-5 Describe five strategies for changing and strengthening an organization's culture, including the application of attraction–selection–attrition theory.

An organization's culture begins with its founders and leaders, because they use personal values to transform the organization. The founder's activities are later retold as organizational stories. Companies also introduce artifacts as mechanisms to maintain or change the culture. A related strategy is to introduce rewards and recognition practices that are consistent with the desired cultural values. A fourth method to change and strengthen an organization's culture is to support workforce stability and communication. Stability is necessary because culture exists in employees. Communication activities improve sharing of the culture. Finally, companies strengthen and change their culture by attracting and selecting applicants with personal values that fit the company's culture, by encouraging those with misaligned values to leave the company, and by engaging in organizational socialization—the process by which individuals learn the values, expected behaviors, and social knowledge necessary to assume their roles in the organization.

14-6 Describe the organizational socialization process and identify strategies to improve that process.

Organizational socialization is the process by which individuals learn the values, expected behaviors, and social knowledge necessary to assume their roles in the organization. It is a process of both learning and adjustment. During this process, job applicants and newcomers develop and test their psychological contract—personal beliefs about the terms and conditions of a reciprocal exchange agreement between that person and another party (the employer).

Employees typically pass through three socialization stages: preemployment, encounter, and role management. To manage the socialization process, organizations should introduce realistic job previews (RJPs) and recognize the value of socialization agents in the process. These RJPs give job applicants a realistic balance of positive and negative information about the job and work context. Socialization agents provide information and social support during the socialization process.

key terms

adaptive culture, p. 397

artifacts, p. 391

attraction–selection–attrition (ASA) theory, p. 403

bicultural audit, p. 399

ceremonies, p. 394

organizational culture, p. 387

organizational socialization, p. 404

psychological contract, p. 405

realistic job preview (RJP), p. 408

reality shock, p. 407

rituals, p. 393

critical thinking questions

1. Superb Consultants has submitted a proposal to analyze your organization's culture. The proposal states that Superb has developed a revolutionary new survey to tap the company's true culture. The survey takes just 10 minutes to complete, and the consultants say results can be based on a small sample of employees. Discuss the merits and limitations of this proposal.

2. Some people suggest that the most effective organizations have the strongest cultures. What do we mean by the "strength" of organizational culture, and what possible problems are there with a strong organizational culture?

3. The CEO of a manufacturing firm wants everyone to support the organization's dominant culture of lean efficiency and hard work. The CEO has introduced a new reward system to reinforce this culture and personally interviews all professional and managerial applicants to ensure that they bring similar values to the organization. Some employees who criticized these values had their careers sidelined until they left. Two midlevel managers were fired for supporting contrary values, such as work–life balance. Based on your knowledge of organizational subcultures, what potential problems is the CEO creating?

4. Identify at least two artifacts you have observed in your department or school from each of the four broad categories: (a) organizational stories and legends, (b) rituals and ceremonies, (c) language, and (d) physical structures and symbols.

5. "Organizations are more likely to succeed when they have an adaptive culture." What can an organization do to foster an adaptive culture?

6. Suppose you are asked by senior officers of a city government to identify ways to reinforce a new culture of teamwork and collaboration. The senior executive group clearly supports these values, but it wants everyone in the organization to embrace them. Identify four types of activities that would strengthen these cultural values.

7. Is it possible to have knowledge of what an organizational culture is before you become part of the organization? How important is it for you to align yourself with your organizational culture?

8. Socialization is most intense when people pass through organizational boundaries. One example is your entry into the college or university that you are now attending. What learning and adjustment occurred as you moved from outsider to newcomer to insider as a student here?

9. In Chapter 2 we discussed "values across cultures," including individualism, collectivism, power distance, uncertainty avoidance, and achievement orientation. How are these national cultures different from and similar to an organization's culture?

CASE STUDY: HILLTON'S TRANSFORMATION

Twenty years ago, Hillton was a small city (about 70,000 residents) that served as an outer suburb to a large metropolitan city. Hillton treated city employees like family and gave them a great deal of autonomy in their work. Everyone in the organization (including the two labor unions representing employees) implicitly agreed that the leaders and supervisors of the organization should rise through the ranks based on their experience. Few people were ever hired from the outside into middle or senior positions. The rule of employment at Hillton was to learn the job skills, maintain a reasonably good work record, and wait your turn for promotion.

As Hillton's population grew, so did the city's workforce, to keep pace with the increasing demand for municipal services. This meant that employees were promoted fairly quickly and were almost assured lifetime employment. Until recently, Hillton had never laid off any employee. The organization's culture could be described as one of entitlement and comfort. Neither the elected city council members nor the city manager bothered departmental managers about their work. There were few cost controls because the rapid growth placed more emphasis on keeping up with the population expansion.

The public became somewhat more critical of the city's poor service, including road construction at inconvenient times and the apparent lack of respect some employees showed toward taxpayers.

During these expansion years, Hillton put most of its money into "outside" (also called "hard") municipal services. These included road building, utility construction and maintenance, fire and police protection, recreational facilities, and land use control. This emphasis occurred because an expanding population demanded more of these services, and most of Hillton's senior people came from the outside services group. For example, Hillton's city manager for many years was a road development engineer. The "inside" workers (taxation, community services, etc.) tended to have less seniority, and their departments were given less priority.

As commuter and road systems developed, Hillton attracted more upwardly mobile professionals into the community. Some infrastructure demands continued, but now these suburban dwellers wanted more of the "soft" services, such as libraries, social activities, and community services. They also began complaining about the way the municipality was being run. The population had more than

tripled between the 1960s and 1990s, and it was increasingly apparent that the organization needed more corporate planning, information systems, organization development, and cost control systems. In various ways, residents voiced their concerns that the municipality was not providing the quality of management that they would expect from a city of its size.

A few years ago, a new mayor and council replaced most of the previous incumbents, mainly on the platform of improving the municipality's management structure. The new council gave the city manager, along with two other senior managers, an early retirement buyout package. Rather than promoting from the lower ranks, the council decided to fill all three positions with qualified candidates from large municipal corporations in the region. The following year, several long-term managers left Hillton, and at least half of those positions were filled by people from outside the organization.

In less than two years, Hillton had eight senior or departmental managers hired from other municipalities who played a key role in changing the organization's value system. These eight managers became known (often with negative connotations) as the "professionals." They worked closely with one another to change the way middle- and lower-level managers had operated for many years. They brought in a new computer system and emphasized cost controls where managers previously had complete autonomy. Promotions were increasingly based more on merit than seniority.

The professionals frequently announced in meetings and newsletters that municipal employees must provide superlative customer service and that Hillton would become one of the most customer-friendly places for citizens and those who do business with the municipality. To this end, these managers were quick to support the public's increasing demand for more soft services, including expanded library services and recreational activities. And when population growth recently flattened out, the city manager and other professionals gained council support to lay off a few of the outside workers due to lack of demand for hard services.

One of the most significant changes was that the outside departments no longer held dominant positions in city management. Most of the professional managers had worked exclusively in administrative and related inside jobs. Two had master's of business administration degrees. This led to some tension between the professional managers and the older outside managers.

Even before the layoffs, managers of outside departments resisted the changes more than others. These managers complained that their employees with the highest seniority were turned down for promotions. They argued for more budget and warned that infrastructure problems would cause liability problems. Informally, these outside managers were supported by the labor union representing outside workers. The union leaders tried to bargain for more job guarantees, whereas the union representing inside workers focused more on improving wages and benefits. Leaders of the outside union made several statements in the local media that the city had "lost its heart" and that the public would suffer from the actions of the new professionals.

Discussion Questions

1. Contrast Hillton's earlier corporate culture with the emerging set of cultural values.
2. Considering the difficulty in changing organizational culture, why does Hillton's management seem to have been successful in this transformation?
3. Identify two other strategies that the city might consider to reinforce the new set of corporate values.

TEAM EXERCISE: ORGANIZATIONAL CULTURE METAPHORS

By David L. Luechauer, Butler University; and Gary M. Shulman, Miami University

PURPOSE Both parts of this exercise are designed to help you understand, assess, and interpret organizational culture using metaphors.

PART A: ASSESSING YOUR SCHOOL'S CULTURE

Instructions A metaphor is a figure of speech that contains an implied comparison between a word or phrase that is ordinarily used for one thing but can be applied to another. Metaphors also carry a great deal of hidden meaning; they say a lot about what we think and feel about that object. Therefore, this activity asks you to use several metaphors to define the organizational culture of your university, college, or institute. (Alternatively, the instructor might ask students to assess another organization that most students know about.)

Step 1: The class will be divided into teams of four to six members.

Step 2: Each team will reach consensus on which words or phrases should be inserted in the blanks of the

statements presented next. This information should be recorded on a flip chart or overhead acetate for class presentation. The instructor will provide 15 to 20 minutes for teams to determine which words best describe the college's culture.

If our school was an animal, it would be a(n) _____ because _____.

If our school was a food, it would be _____ because _____.

If our school was a place, it would be _____ because _____.

If our school was a season, it would be _____ because _____.

If our school was a TV show or movie, it would be _____ because _____.

Step 3: The class will listen to each team present the metaphors that it believes symbolizes the school's culture. For example, a team that picks winter for a season might mean they are feeling cold or distant about the school and its people.

Step 4: The class will discuss the questions stated next.

Discussion Questions for Part A

1. How easy was it for your group to reach consensus regarding these metaphors? What does that imply about the culture of your school?

2. How do you see these metaphors in action? In other words, what are some critical school behaviors or other artifacts that reveal the presence of your culture?

3. Think of another organization to which you belong (e.g., work, religious congregation). What are its dominant cultural values, how do you see them in action, and how do they affect the effectiveness of that organization?

PART B: ANALYZING AND INTERPRETING CULTURAL METAPHORS

Instructions Previously, you completed a metaphor exercise to describe the corporate culture of your school. That exercise gave you a taste of how to administer such a diagnostic tool and draw inferences from the results generated. This activity builds on that experience and is designed to help refine your ability to analyze such data and make suggestions for improvement. Five work teams (four to seven members, mixed gender in all groups) of an organization located in Cincinnati completed the metaphor exercise similar to the exercise in which you participated in class (see Part A earlier). Their responses are shown in the following table. Working in teams, analyze the information in this table and answer these questions:

Discussion Questions for Part B

1. In your opinion, what are the dominant cultural values in this organization? Explain your answer.
2. What are the positive aspects of this type of culture?
3. What are the negative aspects of this type of culture?
4. What is this organization's main business, in your opinion? Explain your answer.
5. These groups all reported to one manager. What advice would you give to her about this unit?

Metaphor Results of Five Teams in a Cincinnati Organization

TEAM	ANIMAL	FOOD	PLACE	TV SHOW	SEASON
1	Rabbit	Big Mac	Casino	*Parks & Recreation*	Spring
2	Horse	Taco	Racetrack	*CSI*	Spring
3	Elephant	Ribs	Circus	*Big Bang Theory*	Summer
4	Eagle	Big Mac	Las Vegas	*Shark Tank (Dragon's Den)*	Spring
5	Panther	Chinese	New York	*Criminal Minds*	Racing

Note: The television shows listed here are current or recently broadcast programs whose characteristics are similar to those listed in the originally listed TV shows.

Source: Adapted from D.L. Luechauer and G.M. Shulman, "Using a Metaphor Exercise to Explore the Principles of Organizational Culture," *Journal of Management Education* 22 (December 1998), 736–44.

CLASS EXERCISE: DIAGNOSING CORPORATE CULTURE PROCLAMATIONS

PURPOSE This exercise is designed to help you understand the importance of and context in which corporate culture is identified and discussed in organizations.

INSTRUCTIONS This exercise is a take-home activity, although it can be completed in classes where computers and Internet connections are available. The instructor will divide the class into small teams (typically four or five people per team). Each team is assigned a specific industry—such as energy, biotechnology, or computer hardware.

The team's task is to search the websites of several companies in the selected industry for company statements about their corporate cultures. Use company website search engines (if they exist) to find documents with key phrases such as "corporate culture" or "company values."

In the next class, or at the end of the time allotted in the current class, students will report on their observations by answering the following three discussion questions.

Discussion Questions

1. What values seem to dominate the corporate cultures of the companies you searched? Are these values similar or diverse across companies in the industry?

2. What was the broader content of the web pages on which these companies described or mentioned their corporate cultures?

3. Do companies in this industry refer to their corporate cultures on their websites more or less than companies in other industries searched by teams in this class?

Organizational Change

As one of PayPal's first executives and a cofounder of Yammer, David Sacks is no stranger to the challenges of leading Silicon Valley start-ups. Yet Sacks's change agent skills were thoroughly tested when he was recently thrust into the role of Zenefits CEO after its founder suddenly quit.

In just two years, Zenefits had rocketed to a valuation of $4.5 billion by providing cloud-based software at a low price (or free for basic services) and earning revenue as a broker of health insurance sold through that software. The company developed a campus frat-house reputation with alcohol-fueled celebrations and casual attention to rules and regulations.

It was this disregard for regulations that sailed Zenefits into turbulent waters. The company had hired people so quickly that many of its insurance sales staff didn't have licenses to sell insurance to clients in several states; several of them didn't have a license to sell insurance anywhere. Employees were advised to take the licensing course, but the company didn't have sufficient compliance standards and managers didn't enforce the

rules. In fact, Zenefits' founder quit after admitting that he created a browser extension that faked employee online attendance in the mandatory 52-hour insurance training program. Sacks had recently joined Zenefits as chief operating officer. With the founder gone and several state regulators asking questions, the board appointed Sacks as CEO.

The first step in Sacks's change strategy was to clearly and strongly communicate to employees the urgency for change. "I believe that Zenefits has a great future ahead, but only if we do the right things," Sacks emailed all staff on the day he took over. "We sell insurance in a highly regulated industry. In order to do that, we must be properly licensed. For us, compliance is like oxygen. Without it, we die." His email also emphasized the core vision that Zenefits' service "makes entrepreneurship more accessible to everyone" and that employees are "cofounders in this new path forward."

Sacks made several structural changes to reinforce the new culture and practices. He replaced the company's previous freewheeling cultural values with three new ones, the first of which is "operate with integrity." He created a new position of chief compliance officer and appointed a former federal prosecutor into that role. Sacks refocused Zenefits around small business clients, shut down its Arizona sales office (where many of the license violations had occurred), simplified the organizational structure around customers, and banned alcohol in the office.

To highlight the seriousness of these organizational changes, Sacks offered a voluntary separation package to any employee who didn't want to give their full support to the company's future. "The next few

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Zenefits CEO David Sacks applied several organizational change practices to transform the Silicon Valley start-up into a compliance-based company.

months are going to be an exciting time at Zenefits and we want everyone participating in that," Sacks wrote in an email to staff four months after becoming CEO. "But if you can't get excited about that, then frankly we need you to make space for someone who will. Because Zenefits is at a point where will matters as much as skill, and we need everyone committed and contributing to the push ahead."[1]

David Sacks's transformation of Zenefits to a compliance-based company illustrates many of the strategies and practices necessary to successfully change organizations. It reveals how leaders create an urgency for change, revise systems and structures to support the change, and continuously communicate the change process. Although the Zenefits change process seems to have proceeded smoothly, most organizational change is messy, requiring considerable leadership effort and vigilance. As we will describe throughout this chapter, the challenge of change is not just in deciding which way to go; the challenge is in the execution of this strategy. When leaders discover the need for change and identify some ideas about the preferred route to a better future, the change process involves navigating around the numerous obstacles and gaining organizationwide support for that change.

This chapter unfolds as follows. We begin by introducing Lewin's model of change and its component parts. This discussion includes sources of resistance to change, ways to minimize this resistance, and ways to stabilize desired behaviors. Next, the chapter examines four approaches to organizational change—action research, appreciative inquiry, large group interventions, and parallel learning structures. The last section of this chapter considers both cross-cultural and ethical issues in organizational change.

Lewin's Force Field Analysis Model

15-1

"The velocity of change is so rapid, so quick, that if you don't accept the change and move with the change, you're going to be left behind."[2] This statement by BHP Billiton chair Jacques Nasser highlights one of the messages throughout this book: organizations operate as open systems that need to keep pace with ongoing changes in their external environment, such as consumer needs, global competition, technology, community expectations, government (de)regulation, and environmental standards. Successful organizations monitor their environments and take appropriate steps to maintain a compatible fit with new external conditions. Rather than resisting change, employees in successful companies embrace change as an integral part of organizational life. "I've always believed that when the rate of change inside an institution becomes slower than the rate of change outside, the end is in sight," says former General Electric CEO Jack Welch. "The only question is when."[3]

EXHIBIT 15.1

**Lewin's Force Field
Analysis Model**
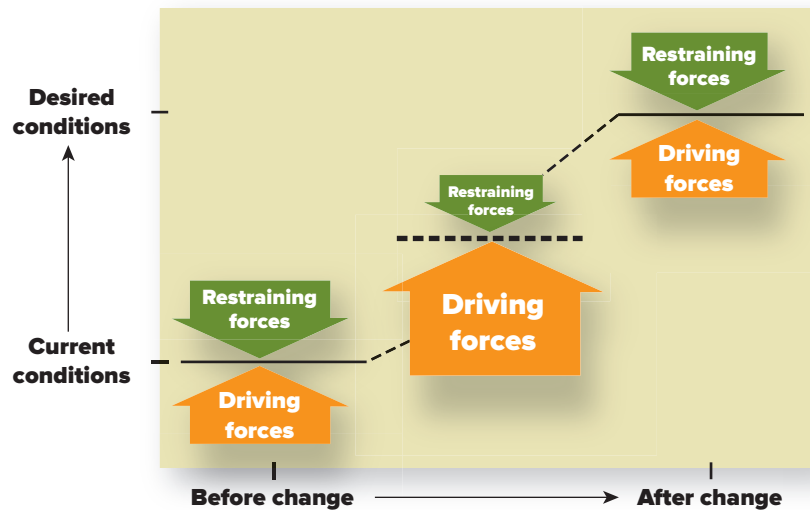
It is easy to see environmental forces pushing companies to change. What is more difficult to see is the complex interplay of these forces on the internal dynamics of organizations. Social psychologist Kurt Lewin developed the force field analysis model to describe this process using the metaphor of a force field (see Exhibit 15.1).[4] Although it was developed more than 50 years ago, recent reviews affirm that Lewin's **force field analysis** model remains one of the most widely respected ways of viewing the change process.[5]

One side of the force field model represents the *driving forces* that push organizations toward a new state of affairs. These might include new competitors or technologies, evolving workforce expectations, or a host of other environmental changes. Corporate leaders also produce driving forces even when external forces for change aren't apparent. For instance, some experts call for "divine discontent" as a key feature of successful organizations, meaning that leaders continually urge employees to strive for higher standards or better practices. Even when the company outshines the competition, employees believe they can do better. "We have a habit of divine discontent with our performance," says creative agency Ogilvy & Mather about its corporate culture. "It is an antidote to smugness."[6]

The other side of Lewin's model represents the *restraining forces* that maintain the status quo. These restraining forces are commonly called "resistance to change" because they appear to block the change process. Stability occurs when the driving and restraining forces are roughly in equilibrium—that is, they are of approximately equal strength in opposite directions.

Lewin's force field model emphasizes that effective change occurs by **unfreezing** the current situation, moving to a desired condition, and then **refreezing** the system so it remains in the desired state. Unfreezing involves producing disequilibrium between the driving and restraining forces. As we will describe later, this may occur by increasing the driving forces, reducing the restraining forces, or combining of both. Refreezing occurs when the organization's systems and structures are aligned with the desired behaviors. They must support and reinforce the new role patterns and prevent the organization from slipping back into the old way of doing things. Over the next few pages, we use Lewin's model to understand why change is blocked and how the process can evolve more smoothly.

force field analysis	unfreezing	refreezing
Kurt Lewin's model of systemwide change that helps change agents diagnose the forces that drive and restrain proposed organizational change	the first part of the change process, in which the change agent produces disequilibrium between the driving and restraining forces	the latter part of the change process, in which systems and structures are introduced that reinforce and maintain the desired behaviors

Understanding Resistance to Change

15-2

A few years after merging with Continental Airlines, United Airlines continues to suffer from operational and customer service problems. United executives say the poor results are partly due to the challenges of combining complex reservation and operational systems. But they have also been frustrated by subtle forms of employee resistance to change. Some Continental employees have opposed United Airlines' operational practices, while some United Airlines employees have failed to embrace Continental's customer service standards. "You know, the cultural change takes time," explained the former United Airlines CEO who orchestrated the merger. "And people resist change. People are sort of set in their ways."[7]

Executives at United Airlines experienced considerable *resistance to change* following the merger with Continental Airlines. Resistance to change takes many forms, ranging from overt work stoppages to subtle attempts to continue the old ways.[8] A study of bank employees reported that subtle resistance is much more common than overt resistance. Some employees in that study avoided the desired changes by moving into different jobs. Others continued to perform tasks the old way as long as management didn't notice. Even when employees complied with the planned changes, they showed resistance by performing the new task while letting customers know that they disapproved of these changes forced on them![9]

Most change agents are understandably frustrated by passive or active resistance to their planned change, but resistance is a common and natural human response. As economist John Kenneth Galbraith once quipped: "Faced with the choice between changing one's mind and proving that there is no need to do so, almost everyone gets busy on the proof."[10] Even when people support change, they typically assume that it is others—not themselves—who need to do the changing.

Advantage Solutions is undergoing significant change with Tanya Domier at the helm of the California-based provider of marketing and related services. Domier wants Advantage to have a performance-driven culture with a stronger global footprint. This transformation has redefined jobs, demanded new skills, and removed several senior managers. The changes have been highly successful, but they also triggered strong resistance from some long-serving managers and employees. "There were many people who did not believe in our strategy," acknowledges Domier, an award-winning executive who is also a board member at Nordstrom. "There were many people who undermined the strategy." The resistance has subsided with the company's achievements, but Domier says she learned valuable lessons about leading change. "Anybody can captain a ship on calm seas, but if you really want [to be] a leader, you have to learn to weather a storm," she advises.[13]
© Ana Venegas/Orange County Register

Resistance is a form of conflict, but change agents unfortunately sometimes interpret that disagreement as relationship conflict (see Chapter 11). They describe the people opposing change as unreasonable, dysfunctional, and irrational reactionaries to a desirable initiative. This perspective shapes the change agent's response to resistance. Perversely, the change agent's conflict-oriented response to resistance tends to escalate the conflict, which often generates even stronger resistance to the change initiative.

A more productive approach is to view resistance to change as task conflict. From the task conflict perspective, resistance is a signal either that the change agent has not sufficiently prepared employees for change or that the change initiative should be altered or improved.[11] Employees might not feel a sufficiently strong urgency to change, or they might feel the change strategy is ill-conceived. Even if they recognize the need for change and agree with the strategy, employees might resist because they lack confidence to change or believe the change will make them worse off than the current situation. Resistance takes many forms, and change agents need to decipher those different types of resistance to understand their underlying causes.[12]

Resistance is also a form of voice, so discussion potentially improves procedural justice through voice (see Chapter 5) as well as decision making through involvement (see Chapter 7). By redirecting initial forms of resistance into constructive conversations, change agents can increase employee perceptions and feelings of fairness. Furthermore, resistance is motivated behavior; it potentially engages people to think about the change strategy and process. Change agents can harness that motivational force to ultimately strengthen commitment to the change initiative.

WHY EMPLOYEES RESIST CHANGE

Change management experts have developed a long list of reasons why people resist change.[14] Some people inherently oppose change because of their personality and values.[15] Aside from these dispositional factors, employees typically oppose organizational change because they lack sufficient motivation, ability, role clarity, or situational support to change their attitudes, decisions, and behavior.[16] In other words, an employee's readiness for change depends on all four elements of the MARS model. These MARS elements are the foundation of the six most commonly cited reasons why people resist change: (1) negative valence of change, (2) fear of the unknown, (3) not-invented-here syndrome, (4) breaking routines, (5) incongruent team dynamics, and (6) incongruent organizational systems and structures.

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SELF-ASSESSMENT 15.1:   **Are You Ready for Change?**

People seldom accept change quickly or easily. They have good reasons for opposing change or don't understand the urgency for change, particularly where it requires them to alter their own behavior. You can discover your level of readiness for change by locating this self-assessment in Connect if it is assigned by your instructor.

Negative Valence of Change   Employees tend to resist change when they believe the new situation will have more negative than positive outcomes.[17] In other words, they apply (although imperfectly) the rational choice decision-making model (Chapter 7) to estimate whether the change will make them better or worse off. This cost–benefit analysis mainly considers how the change will affect them personally. However, resistance also increases when employees believe the change will do more harm than good to the team, organization, or society.[18]

Fear of the Unknown   Organizational change usually has a degree of uncertainty, and employees tend to assume the worst when they are unsure whether the change will have good or bad outcomes. Uncertainty is also associated with lack of personal control, which is another source of negative emotions.[19] Consequently, the uncertainty of organizational change is usually considered less desirable than the relative certainty of the status quo. This condition shifts the cost–benefit calculation of the change even further into negative territory.

General Motors (GM) has insourced almost all of its information technology (IT) work, hired 10,000 IT employees to replace contractors, built new IT innovation centers, and reduced 23 data centers owned by suppliers to just two centers owned by GM. GM's chief information officer Randy Mott (shown in this photo) and his executive team faced many logistical challenges throughout the transformation. They were also challenged by resistance from GM line managers, many of whom were concerned that GM's IT staff would provide worse service than the external contractors had provided. "This supplier is doing a great job for me, so don't mess it up," some managers warned. Line managers' fear of the unknown and perceived negative outcomes about the IT changes led to "some really frank discussions," Mott acknowledges. "In the early days we were fighting the fact that the IT organization's credibility for building and creating and supporting things was not high."[20]
© David Goldman/AP Images

Not-Invented-Here Syndrome   Employees sometimes oppose or even discreetly undermine organizational change initiatives that originate elsewhere. This "not-invented-here" syndrome is most apparent among employees who are usually responsible for the knowledge or initiative.[21] For example, information technology staff are more likely to resist implementing new technology championed by marketing or finance employees. If the IT staff support the change, they are implicitly acknowledging another group's superiority within IT's own area of expertise. To protect their self-worth, some employees deliberately inflate problems with changes that they did not initiate, just to "prove" that those ideas were not superior to their own. As one consultant warned: "Unless they're scared enough to listen, they'll never forgive you for being right and for knowing something they don't."[22]

Breaking Routines   People are creatures of habit. They typically resist initiatives that require them to break those automated routines and to learn new role patterns. And unless the new patterns of behavior are strongly supported and reinforced, employees tend to revert to their past routines and habits. "When you are leading for growth, you know you are going to disrupt comfortable routines and ask for new behavior, new priorities, new skills," says Ray Davis, executive chair of Oregon-based Umpqua Bank, which is regarded as one of America's most innovative financial institutions. "Even when we want to change, and do change, we tend to relax and the rubber band snaps us back into our comfort zones."[23]

Incongruent Team Dynamics   Teams develop and enforce conformity to a set of norms that guide behavior (see Chapter 8). However, conformity to existing team

FACING THE CHALLENGE OF RESISTANCE TO CHANGE[24]

71% of 517 Canadian human resource managers surveyed say employees resist changes put forward by management.

64% of 2,500 American businesspeople surveyed list either middle management resistance or employee resistance as an obstacle to implementing lean management practices.

33% of 328 organizations (employing 5 million people) surveyed report that their managers are effective at dealing openly with resistance to change.

37% of 814 recruitment professionals surveyed in the United States, UK, China, and five other countries say one of the main barriers to innovation in their organization is a corporate culture resistant to change (top barrier).

21% of 1,700 change agents surveyed across more than 40 countries say employees still resisted a specific major change one or two years after the change was implemented.

Photo: © Brand X Pictures/PunchStock RF

norms may discourage employees from accepting organizational change. For instance, organizational initiatives to improve customer service may be thwarted by team norms that discourage the extra effort expected to serve customers at this higher standard.

Incongruent Organizational Systems   Rewards, information systems, patterns of authority, career paths, selection criteria, and other systems and structures are both friends and foes of organizational change. When properly aligned, they reinforce desired behaviors. When misaligned, they pull people back into their old attitudes and behavior. Even enthusiastic employees lose momentum after failing to overcome the structural confines of the past.

Unfreezing, Changing, and Refreezing

15-3

According to Lewin's force field analysis model, effective change occurs by unfreezing the current situation, moving to a desired condition, and then refreezing the system so it remains in this desired state. Unfreezing occurs when the driving forces are stronger than the restraining forces. This happens by making the driving forces stronger, weakening or removing the restraining forces, or doing both.

The first option is to increase the driving forces, motivating employees to change through fear or threats (real or contrived). This strategy rarely works, however, because the action of increasing the driving forces alone is usually met with an equal and opposing increase in the restraining forces. A useful metaphor is pushing against the coils of a mattress. The harder corporate leaders push for change, the stronger the restraining forces push back. This antagonism threatens the change effort by producing tension and conflict within the organization.

The second option is to weaken or remove the restraining forces. The problem with this change strategy is that it provides no motivation for change. To some extent, weakening the restraining forces is like clearing a pathway for change. An unobstructed road makes it easier to travel to the destination but does not motivate anyone to go there. The preferred option, therefore, is to both increase the driving forces and reduce or remove the restraining forces. Increasing the driving forces creates an urgency for change, while reducing the restraining forces lessens motivation to oppose the change and removes obstacles such as lack of ability and situational constraints.

CREATING AN URGENCY FOR CHANGE

A few months after he became CEO of Nokia Corporation, Stephen Elop sent employees a scorching email, warning them about the urgency for change. "I have learned that we are standing on a burning platform," wrote Elop. "And, we have more than one explosion—we have multiple points of scorching heat that are fueling a blazing fire around us." Elop specifically described strong competition from Apple and Google, Nokia's tumbling brand preference, and its falling credit rating.[25]

Nokia has since sold its mobile phone division to Microsoft, but this incident illustrates how executives recognize the need for a strong urgency for change.[26] Developing an urgency for change typically occurs by informing or reminding employees about competitors and changing consumer trends, impending government regulations, and other forms of turbulence in the external environment. These are the main driving forces in Lewin's model. They push people out of their comfort zones, energizing them to face the risks that change creates. In many organizations, however, leaders buffer employees from the external environment to such an extent that these driving forces are hardly felt by anyone below the top executive level. The result is that employees don't understand why they need to change and leaders are surprised when their change initiatives do not have much effect.

global connections 15.1

Panasonic Generates an Urgency for Change by Revealing the Truth

One of Kazuhiro Tsuga's first actions as president of Panasonic Corporation was to shut down the company's plasma flat-panel television screen business. For several years, executives and engineers at the Japanese company had fiercely defended the company's heavy investment in plasma screens, which provide higher-quality images but are more expensive and much heavier than popular LCD TV screens. Employees also lacked an urgency for change because Panasonic's previous executives hid the severity of declining sales. "Only a few members of the management team knew how deep the loss was [at the TV operation]," explains Tsuga (shown in this photo). "What I did was tell them, 'This is the loss, a huge loss.' I showed them the losses in detail at every stage. Once it's visible to them, people don't want to continue to make losses."[27]

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Some companies increase the urgency for change by putting executives and employees in direct contact with customers. Dissatisfied customers and other stakeholders represent a compelling driving force for change because the organization's survival typically depends on having customers who are satisfied with the product or service. Personal interaction with customers also provides a human element that further energizes employees to change current behavior patterns.[28] For example, JPMorgan Chase executives take bus trips to visit customers and bank branches across the United States. These bus tours generate an urgency for change because executives get direct exposure to ways in which the bank can be improved. "We've already learned 100 different things," said JPMorgan Chase CEO Jamie Dimon during a bus tour around Florida, such as "Why can't we do mortgages quicker" and "Why can't we service a credit card account better out of a branch."[29]

Creating an Urgency for Change without External Forces   Exposing employees to external forces can strengthen the urgency for change, but leaders often need to begin the change process before problems come knocking at the company's door. The challenge is greatest when companies are successful in their markets. Studies have found that when the organization is performing well, decision makers become less vigilant about external threats and are more resistant to change. "The biggest risk is that complacency can also come with that success," warns Richard Goyder, CEO of Wesfarmers, Australia's largest conglomerate. "That complacency may result in risk-aversion, or it may simply show up as a lack of urgency, as people take the foot off the accelerator and just assume that success will come as it always has."[30]

Creating an urgency for change when the organization is ahead of the competition requires a lot of persuasive influence that helps employees visualize future competitive threats and environmental shifts. Experts warn, however, that employees may see this strategy as manipulative, which produces cynicism about change and undermines trust in the change agent.[31] Fortunately, the urgency for change doesn't need to originate from problems or threats to the company; this motivation can also develop through the leader's vision of a more appealing future. A future vision of a better organization effectively makes the current situation less appealing. When the vision connects to employee values and needs, it can be a motivating force for change even when external problems are insignificant.

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SELF-ASSESSMENT 15.2:   **Are You Tolerant of Change?**

Some people eagerly seek out novelty and new experiences. Others are keen to maintain the status quo and predictability. No matter how much communication, involvement, and other change management strategies are applied, people in the latter category continue to resist because they have little tolerance of change. You can discover your level of tolerance of change by locating this self-assessment in Connect if it is assigned by your instructor.

REDUCING THE RESTRAINING FORCES

Earlier, we used the mattress metaphor to explain that increasing the driving forces alone will not bring about change because employees often push back harder to offset the opposing forces. Instead, change agents need to address each of the sources of resistance. Six of the main strategies are outlined in Exhibit 15.2. If feasible, communication, learning, employee involvement, and stress management should be attempted first.[32] However, negotiation and coercion are necessary for people who will clearly lose something from the change and in cases where the speed of change is critical.

EXHIBIT 15.2   **Strategies for Minimizing Resistance to Change**

STRATEGY	EXAMPLE	WHEN APPLIED	PROBLEMS
Communication	Customer complaint letters are shown to employees.	When employees don't feel an urgency for change, don't know how the change will affect them, or resist change due to a fear of the unknown.	Time-consuming and potentially costly.
Learning	Employees learn how to work in teams as company adopts a team-based structure.	When employees need to break old routines and adopt new role patterns.	Time-consuming, potentially costly, and some employees might not be able to learn the new skills.
Employee involvement	Company forms a task force to recommend new customer service practices.	When the change effort needs more employee commitment, some employees need to protect their self-worth, and/or employee ideas would improve decisions about the change strategy.	Very time-consuming. Might lead to conflict and poor decisions if employees' interests are incompatible with organizational needs.
Stress management	Employees attend sessions to discuss their worries about the change.	When communication, training, and involvement do not sufficiently ease employee worries.	Time-consuming and potentially expensive. Some methods may not reduce stress for all employees.
Negotiation	Employees agree to replace strict job categories with multiskilled job clusters in return for increased job security.	When employees will clearly lose something of value from the change and would not otherwise support the new conditions. Also necessary when the company must change quickly.	May be expensive, particularly if other employees want to negotiate their support. Also tends to produce compliance but not commitment to the change.
Coercion	Company president tells managers to "get on board" the change or leave.	When other strategies are ineffective and the company needs to change quickly.	Can lead to subtler forms of resistance, as well as long-term antagonism with the change agent.

Sources: Adapted from J.P. Kotter and L.A. Schlesinger, "Choosing Strategies for Change," *Harvard Business Review* 57 (1979): 106–14; P.R. Lawrence, "How to Deal with Resistance to Change," *Harvard Business Review* (May/June 1954): 49–57.

Communication   Alan Mulally, who recently retired as Ford Motor Company CEO, has been hailed as a turnaround champion by transforming the company into a successful and competitive automaker. Mulally's vision for change ("One Ford—One Team, One Plan, One Goal") focused everyone on one brand (Ford) with a few models that have global platforms. One of the ways that Mulally brought about change was to continuously communicate the need for change and what the future state would look like. He held numerous town hall meetings, drumming the same message that everyone needs to cooperate as One Ford across divisions and focus more on customers than personal fiefdoms.

Communication is the highest priority and first strategy required for any organizational change. According to one survey, communication (together with involvement) is considered the top strategy for engaging employees in the change process.[33] Communication improves the change process in at least two ways.[34] First, communication is necessary to generate the urgency for change that we described previously. Leaders motivate employees to support the change by candidly telling them about the external threats and opportunities that make change so important. On his first day as CEO of Zenefits, for example, David Sacks bluntly advised employees that the employee benefits software company could die unless it adheres to regulations. Whether they listen to change agents in town hall meetings or meet directly with disgruntled customers, employees become energized to change when they understand and visualize those external forces.

The second way that communication minimizes resistance to change is by illuminating the future and thereby reducing fear of the unknown. The more leaders communicate details about the vision as well as milestones already achieved, the more easily employees can understand their own roles in that future. "No. 1 is to always communicate, communicate, communicate," advises Randall Dearth, CEO of the purification technology company Calgon Carbon Corporation. "If you're bringing in change, you need to be able to make a very compelling case of what change looks like and why change is necessary."[35]

Learning   Learning is an important process in most organizational change initiatives because employees need new knowledge and skills to fit the organization's evolving requirements. Learning not only helps employees perform better following the change; it also increases their readiness for change by strengthening their belief about working successfully in the new situation (called *change self-efficacy*). And when employees develop stronger change self-efficacy, they develop a stronger acceptance of and commitment to the change.[36]

Employee Involvement   Employee involvement is almost essential in the change process, although a low level of involvement may be necessary when the change must occur quickly or employee interests are highly incompatible with the organization's needs. In the chapter on decision making (Chapter 7) we described several potential benefits of employee involvement, all of which are relevant to organizational change. Employees who participate in decisions about a change tend to feel more personal responsibility for its successful implementation, rather than being disinterested agents of someone else's decisions.[37] This sense of ownership also minimizes the not-invented-here syndrome and fear of the unknown. Furthermore, the work environment is so complex that determining the best direction of the change effort requires ideas and knowledge of many employees. Employee involvement is such an important component of organizational change that special initiatives have been developed to allow participation in large groups. These large-scale change interventions are described later in the chapter.

Stress Management   Organizational change is a stressful experience for many people because it threatens self-esteem and creates uncertainty about the future.[38]

Communication, learning, and employee involvement can reduce some of the stressors.[39] However, research indicates that companies also need to introduce stress management practices to help employees cope with changes.[40] In particular, stress management minimizes resistance by removing some of the negative valence and fear of the unknown about the change process. Stress also saps energy, so minimizing stress potentially increases employee motivation to support the change process.

Negotiation   As long as people resist change, organizational change strategies will require a variety of influence tactics. Negotiation is a form of influence that involves the promise of benefits or resources in exchange for the target person's compliance with the influencer's request. This strategy potentially gains support from those who would otherwise lose out from the change. However, negotiation usually produces employee compliance with, rather than commitment to, the change effort, so the strategies described earlier on minimizing resistance tend to be more effective in the long term.

Coercion   If all else fails, leaders rely on coercion as part of the change process. Coercion includes a range of assertive influence behaviors (see Chapter 10), such as persistently reminding people of their obligations, frequently monitoring behavior to ensure compliance, confronting people who do not change, and using threats of punishment (including dismissal) to force compliance. A subtle form of coercion was described in the opening case study for this chapter. To quickly transform Zenefits into a compliance-focused organization, David Sacks not only communicated the change, he also offered a buyout to employees who would not commit to the change. In addition, he implied that those who lack full commitment to the change would not be happy there in the long run.

Replacing or threatening to replace staff who will not support the change is an extreme step, but it is fairly common in major organizational transformations. Several years earlier, StandardAero CEO Bob Hamaberg threatened to fire senior managers who opposed his initiative to introduce lean management (methods to improve work efficiency). "You must have senior management commitment," Hamaberg said bluntly at the time. "I had some obstacles. I removed the obstacles." Today, StandardAero is a world leader in the aircraft engine repair and overhaul business thanks largely to the lean management changes that Hamaberg introduced.[41]

Firing people is the least desirable way to change organizations. However, dismissals and other forms of coercion are sometimes necessary when speed is essential and other tactics are ineffective. In particular, it may be necessary to remove several members of an executive team who are unwilling or unable to change their existing mental models of the ideal organization. This is also a radical form of organizational "unlearning" (see Chapter 1) because when executives leave, they remove knowledge of the organization's past routines that have become dysfunctional.[42] Even so, coercion is a risky strategy because survivors (employees who do not leave) may have less trust in corporate leaders and engage in more political tactics to protect their own job security.

REFREEZING THE DESIRED CONDITIONS

Unfreezing and changing behavior won't produce lasting change. People are creatures of habit, so they easily slip back into past patterns. Therefore, leaders need to refreeze the new behaviors by realigning organizational systems and team dynamics with the desired changes.[43] The desired patterns of behavior can be "nailed down" by changing the physical structure and situational conditions. For instance, David Sacks reorganized Zenefits employees around a more customer-centric structure so they would focus more readily on the end user. Organizational rewards are also powerful systems that refreeze behaviors.[44] If the change process is supposed to encourage efficiency, then rewards should be

global connections 15.2

Communicate, Involve, or Change Your People

Derrick Anderson demonstrated a mastery at leading change when he served as chief executive of Borough of Lambeth in London, UK. "Over the last ten years Lambeth council has transformed its services and reputation and Derrick has played an extremely influential role in delivering those improvements," says Lib Peck, Lambeth council leader. Anderson, who now works with aid and development organizations, says that gaining employee commitment to a new initiative begins with communication. "The most important principle of change is to communicate," Anderson advises. A second key feature of Anderson's change management toolkit is involvement, particularly consulting with those affected by the change.

But Anderson acknowledges that communication and involvement aren't always enough to bring about meaningful change. For example, the cooperative model of municipal programs that he championed met with resistance from some borough managers. "They will find a reason why their bit of the organization really ought to be left out of the conversation about cooperative working," Anderson complained at the time.

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Anderson also recognizes that some people will resist change no matter how much guidance they receive. "We will support staff to do their job. But if they don't want to do it, they're letting our residents down," Anderson advises. "I have a simple motto: If you can't change your people, you've got to change your people."[45]

realigned to motivate and reinforce efficient behavior. Information systems play a complementary role in the change process, particularly as conduits for feedback.[46] Feedback mechanisms help employees learn how well they are moving toward the desired objectives, and they provide a permanent architecture to support the new behavior patterns in the long term. The adage "What gets measured, gets done" applies here. Employees concentrate on the new priorities when they receive a continuous flow of feedback about how well they are achieving those goals.

Leadership, Coalitions, and Pilot Projects

15-4

Kurt Lewin's force field analysis model is a useful template to explain the dynamics of organizational change. But it overlooks four other ingredients in effective change processes: leadership, coalitions and social networks, and pilot projects.

TRANSFORMATIONAL LEADERSHIP AND CHANGE

The opening case study to this chapter described how David Sacks transformed Zenefits from a "frat house" culture to one that respects the insurance industry's compliance and customer service requirements. Effective change requires one or more change champions who apply the elements of transformational leadership that were discussed in Chapter 12. For example, Sacks developed a vision of Zenefits' desired future, communicated that vision in ways that are meaningful to employees and other stakeholders, and made decisions and acted in ways that were consistent with that vision.[47]

A key element of leading change is a strategic vision.[48] A leader's vision provides a sense of direction and establishes the critical success factors against which the real changes are evaluated. Furthermore, a vision provides an emotional foundation for the

change because it links the individual's values and self-concept to the desired change.[49] A strategic vision also minimizes employee fear of the unknown and provides a better understanding of what behaviors employees must learn for the desired future.

COALITIONS, SOCIAL NETWORKS, AND CHANGE

One of the great truths of organizational change is that change agents cannot lead the initiative alone. They need the assistance of several people with a similar degree of commitment to the change.[50] Indeed, some research suggests that this group—often called a *guiding coalition*—may be the most important factor in the success of public-sector organizational change programs.[52]

Membership in the guiding coalition extends beyond the executive team. Ideally, it includes a diagonal swath of employees representing different functions and most levels of the organization. The guiding coalition is sometimes formed from a special task force that initially investigates the opportunities for change. Members of the guiding coalition should also be influence leaders; that is, they should be highly respected by peers in their area of the organization. At the same time, one report on organizational change warned that it takes more than a few dedicated disciples to generate widespread change.[53] Guiding coalitions may be very important, but they alone may not generate sufficient commitment to change throughout the company's workforce.

Social Networks and Viral Change   A guiding coalition is a formally structured group, whereas change also occurs more informally through social networks. To some extent, coalition members support the change process by feeding into these networks. But social networks contribute to organizational change whether or not the change agent has a formal coalition. Social networks are structures of people (e.g., departments, organizations) connected to each other through one or more forms of interdependence (see Chapter 10). They have an important role in communication and influence, both of which are key ingredients for organizational change.

The problem is that social networks are not easily controlled. Even so, some change agents have tapped into social networks to build a groundswell of support for a change initiative. This *viral change* process adopts principles found in word-of-mouth and viral marketing.[54] Viral and word-of-mouth marketing occur when information seeded to

global connections 15.3

Trailblazing Viral Change at RSA Insurance

RSA Insurance Group recently launched a flexible benefits package that required employees to pick their preferred benefits options. But instead of just emailing reminders, the human resources group relied on a viral change process that more effectively motivated employees to choose their options.

HR carefully described the flexible benefits plan to 500 "trailblazers"—early adopters of the company's new internal social network (Yammer) who had a large following of coworkers. Trailblazers were soon posting their views about the preferred flexible benefits offered. These posts were read by thousands of employees, many of whom would have ignored the email memos from HR.

"We used people in the network to communicate what their favorite elements of the proposition were," explains RSA's director of internal communications. Trailblazers are role models whose ideas receive

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considerable interest from other employees, so they are far more effective at changing employee behavior (signing up for preferred benefits) than HR accomplishes through impersonal emails.[55]

a few people is transmitted to others through their friendship connections. Within organizations, social networks represent the channels through which news and opinions about change initiatives are transmitted. Participants in that network have relatively high trust, so their information and views are more persuasive than from more formal channels. Social networks also provide opportunities for behavior observation—employees observe each other's behavior and often adopt that behavior themselves. As key people in the network change their behavior, that behavior is copied by others in the network.[56]

PILOT PROJECTS AND DIFFUSION OF CHANGE

Many companies introduce change through a pilot project. This cautious approach tests the effectiveness of the change as well as the strategies to gain employee support for the change without the enormous costs and risks of companywide initiatives. Unlike centralized, systemwide changes, pilot projects are more flexible and less risky.[57] They also make it easier to select organizational groups that are most ready for change, thus increasing the pilot project's success.

Procter & Gamble (P&G) relied on a pilot project as a first step in the consumer products company's transition to design thinking (see Chapter 7). **Design thinking** is a human-centered, solution-focused creative process that applies both intuition and analytical thinking to clarify problems and generate innovative solutions. This approach is neither easy nor comfortable for most businesspeople, which is the main reason why P&G began the change process through a pilot project at the company's global hair-care business in London. Participants in the program learned the meaning of design thinking and were coached in applying it to real-world issues, such as how women actually use styling products. These participants learned about design thinking and developed skills to teach coworkers about this unique business decision-making approach. Eventually, more than 150 people across many areas of P&G's global business became trained facilitators, demonstrating the practice in everyday meetings.[58]

design thinking
a human-centered, solution-focused creative process that applies both intuition and analytical thinking to clarify problems and generate innovative solutions

EXHIBIT 15.3

Strategies for Diffusing Change from a Pilot Project

MOTIVATION

- Widely communicate and celebrate the pilot project's success.
- Reward and recognize pilot project employees as well as those who work at transferring that change to other parts of the organization.
- Ensure that managers support and reinforce the desired behaviors related to the pilot project's success.
- Identify and address potential sources of resistance to change.

ABILITY

- Give employees the opportunity to interact with and learn from pilot project team members.
- Reassign or temporarily transfer some pilot project employees to other work units, where they can coach and serve as role models.
- Give employees technical training to implement practices identified in the pilot project.

ROLE PERCEPTIONS

- Communicate and teach employees how the pilot project practices are relevant for their own functional areas.
- Ensure that the pilot project is described in a way that is neither too specific nor too general.

SITUATIONAL FACTORS

- Give staff sufficient time and resources to learn and implement the pilot project practices in their work units.

How do we diffuse the pilot project's change to other parts of the organization? Using the MARS model as a template (see Chapter 2), Exhibit 15.3 outlines several strategies. First, employees are more likely to adopt the practices of a pilot project when they are motivated to do so.[59] This occurs when the pilot project is successful and people in the pilot project receive recognition and rewards for changing their previous work practices. Diffusion also occurs more successfully when managers support and reinforce the desired behaviors. More generally, change agents need to minimize the sources of resistance to change that we discussed earlier in this chapter.

Second, employees must have the ability—the required skills and knowledge—to adopt the practices introduced in the pilot project. According to innovation diffusion studies, people adopt ideas more readily when they have an opportunity to interact with and learn from others who have already applied the new practices.[60] As an example, Procter & Gamble's design thinking pilot project was diffused by teaching the original participants how to train coworkers and serve as role models and knowledge sources across the organization.

Third, pilot projects get diffused when employees have clear role perceptions—that is, when they understand how the practices in a pilot project apply to them even though they are in a completely different functional area. For instance, accounting department employees won't easily recognize how they can adopt quality improvement practices developed by employees in the production department. The challenge here is for change agents to provide guidance that is not too specific (not too narrowly defined around the pilot project environment) because it might not seem relevant to other areas of the organization. At the same time, the pilot project intervention should not be described too broadly or abstractly to other employees because this makes the information and role model too vague. Finally, employees require supportive situational factors, including the resources and time necessary to adopt the practices demonstrated in the pilot project.

Four Approaches to Organizational Change

15-5

So far, this chapter has examined the dynamics of change that occur every day in organizations. However, organizational change agents and consultants also apply various structured approaches to organizational change. This section introduces four of the leading approaches: action research, appreciative inquiry, large group interventions, and parallel learning structures.

ACTION RESEARCH APPROACH

action research
a problem-focused change process that combines action orientation (changing attitudes and behavior) and research orientation (testing theory through data collection and analysis)

Along with introducing the force field model, Kurt Lewin recommended an **action research** approach to the change process. The philosophy of action research is that meaningful change is a combination of action orientation (changing attitudes and behavior) and research orientation (testing theory).[61] On one hand, the change process needs to be action-oriented because the ultimate goal is to change the workplace. An action orientation involves diagnosing current problems and applying interventions that resolve those problems. On the other hand, the change process is a research study because change agents apply a conceptual framework (such as team dynamics or organizational culture) to a real situation. As with any good research, the change process involves collecting data to diagnose problems more effectively and to systematically evaluate how well the theory works in practice.[62]

Within this dual framework of action and research, the action research approach adopts an open systems view. It recognizes that organizations have many interdependent parts, so change agents need to anticipate both the intended and the unintended consequences of their interventions. Action research is also a highly participative process because open systems change requires both the knowledge and the commitment of members within that system. Indeed, employees are essentially co-researchers as well as participants in the intervention. Overall, action research is a data-based, problem-oriented process that diagnoses the need for change, introduces the intervention, and then evaluates and stabilizes the desired changes. The main phases of action research are illustrated in Exhibit 15.4:[63]

1. *Form client–consultant relationship.* Action research usually assumes that the change agent originates outside the system (such as a consultant), so the process begins by forming the client–consultant relationship. Consultants need to determine the client's readiness for change, including whether people are motivated to participate in the process, are open to meaningful change, and possess the abilities to complete the process.

2. *Diagnose the need for change.* Action research is a problem-oriented activity that carefully diagnoses the problem to determine the appropriate direction for the change effort. Organizational diagnosis relies on systematic analysis of the situation. It involves gathering and analyzing data about an ongoing system, including interviews and surveys of employees and other stakeholders. Organizational diagnosis also involves employees so they improve, understand, and support the appropriate change method, the schedule for the actions involved, and the expected standards of successful change.

EXHIBIT 15.4   The Action Research Process

Form client–consultant relationship

Diagnose need for change
- Analyze data
- Gather data
- Decide objectives

Introduce intervention
- Implement the desired incremental or rapid change

Evaluate and stabilize change
- Determine the change effectiveness
- Refreeze new conditions

Disengage consultant's services
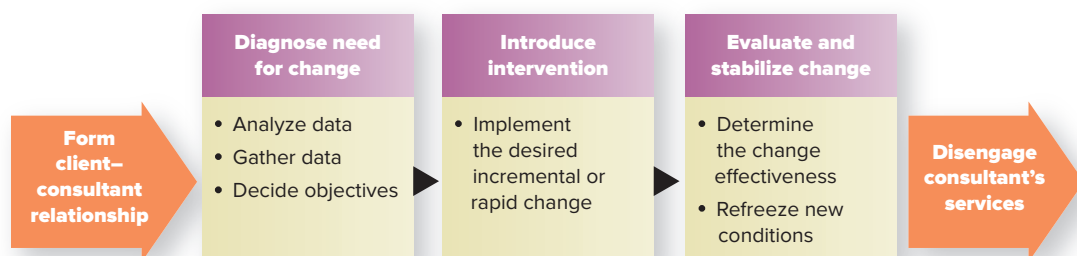
debating point

WHAT'S THE BEST SPEED FOR ORGANIZATIONAL CHANGE?

One of the great debates among organizational change experts is how quickly the change should occur. One view is that slow, incremental change is better because it gives employees more time to adjust to the new realities, to keep up with what needs to be learned, and to manage their stress in this process. Incremental change is also preferred because it gives change champions more time to change course if the current direction seems to be more dysfunctional and ideal.

Ergon Energy discovered the importance of incremental change. Government legislation required companies to upgrade their record-keeping system, but the Australian energy provider decided to make the changes incrementally because employees had already experienced constant change over the previous couple of years. "Even resilient staff such as those employed at Ergon Energy have a change tolerance level," explains Petá Sweeney, a consultant who worked with Ergon staff during this transition. "Consequently this led deliberately to discounting a revolutionary 'big bang' approach to record-keeping improvements." Sweeney reports that changing incrementally significantly improved employee engagement in the process. "Staff are more willing to participate in the change journey as well as offering suggestions for improvements. They do so knowing that changes will take place gradually and allow for time to fully bed down new practices and that effective enterprise wide changes require their help."[64]

In spite of these apparent virtues of incremental change, some experts claim that rapid change is usually much better. They do not claim that change needs to be radical or even rapid all of the time. Rather, they suggest that most change initiatives need to be, on average, much quicker than incremental. One argument is that companies operate in such a fast-paced environment that any speed less than "rapid" is risky; an incremental change initiative will put them further behind to the point that any change seems futile.

A second argument is that rapid change creates a collective sense of momentum, whereas inertia eventually catches up with incremental change.[65] In other words, employees feel the sense of progress when change occurs quickly. This forward movement generates its own energy that helps motivate employees toward the future objectives. Incremental change, by comparison, is sluggish and lethargic. A related argument is that any organizational change requires plenty of energy, particularly from the leaders who must continually communicate, role model, coach, and otherwise support and influence employees toward the new state of affairs.[66] This energy is finite, and it is more likely to run out when the change is spread over a long rather than a short period of time.

Third, incremental change doesn't necessarily give employees more time to adjust; instead, it typically gives them more time to dig in their heels! Rapid change, on the other hand, happens at such speed that employees don't have the opportunity to find ways to hold back, retrench, or even think about strategies to oppose the change effort. Finally, proponents of incremental change point to its benefits for minimizing stress, yet there is reason to believe that it often has the opposite effect. Changing slowly can feel like a slow train wreck—the more you see it coming, the more painful it feels. Quicker change, particularly when there are support systems to help employees through the process, may be less painful than incremental change.

3. *Introduce intervention.* This stage in the action research model applies one or more actions to correct the problem. It may include any of the prescriptions mentioned in this book, such as building more effective teams, managing conflict, building a better organizational structure, or changing the corporate culture. An important issue is how quickly the changes should occur.[67] Some experts recommend *incremental change,* in which the organization fine-tunes the system and takes small steps toward a desired state. Others claim that *rapid change* is often required, in which the system is overhauled decisively and quickly.

4. *Evaluate and stabilize change.* Action research recommends evaluating the effectiveness of the intervention against the standards established in the diagnostic stage. Unfortunately, even when these standards are clearly stated, the effectiveness of an intervention might not be apparent for several years or might be difficult to separate from other factors. If the activity has the desired effect, the change agent and participants need to stabilize the new conditions. This refers to the refreezing process that was described earlier in this chapter. Rewards, information systems, team norms, and other conditions are redesigned so they support the new values and behaviors.

The action research approach has dominated organizational change thinking since it was introduced in the 1940s. However, some experts are concerned that the problem-oriented nature of action research—in which something is wrong that must be fixed—focuses on

the negative dynamics of the group or system rather than its positive opportunities and potential. This concern with action research has led to the development of a more positive approach to organizational change, called *appreciative inquiry.*[68]

APPRECIATIVE INQUIRY APPROACH

Appreciative inquiry tries to break out of the problem-solving mentality of traditional change management practices by reframing relationships around the positive and the possible. It searches for organizational (or team) strengths and capabilities and then applies that knowledge for further success and well-being. Appreciative inquiry is therefore deeply grounded in the emerging philosophy of **positive organizational behavior,** which suggests that focusing on the positive rather than the negative aspects of life will improve organizational success and individual well-being. In other words, this approach emphasizes building on strengths rather than trying to directly correct problems.[69]

Appreciative inquiry typically examines successful events, organizations, and work units. This focus becomes a form of behavioral modeling, but it also increases open dialogue by redirecting the group's attention away from its own problems. Appreciative inquiry is especially useful when participants are aware of their problems or already suffer from negativity in their relationships. The positive orientation of appreciative inquiry enables groups to overcome these negative tensions and build a more hopeful perspective of their future by focusing on what is possible.[70]

Appreciative inquiry's positive focus is illustrated by the intervention conducted a few years ago at Heidelberg USA. The American arm of the world's largest printing press manufacturer (Heidelberger Druckmaschinen AG) experienced morale-busting product setbacks as well as downsizing due to the economic recession. To rebuild employee morale and engagement, Heidelberg held a two-day appreciative inquiry summit involving one-third of its staff. Organized into diverse groups from across the organization, participants envisioned what Heidelberg would ideally look like in the future. From these sessions emerged a new vision and greater autonomy for employees to serve customers. "Appreciative inquiry can energize an organization even in tough times because it begins the conversation with possibilities instead of problems," says a senior executive at Heidelberg USA.[71]

Appreciative Inquiry Principles   Appreciative inquiry embraces five key principles (see Exhibit 15.5).[72] One of these is the positive principle, which we have just described. A second principle, called the *constructionist principle,* takes the position that conversations don't describe reality; they shape that reality. The understanding we form of an event, group, or situation depends on the questions we ask and the language we use. Therefore, appreciative inquiry uses words and language carefully because it is sensitive to the thoughts and feelings behind that communication. This relates to a third principle, called the *simultaneity principle*, which states that inquiry and change are simultaneous, not sequential. The moment we ask questions of others, we are changing those people. Furthermore, the questions we ask determine the information we receive, which in turn affects which change intervention we choose. The key learning point from this principle is to be mindful of effects that the inquiry has on the direction of the change process.

A fourth principle, called the *poetic principle,* states that organizations are open books, so we have choices in how they may be perceived, framed, and described. The poetic principle is reflected in the notion that a glass of water can be viewed as half full or half empty. Therefore, appreciative inquiry actively frames reality in a way that provides constructive value for future development. *The anticipatory principle*, the fifth principle of appreciative inquiry, emphasizes the importance of a positive collective vision of the future state. People are motivated and guided by the vision they see and believe in. Images that are mundane or disempowering will affect current effort

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appreciative inquiry
an organizational change strategy that directs the group's attention away from its own problems and focuses participants on the group's potential and positive elements

positive organizational behavior
a perspective of organizational behavior that focuses on building positive qualities and traits within individuals or institutions as opposed to focusing on what is wrong with them

EXHIBIT 15.5   Five Principles of Appreciative Inquiry

APPRECIATIVE INQUIRY PRINCIPLE	DESCRIPTION
Positive principle	Focusing on positive events and potential produces more positive, effective, and enduring change.
Constructionist principle	How we perceive and understand the change process depends on the questions we ask and language we use throughout that process.
Simultaneity principle	Inquiry and change are simultaneous, not sequential.
Poetic principle	Organizations are open books, so we have choices in how they may be perceived, framed, and described.
Anticipatory principle	People are motivated and guided by the vision they see and believe in for the future.

Sources: Based on D.L. Cooperrider and D.K. Whitney, *Appreciative Inquiry: A Positive Revolution in Change* (San Francisco: Berrett-Koehler, 2005), Chap. 7; D.K. Whitney and A. Trosten-Bloom, *The Power of Appreciative Inquiry: A Practical Guide to Positive Change*, 2nd ed. (San Francisco: Berrett-Koehler, 2010), Chap. 3.

and behavior differently than will images that are inspiring and engaging. We noted the importance of visions earlier in this chapter (change agents) and in our discussion of transformational leadership (Chapter 12).

The Four-D Model of Appreciative Inquiry   These five principles lay the foundation for appreciative inquiry's "Four-D" process. The model's name refers to its four stages, shown in Exhibit 15.6. Appreciative inquiry begins with *discovery*—identifying the positive elements of the observed events or organization.[73] This might involve documenting positive customer experiences elsewhere in the organization. Or it might include interviewing members of another organization to discover its fundamental strengths. As participants discuss their findings, they shift into the *dreaming* stage by envisioning what might be possible in an ideal organization. By pointing out a hypothetical ideal organization or situation, participants feel safer revealing their hopes and aspirations than they would if they were discussing their own organization or predicament.

As participants make their private thoughts public to the group, the process shifts into the third stage, called *designing*. Designing involves dialogue in which participants listen with selfless receptivity to each other's models and assumptions and eventually form a collective model for thinking within the team. In effect, they create a common image of what should be. As this model takes shape, group members shift the focus back to their own situation. In the final stage of appreciative inquiry, called *delivering* (also known as *destiny*),

EXHIBIT 15.6   The Four-D Model of Appreciative Inquiry

1. Discovery	2. Dreaming	3. Designing	4. Delivering
Identifying the best of "what is."	Envisioning "what might be."	Engaging in dialogue about "what should be."	Developing objectives about "what will be."
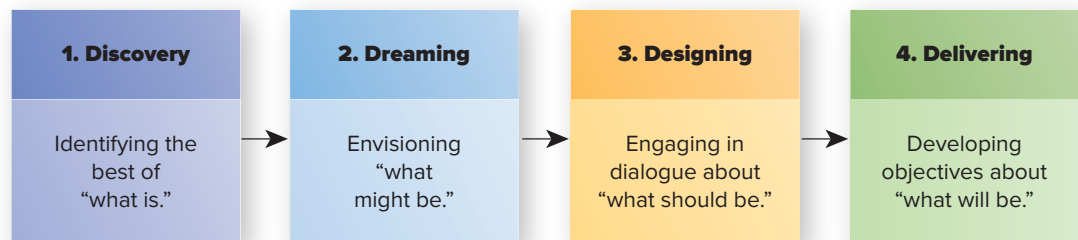
Sources: Based on F.J. Barrett and D.L. Cooperrider, "Generative Metaphor Intervention: A New Approach for Working with Systems Divided by Conflict and Caught in Defensive Perception," *Journal of Applied Behavioral Science* 26 (1990): 229; D. Whitney and C. Schau, "Appreciative Inquiry: An Innovative Process for Organization Change," *Employment Relations Today* 25 (Spring 1998): 11–21; D.L. Cooperrider and D.K. Whitney, *Appreciative Inquiry: A Positive Revolution in Change* (San Francisco: Berrett-Koehler, 2005), Chap. 3.

global connections 15.4

Appreciative Inquiry Guides Leadership at Toronto Western Hospital

Toronto Western Hospital (TWH) held an appreciative inquiry (AI) retreat at which staff discussed the Canadian hospital's past successes and crafted a vision for its future. TWH's executive team believed the AI philosophy should guide daily leadership behavior, so they developed and taught a positive leadership program, which has since been completed by more than 150 leaders at the hospital.

Kathy Sabo, executive lead at TWH when the positive leadership program was launched, says the program teaches hospital leaders to "embed [AI] in our daily work differently than we do now—not just focused on a particular initiative but how do we enact it daily." The program has improved TWH's balanced scorecard results, patient

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satisfaction, and staff engagement. "We've seen really positive outcomes in how people apply the [AI] theory, how they behave as leaders, how that has impacted their staff," observes Sabo, who recently retired.[74]

participants establish specific objectives and direction for their own organization on the basis of their model of what will be.

Appreciative inquiry was introduced almost three decades ago, but it really gained popularity only within the past decade. Appreciative inquiry success stories of organizational change have been reported in a variety of industries, including Heidelberg USA, Toronto Western Hospital, British Broadcasting Corporation, and Hunter Douglas.

Appreciative inquiry has much to offer, but it is not always the best approach to changing teams or organizations and, indeed, has not always been successful. This approach depends on participants' ability to let go of the problem-oriented approach, including the "blame game" of determining who may have been responsible for past failures. It also requires leaders who are willing to accept appreciative inquiry's less structured process.[75] Another concern is that research has not yet examined the contingencies of this approach.[76] In other words, we don't yet know under what conditions appreciative inquiry is a useful approach to organizational change and under what conditions it is less effective. Overall, appreciative inquiry can be an effective approach to organizational change, but we are still discovering its potential and limitations.

LARGE GROUP INTERVENTION APPROACH

Appreciative inquiry can occur in small teams, but it is often designed to involve a large number of people, such as the hundreds of employees who participated in the process at Heidelberg USA. As such, appreciative inquiry is often identified as one of several large group organizational change interventions. Large group interventions adopt a "whole systems" perspective of the change process.[77] This means that they view organizations as open systems (see Chapter 1) and assume that change will be more successful when as many employees and other stakeholders as possible associated with the organizational system are included in the process.[78] Large group interventions are highly participative events because participants discuss their experiences, expectations, and ideas with others, typically in small groups within the large collective setting.

Similar to appreciative inquiry, large group interventions adopt a future-oriented positive focus rather than a past-oriented problem focus. *Future search conferences*, for instance, are large group interventions typically held over a few days in which participants identify emerging trends and develop strategies for the organization to realize potential under those future conditions. In addition to this strategy development, large group interventions

generate a collective vision or sense making about the organization and its future. This "meaning-making" process is important for the organization's evolving identity and how participants relate to that identity.

Large group interventions have occurred in a variety of companies and industries. Emerson & Cuming's chemical manufacturing facility in Canton, Massachusetts, held a large group summit in which managers, supervisors, and production employees were organized into five stakeholder teams to identify initiatives that would improve the plant's safety, efficiency, and cooperation. Lawrence Public Schools in Kansas conducted a large group session involving parents, teachers, students, community partners, and other stakeholders to help the board allocate resources more effectively. "The goals that were developed at the future search conference reflect what the community envisioned for its school district," said Randy Weseman, who was superintendent at the time. Those goals subsequently became the foundation of the board's strategic decision making.[79]

Future search meetings and similar large group change events potentially minimize resistance to change and assist the quality of the change process, but they also have limitations.[80] One problem is that involving so many people invariably limits the opportunity to contribute and increases the risk that a few people will dominate the process. In addition, these events focus on finding common ground, and this may prevent the participants from discovering substantive differences that interfere with future progress. A third problem involves the high expectations generated from these events about an ideal future state that are difficult to satisfy in practice. Employees become even more cynical and resistant to change if they do not see meaningful decisions and actions resulting from these meetings.

PARALLEL LEARNING STRUCTURE APPROACH

parallel learning structure
a highly participative social structure developed alongside the formal hierarchy and composed of people across organizational levels who apply the action research model to produce meaningful organizational change

Parallel learning structures are highly participative arrangements composed of people across organizational levels who apply the action research model to produce meaningful organizational change. They are social structures developed alongside the formal hierarchy with the purpose of increasing the organization's learning.[81] Ideally, participants in parallel learning structures are sufficiently free from the constraints of the larger organization that they can effectively solve organizational issues.

Royal Dutch/Shell relied on a parallel learning structure to introduce a more customer-focused organization.[82] Rather than try to change the entire organization at once, executives held weeklong "retail boot camps" with teams from six countries, consisting of frontline people (such as gas station managers, truck drivers, and marketing professionals). Participants learned about competitive trends in their regions and were taught powerful marketing tools to identify new opportunities. The teams then returned home to study their markets and develop proposals for improvement. Four months later, boot camp teams returned for a second workshop, at which each proposal was critiqued by Royal/Dutch Shell executives. Each team had 60 days to put its ideas into action; then the teams returned for a third workshop to analyze what worked and what didn't. This parallel learning process did much more than introduce new marketing ideas. It created enthusiasm in participants that spread contagiously to their coworkers, including managers above them, when they returned to their home countries.

Cross-Cultural and Ethical Issues in Organizational Change

15-6

Throughout this chapter, we have emphasized that change is inevitable and often continuous because organizations need to remain aligned with the dynamic external environment. Yet, we also need to be aware of cross-cultural and ethical issues with any change process. Many organizational change practices are built around Western cultural assumptions and values, which may differ from and sometimes conflict with assumptions and values in other cultures.[83] One possible cross-cultural limitation is that Western organizational change models, such as Lewin's force field analysis, often assume change has a beginning and an ending in a logical linear sequence (that is, a straight line from point A to point B).

Yet change is viewed more as a cyclical phenomenon in some cultures, such as the earth's revolution around the sun or a pendulum swinging back and forth. Other cultures have more of an interconnected view of change, whereby one change leads to another (often unplanned) change, which leads to another change, and so on until the change objective is ultimately achieved in a more circuitous way.

Another cross-cultural issue with some organizational change interventions is the assumption that effective organizational change is necessarily punctuated by tension and overt conflict. Indeed, some change interventions encourage such conflict. But this direct confrontation view is incompatible with cultures that emphasize harmony and equilibrium. These cross-cultural differences suggest that a more contingency-oriented perspective is required for organizational change to work effectively in this era of globalization.

Some organizational change practices also face ethical issues.[84] One ethical concern is the risk of violating individual privacy rights. The action research model is built on the idea of collecting information from organizational members, yet this assumes that employees will provide personal information and reveal emotions they would not normally divulge.[85] A second ethical concern is that some change activities potentially increase management's power by inducing compliance and conformity in organizational members. For instance, action research is a systemwide activity that requires employee participation rather than allowing individuals to get involved voluntarily. A third concern is that some organizational change interventions undermine the individual's self-esteem. The unfreezing process requires that participants disconfirm their existing beliefs, sometimes including their own competence at certain tasks or interpersonal relations.

Organizational change is usually more difficult than it initially seems. Yet the dilemma is that most organizations operate in hyperfast environments that demand continuous and rapid adaptation. Organizations survive and gain competitive advantage by mastering the complex dynamics of moving people through the continuous process of change as quickly as the external environment is changing.

Organizational Behavior: The Journey Continues

More than a century ago, industrialist Andrew Carnegie said: "Take away my people, but leave my factories, and soon grass will grow on the factory floors. Take away my factories, but leave my people, and soon we will have a new and better factory."[86] Carnegie's statement reflects the message woven throughout this textbook: Organizations are not buildings or machinery or financial assets; rather, they are the people in them. Organizations are human entities—full of life, sometimes fragile, and always exciting.

"Take away my people, but leave my factories, and soon grass will grow on the factory floors. Take away my factories, but leave my people, and soon we will have a new and better factory."—Attributed to Andrew Carnegie
© Bettmann/Getty Images

chapter summary

15-1   Describe the elements of Lewin's force field analysis model.

Lewin's force field analysis model states that all systems have driving and restraining forces. Change occurs through the process of unfreezing, changing, and refreezing. Unfreezing produces disequilibrium between the driving and restraining forces. Refreezing realigns the organization's systems and structures with the desired behaviors.

15-2   Discuss the reasons why people resist organizational change and how change agents should view this resistance.

Restraining forces are manifested as employee resistance to change. The main reasons people resist change are the negative valence of change, fear of the unknown, not-invented-here syndrome, breaking routines, incongruent team dynamics, and incongruent organizational systems. Resistance to change

should be viewed as a resource, not an inherent obstacle to change. Change agents need to view resistance as task conflict rather than relationship conflict. Resistance is a signal that the change agent has not sufficiently strengthened employee readiness for change. It is also a form of voice, so discussion potentially improves procedural justice.

15-3 Outline six strategies for minimizing resistance to change, and debate ways to effectively create an urgency to change.

Organizational change requires employees to have an urgency for change. This typically occurs by informing them about driving forces in the external environment. Urgency to change also develops by putting employees in direct contact with customers. Leaders often need to create an urgency to change before the external pressures are felt, and this can occur through a vision of a more appealing future.

Resistance to change may be minimized by keeping employees informed about what to expect from the change effort (communicating); teaching employees valuable skills for the desired future (learning); involving them in the change process; helping employees cope with the stress of change; negotiating trade-offs with those who will clearly lose from the change effort; and using coercion (sparingly and as a last resort).

15-4 Discuss how leadership, coalitions, social networks, and pilot projects assist organizational change.

Every successful change requires transformational leaders with a clear, well-articulated vision of the desired future state. They also need the assistance of several people (a guiding coalition) who are located throughout the organization. In addition, change occurs more informally through social networks. Viral change operates through social networks using influencers.

Many organizational change initiatives begin with a pilot project. The success of the pilot project is then diffused to other parts of the organization. This occurs by motivating employees to adopt the pilot project's methods, training people to know how to adopt these practices, helping clarify how the pilot can be applied to different areas, and providing time and resources to support this diffusion.

15-5 Describe and compare action research, appreciative inquiry, large group interventions, and parallel learning structures as formal approaches to organizational change.

Action research is a highly participative, open systems approach to change management that combines an action orientation (changing attitudes and behavior) with research orientation (testing theory). It is a data-based, problem-oriented process that diagnoses the need for change, introduces the intervention, and then evaluates and stabilizes the desired changes.

Appreciative inquiry embraces the positive organizational behavior principle by focusing participants on the positive and possible. This approach to change also applies the constructionist, simultaneity, poetic, and anticipatory principles. The four stages of appreciative inquiry include discovery, dreaming, designing, and delivering.

Large group interventions are highly participative events that view organizations as open systems (i.e., involve as many employees and other stakeholders as possible) and adopt a future and positive focus of change. Parallel learning structures rely on social structures developed alongside the formal hierarchy with the purpose of increasing the organization's learning. They are highly participative arrangements, composed of people from most levels of the organization who follow the action research model to produce meaningful organizational change.

15-6 Discuss two cross-cultural and three ethical issues in organizational change.

One significant concern is that organizational change theories developed with a Western cultural orientation potentially conflict with cultural values in some other countries. Also, organizational change practices can raise one or more ethical concerns, including increasing management's power over employees, threatening individual privacy rights, and undermining individual self-esteem.

key terms

action research, p. 430
appreciative inquiry, p. 432
design thinking, p. 428

force field analysis, p. 417
parallel learning structure, p. 435
positive organizational behavior, p. 432

refreezing, p. 417
unfreezing, p. 417

critical thinking questions

1. Chances are that the school you are attending is currently undergoing some sort of change to adapt more closely to its environment. Discuss the external forces that are driving the change. What internal drivers for change also exist?

2. Use Lewin's force field analysis to describe the dynamics of organizational change at Zenefits. The case study at the beginning of this chapter provides some information, but think about other forces for and against change beyond the information provided in this vignette.

3. Employee resistance is a symptom, not a problem, in the change process. What are some of the real problems that may underlie employee resistance?

4. Senior management of a large multinational corporation is planning to restructure the organization. Currently, the organization is decentralized around geographic areas so that the executive responsible for each area has considerable autonomy over manufacturing and sales. The new structure will transfer power to the executives responsible for different product groups; the executives responsible for each geographic area will no longer be responsible for manufacturing in their area but will retain control over sales activities. Describe two types of resistance senior management might encounter from this organizational change.

5. Discuss the role of reward systems in organizational change. Specifically, identify where reward systems relate to Lewin's force field model and where they undermine the organizational change process.
6. Web Circuits is a Malaysian-based custom manufacturer for high-technology companies. Senior management wants to introduce lean management practices to reduce production costs and remain competitive. A consultant has recommended that the company start with a pilot project in one department and, when successful, diffuse these practices to other areas of the organization. Discuss the advantages of this recommendation, and identify three ways (other than the pilot project's success) to make diffusion of the change effort more successful.
7. What is the role of formal and informal networks in organizations interested in undergoing change?
8. Suppose that you are vice president of branch services at the Bank of East Lansing. You notice that several branches have consistently low customer service ratings, even though there are no apparent differences in resources or staff characteristics. Describe an appreciative inquiry process in one of these branches that might help overcome this problem.

CASE STUDY: TRANSACT INSURANCE CORPORATION

TransAct Insurance Corporation (TIC) provides automobile insurance throughout the southeastern United States. Last year, a new president was hired by TIC's board of directors to improve the company's competitiveness and customer service. After spending several months assessing the situation, the new president introduced a strategic plan to strengthen TIC's competitive position. He also replaced three vice presidents. Jim Leon was hired as vice president of claims, TIC's largest division with 1,500 employees, 50 claims center managers, and 5 regional directors.

Jim immediately met with all claims managers and directors and visited employees at TIC's 50 claims centers. As an outsider, this was a formidable task, but his strong interpersonal skills and uncanny ability to remember names and ideas helped him through the process. Through these visits and discussions, Jim discovered that the claims division had been managed in a relatively authoritarian, top-down manner. He could also see that morale was very low and employee–management relations were guarded. High workloads and isolation (adjusters work in tiny cubicles) were two other common complaints. Several managers acknowledged that the high turnover among claims adjusters was partly due to these conditions.

Following discussions with TIC's president, Jim decided to make morale and supervisory leadership his top priority. He initiated a divisional newsletter with a tear-off feedback form for employees to register their comments. He announced an open-door policy in which any claims division employee could speak to him directly and confidentially without going first to the immediate supervisor. Jim also fought organizational barriers to initiate a flex-time program so that employees could design work schedules around their needs. This program later became a model for other areas of TIC.

One of Jim's most pronounced symbols of change was the "Claims Management Credo" outlining the philosophy that every claims manager would follow. At his first meeting with the complete claims management team, Jim presented a list of what he thought were important philosophies and actions of effective managers. The management group was asked to select and prioritize items from this list. They were told that the resulting list would be the division's management philosophy and all managers would be held accountable for abiding by its principles.

Most claims managers were uneasy about this process, but they also understood that the organization was under competitive pressure and that Jim was using this exercise to demonstrate his leadership.

The claims managers developed a list of 10 items, such as encouraging teamwork, fostering a trusting work environment, setting clear and reasonable goals, and so on. The list was circulated to senior management in the organization for their comment and approval, and sent back to all claims managers for their endorsement. Once this was done, a copy of the final document was sent to every claims division employee. Jim also announced plans to follow up with an annual survey to evaluate each claims manager's performance. This concerned the managers, but most of them believed that the credo exercise was a result of Jim's initial enthusiasm and that he would be too busy to introduce a survey after settling into the job.

One year after the credo had been distributed, Jim announced that the first annual survey would be conducted. All claims employees would complete the survey and return it confidentially to the human resources department, where the survey results would be compiled for each claims center manager. The survey asked about the extent to which the manager had lived up to each of the 10 items in the credo. Each form also provided space for comments.

Claims center managers were surprised that a survey would be conducted, but they were even more worried about Jim's statement that the results would be shared with employees. What "results" would employees see? Who would distribute these results? What happens if a manager gets poor ratings from his or her subordinates? "We'll work out the details later," said Jim in response to these questions. "Even if the survey results aren't great, the information will give us a good baseline for next year's survey."

The claims division survey had a high response rate. In some centers, every employee completed and returned a form. Each report showed the claim center manager's average score for each of the 10 items as well as how many employees rated the manager at each level of the five-point scale. The reports also included every comment made by employees at that center.

No one was prepared for the results of the first survey. Most managers received moderate or poor ratings on the

10 items. Very few managers averaged above 3.0 (out of a 5-point scale) on more than a couple of items. This suggested that, at best, employees were ambivalent about whether their claims center manager had abided by the 10 management philosophy items. The comments were even more devastating than the ratings. Comments ranged from mildly disappointed to extremely critical of their claims manager. Employees also described their long-standing frustration with TIC, high workloads, and isolated working conditions. Several people bluntly stated that they were skeptical about the changes that Jim had promised. "We've heard the promises before, but now we've lost faith," wrote one claims adjuster.

The survey results were sent to each claims manager, the regional director, and employees at the claims center. Jim instructed managers to discuss the survey data and comments with their regional manager and directly with employees. The claims center managers, who thought employees received only average scores, went into shock when they realized that the reports included individual comments. Some managers went to their regional director, complaining that revealing the personal comments would ruin their careers. Many directors sympathized, but the results were already available to employees.

When Jim heard about these concerns, he agreed that the results were lower than expected and that the comments should not have been shown to employees. After discussing the situation with his directors, he decided that the discussion meetings between claims managers and their employees should proceed as planned. To delay or withdraw the reports would undermine the credibility and trust that Jim was trying to develop with employees. However, the regional director attended the meeting in each claims center to minimize direct conflict between the claims center manager and employees.

Although many of these meetings went smoothly, a few created harsh feelings between managers and their employees. The source of some comments were easily identified by their content, and this created a few delicate moments in several sessions. A few months after these meetings, two claims center managers quit and three others asked for transfers back to nonmanagement positions in TIC. Meanwhile, Jim wondered how to manage this process more effectively, particularly since employees expected another survey the following year.

Discussion Questions

1. What symptoms exist in this case to suggest that something has gone wrong?
2. What are the main causes of these symptoms?
3. What actions should the company take to correct these problems?

TEAM EXERCISE: STRATEGIC CHANGE INCIDENTS

PURPOSE This exercise is designed to help you identify strategies for facilitating organizational change in various situations.

INSTRUCTIONS

1. The instructor will place students into teams, and each team will be assigned one or both of the scenarios presented next.
2. Each team will diagnose the scenario to determine the most appropriate set of change management practices. Where appropriate, these practices should (a) create an urgency to change, (b) minimize resistance to change, and (c) refreeze the situation to support the change initiative. Each of these scenarios is based on real events.
3. Each team will present and defend its change management strategy. Class discussion regarding the appropriateness and feasibility of each strategy will occur after all teams assigned the same scenario have presented. The instructor will then describe what the organizations actually did in these situations.

Scenario #1: Greener Telco The board of directors at a large telephone company wants its executives to make the organization more environmentally friendly by encouraging employees to reduce waste in the workplace. Government and other stakeholders expect the company to take this action and be publicly successful. Consequently, the chief executive officer wants to significantly reduce paper usage, trash, and other waste throughout the company's many widespread offices. Unfortunately, a survey indicates that employees do not value environmental objectives and do not know how to "reduce, reuse, recycle." As the executive responsible for this change, you have been asked to develop a strategy that might bring about meaningful behavioral change toward this environmental goal. What would you do?

Scenario #2: Go Forward Airline A major airline has experienced a decade of rough turbulence, including two bouts of bankruptcy protection, 10 managing directors, and morale so low that employees have removed the company's logo from their uniforms out of embarrassment. Service is terrible, and the airplanes rarely arrive or leave the terminal on time. This is costing the airline significant amounts of money in passenger layovers. Managers are paralyzed by anxiety, and many have been with the firm so long that they don't know how to set strategic goals that work. One-fifth of all flights are losing money, and the company overall is near financial collapse (just three months to defaulting on payroll obligations). You and the newly hired CEO must get employees to quickly improve operational efficiency and customer service. What actions would you take to bring about these changes?

additional CASES

CASE 1: A MIR KISS?

By Steven L. McShane, Curtin University (Australia) and University of Victoria (Canada)

A team of psychologists at Moscow's Institute for Biomedical Problems (IBMP) wanted to learn more about the dynamics of long-term isolation in space. This knowledge would be applied to the International Space Station, a joint project of several countries that would send people into space for more than six months. It would eventually include a trip to Mars taking up to three years.

IBMP set up a replica of the Mir space station in Moscow. It then arranged for three international researchers from Japan, Canada, and Austria to spend 110 days isolated in a chamber the size of a train car. This chamber joined a smaller chamber where four Russian cosmonauts had already completed half of their 240 days of isolation. This was the first time an international crew was involved in the studies. None of the participants spoke English as their first language, yet they communicated throughout their stay in English at varying levels of proficiency.

Judith Lapierre, a French-Canadian, was the only female in the experiment. Along with a PhD in public health and social medicine, Lapierre studied space sociology at the International Space University in France, and conducted isolation research in the Antarctic. This was her fourth trip to Russia, where she had learned the language. The mission was supposed to have a second female participant from the Japanese space program, but she was not selected by IBMP.

The Japanese and Austrian participants viewed the participation of a woman as a favorable factor, says Lapierre. For example, to make the surroundings more comfortable, they rearranged the furniture, hung posters on the wall, and put a tablecloth on the kitchen table. "We adapted our environment, whereas the Russians just viewed it as something to be endured," she explains. "We decorated for Christmas, because I'm the kind of person who likes to host people."

NEW YEAR'S EVE TURMOIL

Ironically, it was at one of those social events, the New Year's Eve party, that events took a turn for the worse. After drinking vodka (allowed by the Russian space agency), two of the Russian cosmonauts got into a fistfight that left blood splattered on the chamber walls. At one point, a colleague hid the knives in the station's kitchen because of fears that the two Russians were about to stab each other. The two cosmonauts, who generally did not get along, had to be restrained by other men. Soon after that brawl, the Russian commander grabbed Lapierre, dragged her out of view of the television monitoring cameras, and kissed her aggressively—twice. Lapierre fought him off, but the message didn't register. He tried to kiss her again the next morning.

The next day, the international crew complained to IBMP about the behavior of the Russian cosmonauts. The Russian institute apparently took no action against any of the aggressors. Instead, the institute's psychologists replied that the incidents were part of the experiment. They wanted crew members to solve their personal problems with mature discussion, without asking for outside help. "You have to understand that Mir is an autonomous object, far away from anything," Vadim Gushin, the IBMP psychologist in charge of the project, explained after the experiment had ended in March. "If the crew can't solve problems among themselves, they can't work together."

Following IBMP's response, the international crew wrote a scathing letter to the Russian institute and the space agencies involved in the experiment. "We had never expected such events to take place in a highly controlled scientific experiment where individuals go through a multistep selection process," they wrote. "If we had known . . . we would not have joined it as subjects." The letter also complained about IBMP's response to their concerns.

Informed of the New Year's Eve incident, the Japanese space program convened an emergency meeting on January

2nd to address the incidents. Soon after, the Japanese team member quit, apparently shocked by IBMP's inaction. He was replaced with a Russian researcher on the international team. Ten days after the fight—a little over a month after the international team began the mission—the doors between the Russian and international crew's chambers were barred at the request of the international research team. Lapierre later emphasized that this action was taken because of concerns about violence, not the incident involving her.

A STOLEN KISS OR SEXUAL HARASSMENT

By the end of the experiment in March, news of the fist-fight between the cosmonauts and the commander's attempts to kiss Lapierre had reached the public. Russian scientists attempted to play down the kissing incident by saying that it was one fleeting kiss, a clash of cultures, and a female participant who was too emotional.

"In the West, some kinds of kissing are regarded as sexual harassment. In our culture it's nothing," said Russian scientist Vadim Gushin in one interview. In another interview, he explained: "The problem of sexual harassment is given a lot of attention in North America but less in Europe. In Russia it is even less of an issue, not because we are more or less moral than the rest of the world; we just have different priorities."

Judith Lapierre says the kissing incident was tolerable compared to this reaction from the Russian scientists who conducted the experiment. "They don't get it at all," she complains. "They don't think anything is wrong. I'm more frustrated than ever. The worst thing is that they don't realize it was wrong."

Norbert Kraft, the Austrian scientist on the international team, also disagreed with the Russian interpretation of events. "They're trying to protect themselves," he says. "They're trying to put the fault on others. But this is not a cultural issue. If a woman doesn't want to be kissed, it is not acceptable."

Sources: G. Sinclair Jr., "If You Scream in Space, Does Anyone Hear?," *Winnipeg Free Press*, May 5, 2000, A4; S. Martin, "Reining in the Space Cowboys," *Globe & Mail*, April 19, 2000, R1; M. Gray, "A Space Dream Sours," *Maclean's*, April 17, 2000, 26; E. Niiler, "In Search of the Perfect Astronaut," *Boston Globe*, April 4, 2000, E4; J. Tracy, "110-Day Isolation Ends in Sullen . . . Isolation," *Moscow Times*, March 30, 2000, 1; M. Warren, "A Mir Kiss?," *Daily Telegraph* (London), March 30, 2000, 22; G. York, "Canadian's Harassment Complaint Scorned," *Globe & Mail*, March 25, 2000, A2; S. Nolen, "Lust in Space," *Globe & Mail*, March 24, 2000, A3.

CASE 2: ARCTIC MINING CONSULTANTS

By Steven L. McShane, Curtin University (Australia) and University of Victoria (Canada); and Tim Neale

Tom Parker enjoyed working outdoors. At various times in the past, he worked as a ranch hand, high steel rigger, headstone installer, prospector, and geological field technician. Now 43, Parker is a geological field technician and field coordinator with Arctic Mining Consultants. He has specialized knowledge and experience in all nontechnical aspects of mineral exploration, including claim staking, line cutting and grid installation, soil sampling, prospecting, and trenching. He is responsible for hiring, training, and supervising field assistants for all of Arctic Mining Consultants' programs. Field assistants are paid a fairly low daily wage (no matter how long they work, which may be up to 12 hours or more) and are provided meals and accommodation. Many of the programs are operated by a project manager who reports to Parker.

Parker sometimes acts as a project manager, as he did on a job that involved staking 15 claims near Eagle Lake, Alaska. He selected John Talbot, Greg Boyce, and Brian Millar, all of whom had previously worked with Parker, as the field assistants. To stake a claim, the project team marks a line with flagging tape and blazes along the perimeter of the claim, cutting a claim post every 500 yards (called a "length"). The 15 claims would require almost 60 miles of line in total. Parker had budgeted seven days (plus mobilization and demobilization) to complete the job. This meant that each of the four stakers (Parker, Talbot, Boyce, and Millar) would have to complete a little over seven "lengths" each day. The following is a chronology of the project.

DAY 1

The Arctic Mining Consultants crew assembled in the morning and drove to Eagle Lake, from where they were flown by helicopter to the claim site. On arrival, they set up tents at the edge of the area to be staked, and agreed on a schedule for cooking duties. After supper, they pulled out the maps and discussed the job—how long it would take, the order in which the areas were to be staked, possible helicopter landing spots, and areas that might be more difficult to stake.

Parker pointed out that with only a week to complete the job, everyone would have to average seven and a half lengths per day. "I know that is a lot," he said, "but you've all staked claims before and I'm confident that each of you is capable of it. And it's only for a week. If we get the job done in time, there's a $300 bonus for each man." Two hours later, Parker and his crew members had developed what seemed to be a workable plan.

DAY 2

Millar completed six lengths, Boyce six lengths, Talbot eight, and Parker eight. Parker was not pleased with Millar's or Boyce's production. However, he didn't make an issue of it, thinking that they would develop their "rhythm" quickly.

DAY 3

Millar completed five and a half lengths, Boyce four, and Talbot seven. Parker, who was nearly twice as old as the other three, completed eight lengths. He also had enough time remaining to walk over and check the quality of stakes that Millar and Boyce had completed, then walk back to his own area for helicopter pickup back to the tent site.

That night Parker exploded with anger. "I thought I told you that I wanted seven and a half lengths a day!" he shouted at Boyce and Millar. Boyce said that he was slowed down by unusually thick underbrush in his assigned area. Millar said that he had done his best and would try to pick up the pace. Parker did not mention that he had inspected their work. He explained that as far as he was concerned, the field assistants were supposed to finish their assigned area for the day, no matter what.

Talbot, who was sharing a tent with Parker, talked to him later. "I think that you're being a bit hard on them, you know. I know that it has been more by luck than anything else that I've been able to do my quota. Yesterday I only had five lengths done after the first seven hours and there was only an hour before I was supposed to be picked up. Then I hit a patch of really open bush, and was able to do three lengths in 70 minutes. Why don't I take Millar's area tomorrow and he can have mine? Maybe that will help."

"Conditions are the same in all of the areas," replied Parker, rejecting Talbot's suggestion. "Millar just has to try harder."

DAY 4

Millar did seven lengths and Boyce completed six and a half. When they reported their production that evening, Parker grunted uncommunicatively. Parker and Talbot did eight lengths each.

DAY 5

Millar completed six lengths, Boyce six, Talbot seven and a half, and Parker eight. Once again Parker blew up, but he concentrated his diatribe on Millar. "Why don't you do what you say you are going to do? You know that you have to do seven and a half lengths a day. We went over that when we first got here, so why don't you do it? If you aren't willing to do the job then you never should have taken it in the first place!"

Millar replied by saying that he was doing his best, that he hadn't even stopped for lunch, and that he didn't know how he could possibly do any better. Parker launched into him again: "You have got to work harder! If you put enough effort into it, you will get the area done!"

Later Millar commented to Boyce, "I hate getting dumped on all the time! I'd quit if it didn't mean that I'd have to walk 50 miles to the highway. And besides, I need the bonus money. Why doesn't he pick on you? You don't get any more done than me; in fact, you usually get less. Maybe if you did a bit more he wouldn't be so bothered about me."

"I only work as hard as I have to," Boyce replied.

DAY 6

Millar raced through breakfast, was the first one to be dropped off by the helicopter, and arranged to be the last one picked up. That evening the production figures were Millar eight and a quarter lengths, Boyce seven, and Talbot and Parker eight each. Parker remained silent when the field assistants reported their performance for the day.

DAY 7

Millar was again the first out and last in. That night, he collapsed in an exhausted heap at the table, too tired to eat. After a few moments, he announced in an abject tone, "Six lengths. I worked like a dog all day and I only got a lousy six lengths!" Boyce completed five lengths, Talbot seven, and Parker seven and a quarter.

Parker was furious. "That means we have to do a total of 34 lengths tomorrow if we are to finish this job on time!" With his eyes directed at Millar, he added: "Why is it that you never finish the job? Don't you realize that you are part of a team, and that you are letting the rest of the team down? I've been checking your lines and you're doing too much blazing and wasting too much time making picture-perfect claim posts! If you worked smarter, you'd get a lot more done!"

DAY 8

Parker cooked breakfast in the dark. The helicopter drop-offs began as soon as morning light appeared on the horizon. Parker instructed each assistant to complete eight lengths and, if they finished early, to help the others. Parker said that he would finish the other 10 lengths. Helicopter pickups were arranged for one hour before dark.

By noon, after working as hard as he could, Millar had only completed three lengths. "Why bother," he thought to himself, "I'll never be able to do another five lengths before the helicopter comes, and I'll catch the same amount of abuse from Parker for doing six lengths as for seven and a half." So he sat down and had lunch and a rest. "Boyce won't finish his eight lengths either, so even if I did finish mine, I still wouldn't get the bonus. At least I'll get one more day's pay this way."

That night, Parker was livid when Millar reported that he had completed five and a half lengths. Parker had done ten and a quarter lengths, and Talbot had completed eight. Boyce proudly announced that he finished seven and a half lengths, but sheepishly added that Talbot had helped him

with some of it. All that remained were the two and a half lengths that Millar had not completed.

The job was finished the next morning and the crew demobilized. Millar has never worked for Arctic Mining Consultants again, despite being offered work several

times by Parker. Boyce sometimes does staking for Arctic, and Talbot works full time with the company.

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CASE 3: FROM REO TO NUCLEAR TO NUCOR

By Steven L. McShane, Curtin University (Australia) and University of Victoria (Canada)

In 1904, Ransom E. Olds founded REO Motor Car Company in Lansing, Michigan. He also launched several subsidiaries—Atlas Drop Forge Company, National Coil Company, and Michigan Screw Company, among others—to ensure a reliable supply of parts for REO's main business. Olds left Olds Motor Vehicle Company, a business he had founded eight years earlier, after fighting a losing battle against company president Samuel Smith and Smith's son over their decision to build luxury cars. Olds believed the company's success lay in low-cost vehicles, but Smith held most shares in the company, so his decision to build luxury cars was implemented. In 1908, cash-strapped Olds Motors was sold to General Motors, which produced Oldsmobiles until 2004.

Less than one year after Ransom Olds left Olds Motors, his new company (REO) launched a 7.5-horsepower one-cylinder runabout, similar to the wildly popular "Curved Dash" car Olds had designed at his previous company. REO's other initial offering was a 16-hp two-cylinder touring car. The quality of the REO touring car was famously demonstrated through long test drives and endurance competitions, such as the Mt. Washington Climb to the Clouds competition in Vermont in 1905 and a historic 6,700-km trip across Canada in 1912. With soaring sales during the first few years, REO became the third-ranked automobile manufacturer by sales in the United States by 1907. Olds continued to develop his touring car and, by 1912, declared that it was "perfected." He stepped down as general manager in 1915 and retired from the company in 1923 to pursue an ill-fated real estate project in Florida.

REO Motors boasted efficient production methods. Ransom Olds introduced the world's first automobile production assembly line at Olds Motor Vehicle Company in 1901. These practices were incorporated into REO's production facilities in 1905, allowing the company to initially sell cars at a low price. Olds was also recognized as a leader in quality control practices. However, even with ongoing innovations to its cars, REO quickly lost market share to Ford Motor Company and others. In particular, Henry Ford mechanized the assembly line process (conveyor belts moved the product along the assembly line) and made much higher production demands on workers. As a result, Ford was able to price his Model-T far below REO's entry-level offering.

By the 1920s, REO was a small, yet profitable, player in the automobile industry. During its peak in the late 1920s, REO employed about 5,500 workers who annually produced almost 50,000 trucks and cars. (By comparison, in 1920 Ford Motor Company produced one million Model-T cars alone.) Over time, REO became more dependent on sales of its trucks than its cars. REO's first truck, the REO Delivery Wagon, was introduced around 1910 with the advertising claim that it would allow one person to do "the work of three horses and three men" for about the same cost "as one horse and wagon and man." Five years later, the company launched the REO Speed Wagon, so-named for its reported top speed of 40 miles per hour. REO began manufacturing buses in the 1930s.

REO'S CULTURE AND WORK PRACTICES

REO had a distinctive "family feel" culture and was an early practitioner of welfare capitalism. Welfare capitalism involved building employee loyalty (and staving off unionization) through the development of human relations and personnel practices. REO tried to provide (and at times promised) job security, respect for seniority, and opportunities for career development. REO built an employee clubhouse (known as the "Temple of Leisure") where workers and their families could watch movies, attend dances, and listen to concerts by REO's in-house band. The company's employee handbook in 1915 stated that the Welfare (Personnel) Department would investigate and seek a "square deal" for those with a legitimate grievance. During the Great Depression, REO management reduced work hours and increased job sharing to minimize layoffs. (Even so, REO's employment fell precipitously during these times.) REO also apparently assisted workers who could not pay their bills.

From its founding to the 1930s, REO emphasized values and expectations regarding how employees should be treated by management, and how employees should behave at work and as community citizens. The company encouraged company sports teams, partly in the belief that these activities developed team skills, built allegiance to the company, and identified those who lived up to REO's values of competition, cooperation within the team, and fair play. REO didn't pay the highest wages, but

its welfare capitalism had the desired effect. The company enjoyed one of the lowest rates of employee turnover in the industry. When unionization gripped the industry in the 1930s, REO's transition was generally smoother than elsewhere. In addition, the older employees felt tremendous pride in REO's products and the firm's contribution to the community.

REO was a profitable company throughout the 1920s. Unfortunately, REO's management invested these profits in an expanded line of cars, particularly in the higher price range. These investments were made just prior to the Great Depression, when car sales in general—and luxury vehicles in particular—plummeted. In 1933, REO's president was removed and Ransom Olds was brought back as company chairman for one year. He launched several projects, including a light version of the Mack truck, a concept delivery van, and a new line of buses. None of these initiatives were profitable. In 1936, REO suspended car production and, in 1938, filed for bankruptcy protection. The company reorganized as a truck and bus manufacturer. REO survived over the next 15 years mainly through military contracts for its trucks and buses. It also expanded into the manufacture of lawn mowers and children's swing sets.

REO GOES NUCLEAR

When the Korean War ended in 1953, REO's military contracts diminished, leaving the company in a difficult financial situation. REO's board sold off its vehicle manufacturing operations and, with only $16 million in cash and no operating business, decided to liquidate the company. A dissident group of shareholders had different plans, however. The shareholder group forced REO's board to acquire Nuclear Consultants, Inc., a tiny nuclear services company. In 1955, REO Motor Company changed its name to Nuclear Corporation of America Inc., becoming the first publicly traded nuclear company.

Nuclear's stock soared based on the popularity of the word *nuclear* as well as various "publicity stunts" to leverage the company's name. The company's actual business activities in nuclear instrumentation (geiger counters), nuclear energy, chemicals, and electronics were much less spectacular, however. (One source reports that they "bordered on the illusory.") Able to sell stock relatively easily, Nuclear went on a buying spree to become a conglomerate of several independent businesses. By the early 1960s, Nuclear was involved in nuclear services, prefabricated housing, graphic arts, leasing, contracting, and steel joist businesses. Unfortunately, most of these ventures were unprofitable. In 1965, Nuclear's board filed for bankruptcy protection, ousted its president, and promoted Ken Iverson as the new president and CEO. Iverson had been hired in 1962 as general manager of Vulcraft Corporation, a joist manufacturer in South Carolina that Nuclear had acquired at that time. Vulcraft was Nuclear's only profitable division, and Iverson had been promoted to group vice president prior to taking the top job.

Iverson quickly sold off or closed four of Nuclear's eight divisions, slashed the number of management positions from 12 to just 2 people, and decided to focus the company's growth through Vulcraft. Vulcraft enjoyed 20 percent market share of the joist business, but it was entirely dependent on the price of steel, which was considered too expensive and sourced from unreliable sources (80 percent came from foreign steel plants). So Iverson, who was trained as a metallurgical engineer, made the historic and risky decision in 1968 to produce bar steel for Nuclear's joist business. The company borrowed heavily to build a steel mini-mill using electric arc furnaces that melted scrap steel. Nuclear's mini-mill experienced delays and "catastrophes" during its first couple of years, but eventually produced steel bars far below prevailing costs of traditional coke-and-iron steel mills. In response to Nuclear's new steel plant, American steel companies canceled their contracts with the company.

NUCOR'S NEW ERA

With no nuclear business activity, the company changed its name for a third time in 1972 from Nuclear Corporation of America to Nucor Corporation. In 1977, Nucor expanded its business to steel decking. It also built more mini-mills, becoming the 20th largest steel producer by 1980. Other companies also built electric arc steel mini-mills, which threatened Bethlehem, Republic, and other traditional steel mills. Many of these traditional plants went bankrupt by the 1990s. In 1986, Nucor took its biggest gamble by building the first thin slab sheet steel mini-mill at a cost of one-third the company's total annual revenues. The experimental plant in Crawfordsville, Indiana, experienced setbacks and one tragic fatality. But within four years the plant was operating near capacity, producing flat-rolled steel in one quarter of the time of its competitors and at a significantly lower cost.

Nucor's expansion in steelmaking continued unabated through acquisitions and construction of new plants. Today, with $20 billion in sales and more than 200 operating facilities (most in North America), Nucor is the largest steelmaker and the largest recycler of any material in the United States. (Nucor recycles the equivalent of one SUV vehicle every five seconds.) Except for 2009, it has been profitable every year since the late 1960s and, unusual for the steel industry, has never laid off any employees.

NUCOR'S CULTURE AND WORK PRACTICES

Nucor's success under Iverson's leadership was due in part to investment in risky technological innovations, such as building one of America's first electric arc steel mills and developing the first flat-rolled sheet steel mini-mill. However, much credit also goes to Nucor's productive and innovative culture and work practices that Iverson nurtured and which remain to this day. Beginning with the 1965 reorganization, Nucor has maintained an extremely lean head office, decentralizing most decisions to the local mills.

Only 100 people out of a workforce of 22,000 are employed at headquarters.

Nucor also has an egalitarian culture with one of the flattest organizational hierarchies for a company of its size. Initially, Iverson demanded that Nucor would have only four layers of management: CEO, vice president/plant manager, department manager, and supervisor. A fifth layer (five executive vice presidents) was reluctantly added a few years ago to reduce the CEO's span of control, thereby freeing up time to address government and industry policy issues. Nucor's egalitarian culture is also apparent by the lack of special executive perks (no company cars, executive dining room, etc.) and lower executive pay than in many other companies. When Nucor bought a corporate jet a few years ago, the CEO wrote to employees explaining how the purchase was cost-effective compared with previous charter jet rentals.

A third feature of Nucor's culture is its strong emphasis on performance-based rewards around team and organizational performance. Nucor mill workers, all of whom are nonunion, earn only about $10 an hour in base pay, but their total compensation is the highest in the industry (about $80,000 annually in good years) due to generous performance-based bonuses around team and organizational outcomes. Teams of 12 to 20 employees earn a generous bonus for each batch of steel produced. If employees produce a bad batch of steel before it leaves the mini-mill, they lose their bonus for that shipment. But if a bad batch makes its way to the customer, the team loses three times its usual bonus. Employees also earn a profit-sharing bonus, which is about $15,000 annually in recent years.

The performance system not only encourages innovation and quality control in the mill plants; it also encourages a strong team-orientation in the work process. For instance, two days after one manager became head of a Nucor Vulcraft plant, every other general manager in the Vulcraft division called with offers to help him in his new job. Their offer wasn't idle politeness because, as the new manager pointed out, "My performance impacted their paycheck."

Empowerment is a fourth cultural feature of Nucor. Employees have considerable freedom and job flexibility to experiment with innovations and to adjust their work to fit demands. This empowered culture is apparent in many ways. For instance, when the electrical grid failed at one Nucor mini-mill, three Nucor employees immediately drove or flew there without any requests from management and had the mini-mill back in business within three days. And when tornados knocked out power for almost one month at Nucor's plant in Decatur, Alabama, staff at other plants responded by shifting Decatur's work to other Nucor sheet mills so the orders could be completed on time. Nucor Chairman Emeritus Daniel DiMicco summarizes the company's empowerment culture: "If you see something that needs to be fixed, you fix it. You don't need to get approval from three supervisors because your supervisors know you have integrity, and they trust that you'll do the right thing. That's a huge competitive advantage for us."

Although Nucor has excelled in its work practices, until a few years ago, it was far from a role model in environmentalism. A dozen years ago, Nucor paid the largest environmental settlement by a steel company in the United States for allegedly failing to control the emission of toxic chemicals in several U.S. states. It was also identified as the 14th highest contributor to air pollution in the United States. Nucor responded to these concerns by hiring environmental staff and introducing new technologies, with the result that its emissions and energy use have fallen dramatically. For example, the company's new ultra-thin cast strip process consumes 85 percent less energy than a conventional mill with a 75 percent reduction in greenhouse gas emissions.

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CASE 4: GOING TO THE X-STREAM

By Roy Smollan, Auckland University of Technology, New Zealand

Gil Reihana was the chief executive officer of X-Stream, a company he launched in Auckland, New Zealand, six years ago at the age of 25, after graduating with a bachelor's degree in information technology and management. He had inherited $300,000 and had persuaded various family members to invest additional money. X-Stream assembled personal computers for the New Zealand and Australian markets and sold them through a number of chain stores and independent retailers. The company had soon established a reputation for quality

hardware, customized products, excellent delivery times and after-sales service. Six months ago it had started a software division, specializing in webpage design and consulting on various applications for the development of electronic business.

Gil was driven by a desire to succeed. He had started working part-time at an electronics retailer at age 16 and in his spare time took apart old computers in his garage to see how they were made. He was extroverted, energetic, and enthusiastic, often arriving at work by 5 a.m. and seldom leaving before 7 p.m. He felt that work should be challenging but fun too. He had initially picked a young senior management team that he thought shared his outlook. A casual, almost irreverent atmosphere developed. However, a poorly organized accounting department led to the replacement of the first accountant after two years. Gil believed that major decisions should be made by consensus and that individuals should then be empowered to implement these decisions in their own way. In the beginning he had met with each staff member in January to discuss with them how happy they were in their jobs, what their ambitions were, and what plans they would like to make for the coming year in terms of their own professional development. These one-on-one meetings became more difficult as the company grew, so senior management team members were eventually delegated the task of conducting reviews with their own staff. However, Gil was unsure whether every manager was actually performing the reviews or how well they were working. Now he tried to keep in touch with staff by having lunch with them in the cafeteria occasionally.

Denise Commins (affectionately known to all staff as Dot Com) was the chief financial officer. She and Gil could not be more different. Denise was quiet, methodical, and very patient. Her superb interpersonal skills complemented a highly analytical mind. At 55, she was considerably older than most of the employees and often showed a strong maternal side. Many of her team (and several from other departments as well) frequently consulted her on work issues and personal problems too. She enjoyed the informal relationships she had built up but found that the technical aspects of her role were becoming less rewarding.

Don Head, the marketing manager, was considered to be a rather ruthless operator, often undercutting the competition in terms of price, and, on more than one occasion, by circulating false rumors of defects in their products. He deemed himself "a ladies' man" and was known to flirt with a number of the staff. A case of sexual harassment had been dropped after a 22-year-old secretary had been paid a sizeable sum of money. Gil and the members of the senior management team had been furious but Don had denied any wrongdoing, claiming that she had "led him on." Don had been at university with Gil and they spent many hours after work at a pub around the corner from the

factory. With sales rising year after year, his marketing expertise and cunning were regarded as essential to the company's continuing growth. He had a department of eight whom he had carefully screened as ambitious self-starters. They were required to set and achieve their own targets, as long as they were "big hairy ambitious goals," a phrase he had heard at a seminar.

Jason Palu, the production manager, was a soft spoken man who had started as a supervisor and who had quickly worked his way to the top position. He set extremely high standards for the production staff and was considered to be a perfectionist. He was highly regarded by his colleagues for his efficiency and reliability. There were very few occasions when an order could not be fulfilled on time and his goal was zero defects. He tended to be autocratic and some people complained that he never listened to them, allocated work hours that did not suit people, and often required staff to work (paid) overtime on very short notice. When one production worker complained, he tersely remarked that "we have a job to do and we just have to get on with it. The company depends on us."

Heather Berkowitz was the chief webpage designer. She had blue hair, a ring through her nose, and she dressed in exotic clothes that had been sourced from a number of secondhand stores. She seldom arrived at work much before 11 a.m. and often left before 4 p.m. She said she did her best work at home, often at night, so why should she "punch the clock like the drones on the assembly line"? Gil and others had often received e-mails from her that had been sent at all hours of the night. She had established a reputation as a top webpage designer, and although her physical appearance did not go down too well with some of the company's clients (or staff) the quality and quantity of her work was extremely high.

On Tuesdays at 9 a.m. the senior staff met to discuss weekly plans and any significant issues that had arisen. All employees were invited to the meeting, and some accepted this opportunity to attend. Gil trusted all staff to keep confidential matters within the company. He believed that if the organization shared information with employees they would be more likely to support management decisions. The meetings lacked formality and usually started with some jokes, usually at the expense of some members of staff. By and large the jokes were meant to be inoffensive, but were not always taken that way. Nicknames were often assigned to staff, mostly by Don Head, some quite derogatory. You were thought to be a "wet blanket" if you objected. Don seemed oblivious to the unflattering nickname he had been given, preferring to call himself Braveheart, sometimes even signing memos in this fashion.

Although employment agreements referred to a 40-hour week there was an expectation that staff would put in substantially more than that. Only the assembly line workers had to clock in and out, but this, Jason had explained, was

due to the overtime that assembly staff were required to work to meet deadlines. The overtime pay was welcomed by some production staff and resented by some employees in other departments who believed they should be entitled to the same benefits.

Recently a conflict had arisen between Jason and Don. The company had been developing for some time a top-of-the-range laptop which was scheduled for launching in two weeks' time. Jason had been urging senior management to delay the introduction of the new X-MH until some glitches had been sorted out. A batch of chips acquired from abroad had contained some defective features. Jason wanted to postpone the new model until these problems had been completely sorted out, a process which he believed would take another month. Don found this to be unacceptable. A former New Zealand rugby team (All Blacks) captain had been contracted to attend the launch and market the new model on a roadshow that would travel to New Zealand and Australia's main cities. He would not be available at the time Jason was prepared to release the X-MH. At a heated staff meeting, some of the senior staff backed Don, while others agreed with Jason. Don had urged all of his department to attend the meeting, to present a united front and convey an image of power.

Heather Berkowitz had arrived halfway through the meeting and with a mouthful of muffin proclaimed that there was no rush to get out the "new toy." The company had plenty of other issues to which it could devote its energy. She said she had met the head of information technology of a chain of fast-food restaurants that wanted to revitalize its website. She maintained she needed three extra staff to get this up and running. She left the meeting five minutes later. Don was fuming at the interruption and demanded that Gil should stick to the original launch date of the X-MH. Gil calmly replied that he understood Don's frustration but that more consultation was necessary. He said that it would be discussed by the parties concerned during the week and a final decision would be made at the following Tuesday's staff meeting.

Don spent the rest of the day lobbying other members of the senior staff. He offered Dorothy the use of his beach cottage if she backed him and promised to support her on the acquisition of expensive new accounting software. She just laughed and said that she was convinced the senior management team would approve the new software. She also informed Don that a member of her staff had seen one of his sales representatives entering a strip joint the previous week at a time when the sales force had been engaged in a staff meeting.

Other problems had arisen in recent months. Ramesh Patel, the newly recruited head of e-business applications had, with help from a personal contact, developed a software program that would help hotels and restaurants source products and services over the Internet. It was beginning to generate useful revenue. His contact had now billed X-Stream for $25,000 in consultancy fees and development costs. Ramesh claimed that his contact had owed him a favor and that no mention of money had ever been made. X-Stream had referred the matter to its legal counsel.

Les Kong, the research and development manager (hardware), had complained to Gil that he could no longer work under Jason Palu. While he considered him a very pleasant man, and a very capable production manager, he could no longer tolerate his strict control style. "You can't do creative work on command!" was his lament. He loved his job and had spent hours over several weekends developing and refining a new product.

There was considerable resentment from Jason and Don about the resources that had been invested in the software division, partly because they did not see the need for the company to diversify and partly because they claimed that money was being diverted from their departments to fund the new ventures. Ramesh claimed that "a good e-business starts at home—we should open up all our procurement via the Internet." His suggestion did not go down well with Jason and Don.

Gil had been pondering the structure of X-Stream for some time. The old functional structure no longer seemed appropriate. "Silo" mentality and departmental interests seemed to predominate and turf wars took place. The company had grown to 64 staff in New Zealand and 8 in Australia. The ongoing development of new hardware and the introduction of the software side of the business had made management tasks somewhat complicated. He missed the old days when he knew every member of staff. The informal decision-making that was characteristic of the business might have to give way to more formal processes. Yet he did not want to lose the creativity that underpinned its success. Despite the open invitation to attend the management meetings, many staff complained that they never knew what was going on. He expected all senior managers to keep their departmental staff informed of developments. Some had done this admirably, while others had virtually ignored his wishes.

A human resources manager, Alkina Bennelong, had been appointed a month previously and reported to Denise Commins. She had been reviewing the company's loosely worded job descriptions and person specifications and the recruitment and selection systems and had suggested more professional but more elaborate approaches. She had also suggested the introduction of a performance management system, including feedback from peers, direct reports and outsiders, such as suppliers and customers. "Over my dead body!" was the retort of Don Head. "How can you allow subordinates to tell you how to do your job?" queried Jason Palu. "Can't see what the fuss is all about," said Heather Berkowitz. "Everybody keeps telling me what to do anyway, even though they don't understand the first thing about my job! But it doesn't worry me."

CASE 5: KEEPING SUZANNE CHALMERS

By Steven L. McShane, Curtin University (Australia) and University of Victoria (Canada)

Thomas Chan hung up the telephone and sighed. The vice president of software engineering at Advanced Photonics Inc. (API) had just spoken to Suzanne Chalmers, who called to arrange a meeting with Chan later that day. She didn't say what the meeting was about, but Chan almost instinctively knew that Suzanne was going to quit after working at API for the past four years. Chalmers is a software engineer in Internet Protocol (IP), the software that directs fiber-optic light through API's routers. It is very specialized work, and Suzanne is one of API's top talents in that area.

Thomas Chan had been through this before. A valued employee would arrange a private meeting. The meeting would begin with a few pleasantries, then the employee announces that he or she wants to quit. Some employees say they are leaving because of the long hours and stressful deadlines. They say they need to decompress, get to know the kids again, or whatever. But that's not usually the real reason. Almost every organization in this industry is scrambling to keep up with technological advances and the competition. Employees would just leave one stressful job for another one.

Also, many of the people who leave API join a start-up company a few months later. These start-up firms can be pressure cookers where everyone works 16 hours each day and has to perform a variety of tasks. For example, engineers in these small firms might have to meet customers or work on venture capital proposals rather than focus on specialized tasks related to their knowledge. API now has over 6,000 employees, so it is easier to assign people to work that matches their technical competencies.

No, the problem isn't the stress or long hours, Chan thought. The problem is money—too much money. Most of the people who leave are millionaires. Suzanne Chalmers is one of them. Thanks to generous stock options that have skyrocketed on the stock markets, many employees at API have more money than they can use. Most are under 40 years old, so it's too early for them to retire. But their financial independence gives them less reason to remain with API.

THE MEETING

The meeting with Suzanne Chalmers took place a few hours after the telephone call. It began like the others, with the initial pleasantries and brief discussion about progress on the latest fiber-optic router project. Then, Suzanne made her well-rehearsed statement: "Thomas, I've really enjoyed working here, but I'm going to leave Advanced Photonics." Suzanne took a breath, then looked at Chan. When he didn't reply after a few seconds, she continued: "I

need to take time off. You know, get away to recharge my batteries. The project's nearly done and the team can complete it without me. Well, anyway, I'm thinking of leaving."

Chan spoke in a calm voice. He suggested that Suzanne should take an unpaid leave for two or maybe three months, complete with paid benefits, then return refreshed. Suzanne politely rejected that offer, saying that she needs to get away from work for a while. Thomas then asked Suzanne whether she was unhappy with her work environment—whether she was getting the latest computer technology to do her work and whether there were problems with coworkers. The workplace was fine, Susanne replied. The job was getting a bit routine, but she had a comfortable workplace with excellent coworkers.

Chan then apologized for the cramped workspace, due mainly to the rapid increase in the number of people hired over the past year. He suggested that if Suzanne took a couple of months off, API would give her special treatment with a larger work space with a better view of the park behind the campus-like building when she returned. She politely thanked Chan for that offer, but it wasn't what she needed. Besides, it wouldn't be fair to have a large work space when other team members work in smaller quarters.

Chan was running out of tactics, so he tried his last hope: money. He asked whether Suzanne had higher offers. Suzanne replied that she regularly received calls from other companies, and some of them offered more money. Most were start-up firms that offered a lower salary but higher potential gains in stock options. Chan knew from market surveys that Suzanne was already paid well in the industry. He also knew that API couldn't compete on stock option potential. Employees working in start-up firms sometimes saw the value of their stocks increase by five or ten times their initial value, whereas shares at API and other large firms increased more slowly. However, Chan promised Suzanne that he would recommend that she receive a significant raise—maybe 25 percent more—and more stock options. Chan added that Chalmers was one of API's most valuable employees and that the company would suffer if she left the firm.

The meeting ended with Chalmers promising to consider Chan's offer of higher pay and more stock options. Two days later, Chan received her resignation in writing. Five months later, Chan learned that after a few months traveling with her husband, Chalmers joined a start-up software firm in the area.

CASE 6: THE REGENCY GRAND HOTEL

By Elizabeth Ho, Gucci Group, under the Supervision of Steven L. McShane, Curtin University (Australia) and University of Victoria (Canada)

The Regency Grand Hotel is a five-star hotel in Bangkok, Thailand. The hotel was established 15 years ago by a local consortium of investors and has been operated by a Thai general manager throughout this time. The hotel is one of Bangkok's most prestigious hotels and its 700 employees enjoyed the prestige associated with the hotel. The hotel provides good welfare benefits, above market rate salary, and job security. In addition, a good year-end bonus amounting to 4 months' salary was rewarded to employees regardless of the hotel's overall performance during the year.

Recently, the Regency was sold to a large American hotel chain that was very keen to expand its operations into Thailand. When the acquisition was announced, the General Manager decided to take early retirement when the hotel changed ownership. The American hotel chain kept all of the Regency employees, although a few were transferred to other positions. John Becker, an American with 10 years of management experience with the hotel chain, was appointed as the new General Manager of Regency Palace Hotel. Becker was selected as the new General Manager because of his previous successes in integrating newly acquired hotels in the United States. In most of the previous acquisitions, Becker took over operations with poor profitability and low morale.

Becker is a strong believer in empowerment. He expects employees to go beyond guidelines/standards to consider guest needs on a case-to-case basis. That is, employees must be guest-oriented at all times so as to provide excellent customer service. From his U.S. experience, Becker has found that empowerment increases employee motivation, performance, and job satisfaction, all of which contribute to the hotel's profitability and customer service ratings. Soon after becoming General Manager in Regency Palace, Becker introduced the practice of empowerment so as to replicate the successes he had achieved back home.

The Regency Grand hotel has been very profitable since it opened 15 years ago. The employees have always worked according to management's instructions. Their responsibility was to ensure that the instructions from their managers were carried out diligently and conscientiously. Innovation and creativity were discouraged under the previous management. Indeed, employees were punished for their mistakes and discouraged from trying out ideas that had not been approved by management. As a result, employees were afraid to be innovative and to take risks.

Becker met with Regency's managers and department heads to explain that empowerment would be introduced in the hotel. He told them that employees must be empowered with decision-making authority so that they can use their initiative, creativity, and judgment to satisfy guest needs or handle problems effectively and efficiently. However, he stressed that the more complex issues and decisions were to be referred to superiors, who were to coach and assist rather than provide direct orders. Furthermore, Becker stressed that mistakes were allowed but there was no justification for making the same mistake more than twice. He advised his managers and department heads not to discuss with him minor issues/problems and not to consult minor decisions with him. Nevertheless, he told them that they are to discuss important/major issues and decisions with him. He concluded the meeting by asking for feedback. Several managers and department heads told him that they liked the idea and would support it, while others simply nodded their heads. Becker was pleased with the response, and was eager to have his plan implemented.

In the past, the Regency had emphasized administrative control, resulting in many bureaucratic procedures throughout the organization. For example, the front counter employees needed to seek approval from their manager before they could upgrade guests to another category of room. The front counter manager would then have to write and submit a report to the General Manager justifying the upgrade. Soon after his meeting with managers, Becker reduced the number of bureaucratic rules at the Regency and allocated more decision-making authority to front-line employees. This action upset those who previously had decision-making power over these issues. As a result, several of these employees left the hotel.

Becker also began spending a large portion of his time observing and interacting with the employees at the front desk, lobby, restaurants, and various departments. This direct interaction with Becker helped many employees to understand what he wanted and expected of them. However, the employees had much difficulty trying to distinguish between a major and minor issue/decision. More often than not, supervisors would reverse employee decisions by stating that they were major issues requiring management approval. Employees who displayed initiative and made good decisions in satisfying the needs of the guests rarely received any positive feedback from their supervisors. Eventually, most of these employees lost confidence in making decisions, and reverted to relying on their superiors for decision making.

Not long after the implementation of the practice of empowerment, Becker realized that his subordinates were consulting him more frequently than before. Most of them came to him with minor issues and consulted with him on minor decisions. He had to spend most of his time attending to his

subordinates. Soon Becker began to feel highly frustrated and exhausted, and very often would tell his secretary that "unless the hotel is on fire, don't let anyone disturb me."

Becker thought that the practice of empowerment would benefit the overall performance of the hotel. However, contrary to his expectation, the business and overall performance of the hotel began to deteriorate. There had been an increasing number of guest complaints. In the past, the hotel had minimal guest complaints. Now a significant number of formal written complaints were turned in every month. Many other guests voiced their dissatisfaction verbally to hotel employees. The number of mistakes made by employees had been on the increase. Becker was very upset when he realized that two of the local newspapers and an overseas newspaper had published negative feedback on the hotel in terms of service standards. He was most distressed when an international travel magazine had voted the hotel as "one of Asia's nightmare hotels."

The stress levels of the employees were continuously mounting since the introduction of the practice of empowerment. Absenteeism due to illness was increasing at an alarming rate. In addition, the employee turnover rate had reached an all-time high. The good working relationships that were established under the old management had been severely strained. The employees were no longer united and supportive of each other. They were quick to point fingers or backstab one another when mistakes were made and when problems occurred.

Note: This case is based on true events, but the industry and names have been changed.

CASE 7: SIMMONS LABORATORIES

Adapted by William Starbuck from a case written by Alex Bavelas

Brandon Newbridge was sitting alone in the conference room of the laboratory. The rest of the group had gone. One of the secretaries had stopped and talked for a while about her husband's coming enrollment in graduate school and had finally left. Brandon, alone in the laboratory, slid a little farther down in his chair, looking with satisfaction at the results of the first test run of the new photon unit.

He liked to stay after the others had gone. His appointment as project head was still new enough to give him a deep sense of pleasure. His eyes were on the graphs before him, but in his mind he could hear Dr. William Goh, the project head, saying again, "There's one thing about this place you can bank on. The sky is the limit for anyone who can produce!" Newbridge felt again the tingle of happiness and embarrassment. Well, dammit, he said to himself, he had produced. He wasn't kidding anybody. He had come to the Simmons Laboratories two years ago. During a routine testing of some rejected Clanson components, he had stumbled on the idea of the photon correlator, and the rest just happened. Goh had been enthusiastic: A separate project had been set up for further research and development of the device, and he had gotten the job of running it. The whole sequence of events still seemed a little miraculous to Newbridge.

He shrugged out of the reverie and bent determinedly over the sheets when he heard someone come into the room behind him. He looked up expectantly; Goh often stayed late himself and now and then dropped in for a chat. This always made the day's end especially pleasant for Brandon. The man who had entered wasn't Goh. He was a tall, thin stranger who wore steel-rimmed glasses and had a very wide leather belt with a large brass buckle. Lucy, a member of Brandon's team, later remarked that it was the kind of belt the Pilgrims must have worn.

The stranger smiled and introduced himself. "I'm Lester Zapf. Are you Brandon Newbridge?" Brandon said yes, and they shook hands. "Doctor Goh said I might find you in. We were talking about your work, and I'm very much interested in what you are doing." Brandon gestured for him to sit.

Zapf didn't seem to belong in any of the standard categories of visitors: customer, visiting fireman, stockholder. Brandon pointed to the sheets on the table. "There are the preliminary results of a test we're running. We have a new gadget by the tail and we're trying to understand it. It's not finished, but I can show you the section we're testing."

He stood up, but Zapf was deep in the graphs. After a moment, he looked up with an odd grin. "These look like plots of a Jennings surface. I've been playing around with some autocorrelation functions of surfaces—you know that stuff." Brandon, who had no idea what he was referring to, grinned and nodded, and immediately felt uncomfortable. "Let me show you the monster," he said, and led the way to the workroom.

After Zapf left, Newbridge slowly put the graphs away, feeling vaguely annoyed. Then, as if he had made a decision, he quickly locked up and took the long way out so that he would pass Goh's office. But the office was locked. Newbridge wondered whether Goh and Zapf had left together.

The next morning, Newbridge dropped into Goh's office, mentioned that he had talked with Zapf, and asked who he was.

"Sit down for a minute," Goh said. "I want to talk to you about him. What do you think of him?" Newbridge replied truthfully that he thought Zapf was very bright and probably very competent. Goh looked pleased.

"We're taking him on," he said. "He's had a very good background in a number of laboratories, and he seems to have ideas about the problems we're tackling here." Newbridge nodded in agreement, instantly wishing that Zapf would not be placed with him.

"I don't know yet where he will finally land," Goh continued, "but he seems interested in what you are doing. I thought he might spend a little time with you by way of getting started." Newbridge nodded thoughtfully. "If his interest in your work continues, you can add him to your group."

"Well, he seemed to have some good ideas even without knowing exactly what we are doing," Newbridge answered. "I hope he stays; we'd be glad to have him."

Newbridge walked back to the lab with mixed feelings. He told himself that Zapf would be good for the group. He was no dunce; he'd produce. Newbridge thought again of Goh's promise when he had promoted him—"the man who produces gets ahead in this outfit." The words seemed to carry the overtones of a threat now.

That day, Zapf didn't appear until midafternoon. He explained that he had had a long lunch with Goh, discussing his place in the lab. "Yes," said Newbridge, "I talked with Jerry this morning about it, and we both thought you might work with us for a while."

Zapf smiled in the same knowing way that he had smiled when he mentioned the Jennings surfaces. "I'd like to," he said.

Newbridge introduced Zapf to the other members of the lab. Zapf and Link, the group's mathematician, hit it off well and spent the rest of the afternoon discussing a method for analyzing patterns that Link had been worrying over the last month.

It was 6:30 when Newbridge finally left the lab that night. He had waited almost eagerly for the end of the day to come—when they would all be gone and he could sit in the quiet rooms, relax, and think it over. "Think what over?" he asked himself. He didn't know. Shortly after 5 p.m., they had almost all gone except Zapf, and what followed was almost a duel. Newbridge was annoyed that he was being cheated out of his quiet period and finally resentfully determined that Zapf should leave first.

Zapf was sitting at the conference table reading, and Newbridge was sitting at his desk in the little glass-enclosed cubby he used during the day when he needed to be undisturbed. Zapf had gotten the last year's progress reports out and was studying them carefully. The time dragged. Newbridge doodled on a pad, the tension growing inside him. What the hell did Zapf think he was going to find in the reports?

Newbridge finally gave up and they left the lab together. Zapf took several of the reports with him to study in the evening. Newbridge asked him if he thought the reports gave a clear picture of the lab's activities.

"They're excellent," Zapf answered with obvious sincerity. "They're not only good reports; what they report is damn good, too!" Newbridge was surprised at the relief he felt and grew almost jovial as he said goodnight.

Driving home, Newbridge felt more optimistic about Zapf's presence in the lab. He had never fully understood the analysis that Link was attempting. If there was anything wrong with Link's approach, Zapf would probably spot it. "And if I'm any judge," he murmured, "he won't be especially diplomatic about it."

He described Zapf to his wife, who was amused by the broad leather belt and brass buckle.

"It's the kind of belt that Pilgrims must have worn," she laughed.

"I'm not worried about how he holds his pants up," he laughed with her. "I'm afraid that he's the kind that just has to make like a genius twice each day. And that can be pretty rough on the group."

Newbridge had been asleep for several hours when he was jerked awake by the telephone. He realized it had rung several times. He swung off the bed muttering about damn fools and telephones. It was Zapf. Without any excuses, apparently oblivious of the time, he plunged into an excited recital of how Link's patterning problem could be solved.

Newbridge covered the mouthpiece to answer his wife's stage-whispered "Who is it?" "It's the genius," replied Newbridge.

Zapf, completely ignoring the fact that it was 2:00 in the morning, went on in a very excited way to start in the middle of an explanation about a completely new approach to certain photon lab problems, an approach he had stumbled on while analyzing past experiments. Newbridge managed to put some enthusiasm in his own voice and stood there, half-dazed and very uncomfortable, listening to Zapf talk endlessly about what he had discovered. It was probably not only a new approach but also an analysis that showed the inherent weakness of the previous experiment and how experimentation along that line would certainly have been inconclusive. The following day, Newbridge spent the entire morning with Zapf and Link, the mathematician, the customary morning meeting of Brandon's group having been called off so that Zapf's work of the previous night could be gone over intensively. Zapf was very anxious that this be done, and Newbridge was not too unhappy to call the meeting off for reasons of his own.

For the next several days Zapf sat in the back office that had been turned over to him and did nothing but read the progress reports of the work that had been done in the last six months. Newbridge caught himself feeling apprehensive about the reaction that Zapf might have to some of his work. He was a little surprised at his own feelings. He had always been proud—although he had put on a convincingly modest face—of the way in which new ground in the study of photon measuring devices had been broken in his group. Now he wasn't sure, and it seemed to him that Zapf might easily show that the line of research they had been following was unsound or even unimaginative.

The next morning (as was the custom) the members of the lab, including the secretaries, sat around a conference table.

Brandon always prided himself on the fact that the work of the lab was guided and evaluated by the group as a whole, and he was fond of repeating that it was not a waste of time to include secretaries in such meetings. Often, what started out as a boring recital of fundamental assumptions to a naive listener, uncovered new ways of regarding these assumptions that would not have occurred to the researcher who had long ago accepted them as a necessary basis for his work.

These group meetings also served Brandon in another sense. He admitted to himself that he would have felt far less secure if he had had to direct the work out of his own mind, so to speak. With the group meeting as the principle of leadership, it was always possible to justify the exploration of blind alleys because of the general educative effect on the team. Zapf was there; Lucy and Martha were there; Link was sitting next to Zapf, their conversation concerning Link's mathematical study apparently continuing from yesterday. The other members, Bob Davenport, Georgia Thurlow, and Arthur Oliver, were waiting quietly.

Newbridge, for reasons that he didn't quite understand, proposed for discussion this morning a problem that all of them had spent a great deal of time on previously with the conclusion that a solution was impossible, that there was no feasible way of treating it in an experimental fashion. When Newbridge proposed the problem, Davenport remarked that there was hardly any use of going over it again, that he was satisfied that there was no way of approaching the problem with the equipment and the physical capacities of the lab.

This statement had the effect of a shot of adrenaline on Zapf. He said he would like to know what the problem was in detail and, walking to the blackboard, began setting down the "factors" as various members of the group began discussing the problem and simultaneously listing the reasons why it had been abandoned.

Very early in the description of the problem it was evident that Zapf was going to disagree about the impossibility of attacking it. The group realized this, and finally the descriptive materials and their recounting of the reasoning that had led to its abandonment dwindled away. Zapf began his statement, which, as it proceeded, might well have been prepared the previous night, although Newbridge knew this was impossible. He couldn't help being impressed with the organized and logical way that Zapf was presenting ideas that must have occurred to him only a few minutes before.

Zapf had some things to say, however, which left Newbridge with a mixture of annoyance, irritation, and at the same time, a rather smug feeling of superiority over Zapf in at least one area. Zapf held the opinion that the way that the problem had been analyzed was very typical of group thinking. With an air of sophistication that made it difficult for a listener to dissent, he proceeded to comment on the American emphasis on team ideas, satirically describing the ways in which they led to a "high level of mediocrity."

During this time, Newbridge observed that Link stared studiously at the floor, and he was very conscious of Georgia Thurlow's and Bob Davenport's glances toward him at several points of Zapf's little speech. Inwardly, Newbridge couldn't help feeling that this was one point at least in which Zapf was off on the wrong foot. The whole lab, following Jerry's lead, talked if not practiced the theory of small research teams as the basic organization for effective research. Zapf insisted that the problem could be approached and that he would like to study it for a while himself.

Newbridge ended the morning session by remarking that the meetings would continue and that the very fact that a supposedly insoluble experimental problem was now going to get another chance was another indication of the value of such meetings. Zapf immediately remarked that he was not at all averse to meetings to inform the group about the progress of its members. The point he wanted to make was that creative advances were seldom accomplished in such meetings, that they were made by an individual "living with" a problem closely and continuously, in a rather personal relationship to it.

Newbridge went on to say to Zapf that he was very glad that Zapf had raised these points and that he was sure the group would profit by reexamining the basis on which they had been operating. Newbridge agreed that individual effort was probably the basis for making major advances. He considered the group meetings useful primarily because they kept the group together and they helped the weaker members of the group keep up with the ones who were able to advance more easily and quickly in the analysis of problems.

It was clear as days went by and meetings continued that Zapf came to enjoy them because of the pattern that the meetings assumed. It became typical for Zapf to hold forth, and it was unquestionably clear that he was more brilliant, better prepared on the various subjects that were germane to the problem being studied, and more capable of going ahead than anyone there. Newbridge grew increasingly disturbed as he realized that his leadership of the group had been, in fact, taken over.

Whenever the subject of Zapf was mentioned in occasional meetings with Dr. Goh, Newbridge would comment only on the ability and obvious capacity for work that Zapf had. Somehow he never felt that he could mention his own discomforts, not only because they revealed a weakness on his part but also because it was quite clear that Goh himself was considerably impressed with Zapf's work and with the contacts he had with him outside the photon laboratory.

Newbridge now began to feel that perhaps the intellectual advantages that Zapf had brought to the group did not quite compensate for what he felt were evidences of a breakdown in the cooperative spirit he had seen in the group before Zapf's coming. More and more of the morning meetings were skipped. Zapf's opinion concerning the abilities of others of the group, except for Link, was obviously low. At times during morning meetings or in smaller discussions his conversation bordered on rudeness, refusing to pursue an argument when he claimed it was based on

another person's ignorance of the facts involved. His impatience of others led him to also make similar remarks to Dr. Goh. Newbridge inferred this from a conversation with Goh in which Goh asked whether Davenport and Oliver were going to be continued on; and his failure to mention Link, the mathematician, led Newbridge to feel that this was the result of private conversations between Zapf and Goh.

It was not difficult for Newbridge to make a quite convincing case on whether the brilliance of Zapf was sufficient recompense for the beginning of this breaking up of the group. He spoke privately with Davenport and with Oliver, and it was quite clear that both of them were uncomfortable because of Zapf. Newbridge didn't press the discussion beyond the point of hearing them say that they did feel awkward and that it was sometimes difficult to understand the arguments Zapf advanced, but often embarrassing to ask him to fill in the basis for his arguments. Newbridge did not interview Link in this manner.

About six months after Zapf's coming into the photon lab, a meeting was scheduled in which the sponsors of the research were coming to get some idea of the work and its progress. It was customary at these meetings for project heads to present the research being conducted in their groups. The members of each group were invited to other meetings that were held later in the day and open to all, but the special meetings were usually made up only of project heads, the head of the laboratory, and the sponsors.

As the time for the special meeting approached, it seemed to Newbridge that he must avoid the presentation at all cost. His reasons for this were that he could not trust himself to present the ideas and work that Zapf had advanced because of his apprehension about whether he could present them in sufficient detail and answer such questions about them as might be asked. On the other hand, he did not feel he could ignore these newer lines of work and present only the material that he had done or that had been started before Zapf's arrival. He felt also that it would not be beyond Zapf at all, in his blunt and undiplomatic way—if he were at the meeting, that is—to comment on his [Newbridge's] presentation and reveal Newbridge's inadequacy. It also seemed quite clear that it would not be easy to keep Zapf from attending the meeting, even though he was not on the administrative level of those invited.

Newbridge found an opportunity to speak to Goh and raised the question. He told Goh that, with the meetings coming up and with the interest in the work and with Zapf's contributions to the work, Zapf would probably like to come to the meetings, but there was a question of how the others in the group would feel if only Zapf were invited. Goh passed this over very lightly by saying that he didn't think the group would fail to understand Zapf's rather different position and that Zapf certainly should be invited. Newbridge immediately said he agreed: Zapf should present the work because much of it was work he had done, and this would be a nice way to recognize Zapf's

contributions and to reward him, because he was eager to be recognized as a productive member of the lab. Goh agreed, and so the matter was decided.

Zapf's presentation was very successful and in some ways dominated the meeting. He attracted the interest and attention of many of those who had come, and a long discussion followed his presentation. Later in the evening—with the entire laboratory staff present—in the cocktail period before the dinner, a little circle of people formed about Zapf. One of them was Goh himself, and a lively discussion took place concerning the application of Zapf's theory. All of this disturbed Newbridge, and his reaction and behavior were characteristic. He joined the circle, praised Zapf to Goh and to others, and remarked on the brilliance of the work.

Newbridge, without consulting anyone, began at this time to take some interest in the possibility of a job elsewhere. After a few weeks he found that a new laboratory of considerable size was being organized in a nearby city and that the kind of training he had would enable him to get a project-head job equivalent to the one he had at the lab, but with slightly more money.

He immediately accepted it and notified Goh by letter, which he mailed on a Friday night to Goh's home. The letter was quite brief, and Goh was stunned. The letter merely said that he had found a better position, that he didn't want to appear at the lab any more for personal reasons; that he would be glad to come back at a later time to assist if there was any mix-up in the past work; that he felt sure Zapf could supply any leadership that the group required; and that his decision to leave so suddenly was based on personal problems—he hinted at problems of health in his family, his mother and father. All of this was fictitious, of course. Goh took it at face value but still felt that this was very strange behavior and quite unaccountable, for he had always felt his relationship with Newbridge had been warm and that Newbridge was satisfied and, in fact, quite happy and productive.

Goh was considerably disturbed, because he had already decided to place Zapf in charge of another project that was going to be set up very soon. He had been wondering how to explain this to Newbridge, in view of the obvious help Newbridge was getting from Zapf and the high regard that Newbridge must have felt toward Zapf. Goh had, indeed, considered the possibility that Newbridge could add to his staff another person with the kind of background and training that had been unique in Zapf and had proved so valuable.

Goh did not make any attempt to meet Newbridge. In a way, he felt aggrieved about the whole thing. Zapf, too, was surprised at the suddenness of Newbridge's departure. When Goh asked Zapf whether he preferred to stay with the photon group instead of the new project for the Air Force, he chose the Air Force project and went on to that job the following week. The photon lab was hard hit. The leadership of the lab was given to Link with the understanding that this would be temporary until someone could come in to take over.

CASE 8: TAMARACK INDUSTRIES

By David J. Cherrington, Brigham Young University

Tamarack Industries manufactures motorboats primarily used for water skiing. Students are hired during summer months to fill in for permanent employees on vacation. In past years, students worked alongside permanent employees, but a few staff complained that the students were inexperienced, slow, and arrogant. In general, permanent staff disliked the students' behavior, such as listening to music with earphones while working. This summer, the company reorganized all permanent employees into three production teams (they usually have four teams, but 25 percent are on vacation at any given time) and assigned the 16 summer students to their own team on the fourth production line.

The supervisor, Dan Jensen, decided to try a different strategy this summer and have all the college students work on the new line. He asked Mark Allen to supervise the new crew because Mark claimed that he knew everything about boats and could perform every job "with my eyes closed." Mark was happy to accept the new job and participated in selecting the student hires. Mark's crew was called "the Geek Team" because all the college students were savvy with computers, unlike most of the permanent employees.

Mark spent many hours training his student team to get the line running at full production. The college students learned quickly, and by the end of June their production rate was up to standard, with an error rate that was only slightly above normal. To simplify the learning process, Dan Jensen assigned the Geek Team long production runs that generally consisted of 30 to 40 identical units. Thus, the training period was shortened and errors were reduced. Shorter production runs were assigned to the experienced teams.

By the middle of July, a substantial rivalry had been created between the Geek Team and the older workers. At first, the rivalry was good-natured. But after a few weeks, the older workers became resentful of the remarks made by

the college students. The Geek Team often met its production schedules, with time to spare at the end of the day for goofing around. It wasn't uncommon for someone from the Geek Team to go to another line pretending to look for materials just to make demeaning comments. The experienced workers resented having to perform all the shorter production runs and began to retaliate with sabotage. They would sneak over during breaks and hide tools, dent materials, install something crooked, and in other small ways do something that would slow production for the Geek Team.

Dan felt good about his decision to form a separate crew of college students, but when he heard reports of sabotage and rivalry, he became very concerned. Because of complaints from the experienced workers, Dan equalized the production so that all of the crews had similar production runs. The rivalry, however, did not stop. The Geek Team continued to finish early and flaunt their performance in front of the other crews.

One day, the Geek Team suspected that one of their assemblies was going to be sabotaged during the lunch break by one of the experienced crews. By skillful deception, they were able to substitute an assembly from the other experienced line for theirs. By the end of the lunch period, the Geek Team was laughing wildly because of their deception, while one experienced crew was very angry with the other one.

Dan Jensen decided that the situation had to be changed and announced that the job assignments between the different crews would be shuffled. The employees were told that when they appeared for work the next morning, the names of the workers assigned to each crew would be posted on the bulletin board. The announcement was not greeted with much enthusiasm, and Mark Allen decided to talk Dan out of his idea. Mark suspected that many of the college students would quit if their team was broken up.

CASE 9: THE OUTSTANDING FACULTY AWARD

By David J. Cherrington, Brigham Young University; revised by Steven L. McShane, Curtin University (Australia) and University of Victoria (Canada)

I recently served on the Outstanding Faculty Award committee for the College of Business. This award is our college's highest honor for a faculty member, which is bestowed at a special reception ceremony. At the first meeting, our committee discussed the nomination process and decided to follow our traditional practice of inviting nominations from both the faculty and students. During the next month, we received six completed files with supporting documentation. Three of the nominations came

from department chairs, two from faculty who recommended their colleagues, and one from a group of 16 graduate students.

At the second meeting, we agreed that we didn't know the six applicants well enough to make a decision that day, so we decided that we would read the applications on our own and rank them. There was no discussion about ranking criteria; I think we assumed that we shared a common definition of the word "outstanding."

During the third meeting, it quickly became apparent that each committee member had a different interpretation of what constitutes an "outstanding" faculty member. The discussion was polite, but we debated the extent to which this was an award for teaching, or research, or service to the college, or scholarly textbook writing, or consulting, or service to society, or some other factor. After three hours, we agreed on five criteria that we would apply to independently rate each candidate using a five-point scale.

When we reconvened the next day, our discussion was much more focused as we tried to achieve a consensus regarding how we judged each candidate on each criterion. After a lengthy discussion, we finally completed the task and averaged the ratings. The top three scores had an average rating (out of a maximum of 25) of 21, 19.5, and 18.75. I assumed the person with the highest total would receive the award. Instead, my colleagues began debating over the relevance of the five criteria that we had agreed on the previous day. Some committee members felt, in hindsight, that the criteria were incorrectly weighted or that other criteria should be considered.

Although they did not actually say this, I sensed that at least two colleagues on the committee wanted the criteria or weights changed because their preferred candidate didn't get the highest score using the existing formula. When we changed the weights in various ways, a different candidate among the top three received the top score. The remaining three candidates received lower ratings every time. Dr. H always received the lowest score, usually around 12 on the 25-point range.

After almost two hours of discussion, the Associate Dean turned to one committee member and said, "Dolan, I sure would like to see Dr. H in your department receive this honor. He retires next year and this would be a great honor for him and no one has received this honor in your department recently."

Dolan agreed, "Yes, this is Dr. H's last year with us and it would be a great way for him to go out. I'm sure he would feel very honored by this award."

I sat there stunned at the suggestion, while Dolan retold how Dr. H had been active in public service, his only real strength on our criteria. I was even more stunned when another committee member, who I think was keen to finish the meeting, said, "Well, I so move" and Dolan seconded it.

The Associate Dean, who was conducting the meeting, said, "Well, if the rest of you think this is a good idea, all in favor say aye." A few members said "Aye," and, without calling for nays, the Associate Dean quickly proceeded to explain what we needed to do to advertise the winner and arrange the ceremony.

During my conversations with other committee members over the next two weeks, I learned that everyone—including the two who said "Aye"—were as shocked as I was at our committee's decision. I thought we made a terrible decision, and I was embarrassed to be a member of the committee. A few weeks later, we were appropriately punished when Dr. H gave a 45-minute acceptance speech that started poorly and only got worse.

CASE 10: THE SHIPPING INDUSTRY ACCOUNTING TEAM

By Steven L. McShane, Curtin University (Australia) and University of Victoria (Canada)

For the past five years, I have been working at McKay, Sanderson, and Smith Associates, a mid-sized accounting firm in Boston that specializes in commercial accounting and audits. My particular specialty is accounting practices for shipping companies, ranging from small fishing fleets to a couple of the big firms with ships along the East Coast.

About 18 months ago, McKay, Sanderson, and Smith Associates became part of a large merger involving two other accounting firms. These firms have offices in Miami, Seattle, Baton Rouge, and Los Angeles. Although the other two accounting firms were much larger than McKay, all three firms agreed to avoid centralizing the business around one office in Los Angeles. Instead, the new firm—called Goldberg, Choo, and McKay Associates—would rely on teams across the country to "leverage the synergies of our collective knowledge" (an often-cited statement from the managing partner soon after the merger).

The effect of the merger affected me a year ago when my boss (a senior partner and vice president of the merged firm) announced that I would be working more closely with three people from the other two firms to become the firm's new shipping industry accounting team. The other "team members" were Elias in Miami, Susan in Seattle, and Brad in Los Angeles. I had met Elias briefly at a meeting in New York City during the merger, but have never met Susan or Brad, although knew that they were shipping accounting professionals at the other firms.

Initially, the shipping "team" activities involved emailing each other about new contracts and prospective clients. Later, we were asked to submit joint monthly reports on accounting statements and issues. Normally, I submitted my own monthly reports which summarize activities involving my own clients. Coordinating the monthly report with three other people took much more time, particularly since different accounting documentation procedures across the three firms were still being resolved. It took numerous emails and a few telephone calls to work out a reasonable monthly report style.

During this aggravating process, it became apparent—to me at least—that this "teams" business was costing me more time than it was worth. Moreover, Brad in Los Angeles didn't have a clue as to how to communicate with the rest of us. He rarely replied to emails. Instead, he often used the telephone voice mail system, which resulted in numerous irritating episodes of telephone tag. Brad arrives at work at 9:30 a.m. in Los Angeles (and is often late!), which is early afternoon in Boston. I typically have a flexible work schedule from 7:30 a.m. to 3:30 p.m. so I can chauffeur my kids after school to sports and music lessons. So Brad and I have a window of less than three hours to share information.

The biggest nuisance with the shipping specialist accounting team started two weeks ago when the firm asked the four of us to develop a new strategy for attracting more shipping firm business. This new strategic plan is a messy business. Somehow, we have to share our thoughts on various approaches, agree on a new plan, and write a unified submission to the managing partner. Already, the project is taking most of my time just writing and responding to emails, and talking in conference calls (which none of us did much before the team formed).

Susan and Brad have already had two or three "misunderstandings" via email about their different perspectives on delicate matters in the strategic plan. The worst of these disagreements required a conference call with all of us to resolve. Except for the most basic matters, it seems that we can't understand each other, let alone agree on key issues. I have come to the conclusion that I would never want Brad to work in my Boston office (thank goodness, he's on the other side of the country). While Elias and I seem to agree on most points, the overall team can't form a common vision or strategy. I don't know how Elias, Susan, or Brad feel, but I would be quite happy to work somewhere that did not require any of these long-distance team headaches.

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CASE 11: VÊTEMENTS LTÉE

By Steven L. McShane, Curtin University (Australia) and University of Victoria (Canada)

Vêtements Ltée is a chain of men's retail clothing stores located throughout the province of Quebec, Canada. Two years ago, the company introduced new incentive systems for both store managers and sales employees. Store managers receive a salary with annual merit increases based on store sales above targeted goals, store appearance, store inventory management, customer complaints, and several other performance measures. Some of this information (e.g., store appearance) is gathered during visits by senior management, whereas other information is based on company records (e.g., sales volume).

Sales employees are paid a fixed salary plus a commission based on the percentage of sales credited to that employee over the pay period. The commission represents about 30 percent of a typical paycheck and is intended to encourage employees to actively serve customers and to increase sales volume. Returned merchandise is deducted from commissions, so sales employees are discouraged from selling products that customers do not really want.

Soon after the new incentive systems were introduced, senior management began to receive complaints from store managers regarding the performance of their sales staff. They observed that sales employees tended to stand near the store entrance waiting to "tag" customers as their own. Occasionally, sales staff would argue over "ownership" of the customer. Managers were concerned that this aggressive behavior intimidated some customers. It also tended to leave some parts of the store unattended by staff.

Many managers were also concerned about inventory duties. Previously, sales staff would share responsibility for restocking inventory and completing inventory reorder forms. Under the new compensation system, however, few employees were willing to do these essential tasks. On several occasions, stores have faced stock shortages because merchandise was not stocked or reorder forms were not completed in a timely manner. Potential sales have suffered from empty shelves when plenty of merchandise was available in the back storeroom or at the warehouse. The company's new automatic inventory system could reduce some of these problems, but employees must still stock shelves and assist in other aspects of inventory management.

Store managers have tried to correct the inventory problem by assigning employees to inventory duty, but this has created resentment among the employees selected. Other managers have threatened sales staff with dismissals if they do not do their share of inventory management. This strategy has been somewhat effective when the manager is in the store, but staff members sneak back onto the floor when the manager is away. It has also hurt staff morale, particularly relations with the store manager.

To reduce the tendency of sales staff to hoard customers at the store entrance, some managers have assigned employees to specific areas of the store. This has also created some resentment among employees stationed in areas with less traffic or lower-priced merchandise. Some staff have openly complained of lower paychecks because they have been placed in a slow area of the store or have been given more than their share of inventory duties.

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appendix A

Theory Building and Systematic Research Methods

THEORY BUILDING

People need to make sense of their world, so they form theories about the way the world operates. A **theory** is a general set of propositions that describes interrelationships among several concepts. We form theories for the purpose of predicting and explaining the world around us.[1] What does a good theory look like? First, it should be stated as clearly and simply as possible so that the concepts can be measured and there is no ambiguity regarding the theory's propositions. Second, the elements of the theory must be logically consistent with each other, because we cannot test anything that doesn't make sense. Third, a good theory provides value to society; it helps people understand their world better than they would without the theory.[2]

Theory building is a continuous process that typically includes the inductive and deductive stages shown in Exhibit A.1.[3] The inductive stage draws on personal experience to form a preliminary theory, whereas the deductive stage uses the scientific method to test the theory.

The inductive stage of theory building involves observing the world around us, identifying a pattern of relationships, and then forming a theory from these personal observations. For example, you might casually notice that new employees want their supervisor to give direction, whereas this leadership style irritates long-service employees. From these observations, you form a theory about the effectiveness of directive leadership. (See Chapter 12 for a discussion of this leadership style.)

POSITIVISM VERSUS INTERPRETIVISM

Research requires an interpretation of reality, and researchers tend to perceive reality in one of two ways. A common view, called **positivism,** is that reality exists independent of people. It is "out there" to be discovered and tested. Positivism is the foundation for most quantitative research (statistical analysis). It assumes that we can measure variables and those variables have fixed relationships with other variables. For example, the positivist perspective says that we could study whether a supportive style of leadership reduces stress. If we find evidence that it does, then someone else studying leadership and stress would "discover" the same relationship.

Interpretivism takes a different view of reality. It suggests that reality comes from shared meaning among people in a particular environment. For example, supportive leadership is a personal interpretation of reality, not something that can be measured across time and people. Interpretivists rely mainly on qualitative data, such as observation and nondirective interviews. They particularly listen to the language people use to understand the common meaning that people assign to various events or phenomena. For example, they might argue that you need to experience and observe supportive leadership to effectively study it. Moreover, you can't really predict relationships because the specific situation shapes reality.[4]

EXHIBIT A.1   **Theory Building and Theory Testing**
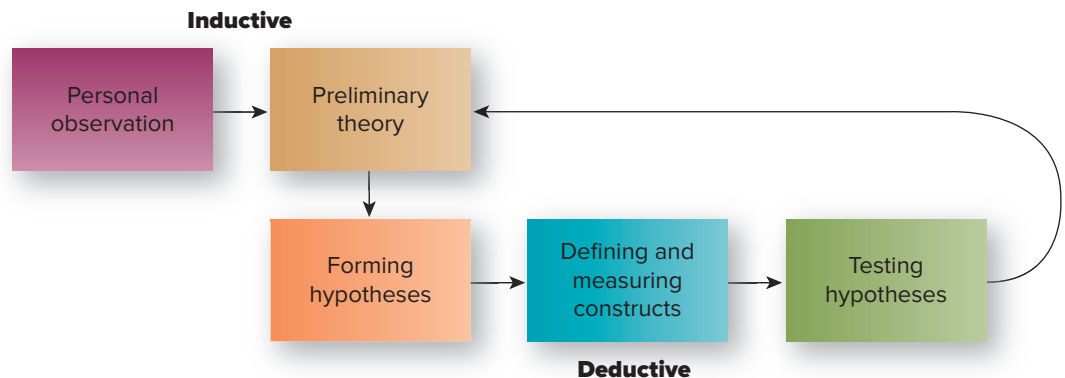
Most OB scholars identify themselves somewhere between the extreme views of positivism and interpretivism. Many believe that inductive research should begin with an interpretivist angle. We should consider a new topic with an open mind and search for shared meaning among people in the situation being studied. In other words, researchers should let the participants define reality rather than let the researcher's preconceived notions shape that reality. This process involves gathering qualitative information and letting this information shape their theory.[5] After the theory emerges, researchers shift to the positivist perspective by quantitatively testing relationships in that theory.

THEORY TESTING: THE DEDUCTIVE PROCESS

Once a theory has been formed, we shift into the deductive stage of theory building. This process includes forming hypotheses, defining and measuring constructs, and testing hypotheses (see Exhibit A.1). **Hypotheses** make empirically testable declarations that certain variables and their corresponding measures are related in a specific way proposed by the theory. For instance, to find support for directive leadership theory, we need to form and then test a specific hypothesis from that theory. One such hypothesis might be: "New employees are more satisfied with supervisors who exhibit a directive rather than nondirective leadership style." Hypotheses are indispensable tools of scientific research because they provide the vital link between the theory and empirical verification.

Defining and Measuring Constructs   Hypotheses are testable only if we can define and then form measurable indicators of the concepts stated in those hypotheses. Consider the hypothesis in the previous paragraph about new employees and directive leadership. To test this hypothesis, we first need to define the concepts such as "new employees," "directive leadership," and "supervisor." These are known as **constructs** because they are abstract ideas constructed by the researcher that can be linked to observable information. Organizational behavior researchers developed the construct called *directive leadership* to help them understand the different effects that leaders have on followers. We can't directly see, taste, or smell directive leadership; instead, we rely on indirect indicators of its existence, such as observing someone giving directions, maintaining clear performance standards, and ensuring that procedures and practices are followed.

As you can see, defining constructs well is very important, because these definitions become the foundation for finding or developing acceptable measures of those constructs. We can't measure directive leadership if we have only a vague idea about what this concept means. The better the construct is defined, the better our chances of finding or developing a good measure of that construct.

However, even with a good definition, constructs can be difficult to measure, because the empirical representation must capture several elements in the definition. A measure of directive leadership must be able to identify not only people who give directions but also those who maintain performance standards and ensure that procedures are followed.

Testing Hypotheses   The third step in the deductive process is to collect data for the empirical measures of the variables. Following our directive leadership example, we might conduct a formal survey in which new employees indicate the behavior of their supervisors and their attitudes toward their supervisors. Alternatively, we might design an experiment in which people work with someone who applies either a directive or a nondirective leadership style. When the data have been collected, we can use various procedures to statistically test our hypotheses.

A major concern in theory building is that some researchers might inadvertently find support for their theory simply because they use the same information used to form the theory during the inductive stage. Consequently, the deductive stage must collect new data that are completely independent of the data used during the inductive stage. For instance, you might decide to test your theory of directive leadership by studying employees in another organization. Moreover, the inductive process may have relied mainly on personal observation, whereas the deductive process might use survey questionnaires. By studying different samples and using different measurement tools, we minimize the risk of conducting circular research.

USING THE SCIENTIFIC METHOD

Earlier, we said that the deductive stage of theory building follows the scientific method. The **scientific method** is a systematic, controlled, empirical, and critical investigation of hypothetical propositions about the presumed relationships among natural phenomena.[6] There are several elements to this definition, so let's look at each one. First, scientific research is *systematic and controlled* because researchers want to rule out all but one explanation for a set of interrelated events. To rule out alternative explanations, we need to control them in some way, such as by keeping them constant or removing them entirely from the environment.

Second, we say that scientific research is *empirical* because researchers need to use objective reality—or as close as we can get to it—to test a theory. They measure observable elements of the environment, such as what a person says or does, rather than relying on their own subjective opinion to draw conclusions. Moreover, scientific research analyzes these data using acceptable principles of mathematics and logic.

Third, scientific research involves *critical investigation*. This means that the study's hypotheses, data, methods, and

results are openly described so that other experts in the field can properly evaluate the research. It also means that scholars are encouraged to critique and build on previous research. The scientific method encourages the refinement and eventually the replacement of a particular theory with one that better suits our understanding of the world.

GROUNDED THEORY: AN ALTERNATIVE APPROACH

The scientific method dominates the quantitative approach to systematic research, but another approach, called **grounded theory,** dominates research using qualitative methods.[7] Grounded theory is a process of developing knowledge through the constant interplay of data collection, analysis, and theory development. It relies mainly on qualitative methods to form categories and variables, analyze relationships among these concepts, and form a model based on the observations and analysis. Grounded theory combines the inductive stages of theory development by cycling back and forth between data collection and analysis to converge on a robust explanatory model. This ongoing reciprocal process results in theory that is grounded in the data (hence the name grounded theory).

Like the scientific method, grounded theory is a systematic and rigorous process of data collection and analysis. It requires specific steps and documentation and adopts a positivist view by assuming that the results are generalizable to other settings. However, grounded theory also takes an interpretivist view by building categories and variables from the perceived realities of the subjects rather than from an assumed universal truth.[8] It also recognizes that personal biases are not easily removed from the research process.

SELECTED ISSUES IN ORGANIZATIONAL BEHAVIOR RESEARCH

There are many issues to consider in theory building, particularly when we use the deductive process to test hypotheses. Some of the more important issues are sampling, causation, and ethical practices in organizational research.

SAMPLING IN ORGANIZATIONAL RESEARCH

To find out why things happen in organizations, we typically gather information from a few sources and then draw conclusions about the larger population. If we survey several employees and determine that older employees are more loyal to their company, then we would like to generalize this statement to all older employees in our population, not just those whom we surveyed. Scientific inquiry generally requires that researchers engage in **representative sampling**—that is, sampling a population in such a way that we can extrapolate the results of the sample to the larger population.

One factor that influences representativeness is whether the sample is selected in an unbiased way from the larger population. Let's suppose that you want to study organizational commitment among employees in your organization. A casual procedure might result in sampling too few employees from the head office and too many located elsewhere in the country. If head office employees actually have higher loyalty than employees located elsewhere, the biased sampling would cause the results to underestimate the true level of loyalty among employees in the company. If you repeat the process again next year but somehow overweight employees from the head office, the results might wrongly suggest that employees have increased their organizational commitment over the past year. In reality, the only change may be the direction of sampling bias.

How do we minimize sampling bias? The answer is to randomly select the sample. A randomly drawn sample gives each member of the population an equal probability of being chosen, so there is less likelihood that a subgroup within that population will dominate the study's results.

The same principle applies to the random assignment of participants to groups in experimental designs. If we want to test the effects of a team development training program, we need to randomly place some employees in the training group and randomly place others in a group that does not receive training. Without this random selection, each group might have different types of employees, so we wouldn't know whether the training explains the differences between the two groups. Moreover, if employees respond differently to the training program, we couldn't be sure that the training program results are representative of the larger population. Of course, random sampling does not necessarily produce a perfectly representative sample, but we do know that it is the best approach to ensure unbiased selection.

The other factor that influences representativeness is sample size. Whenever we select a portion of the population, there will be some error in our estimate of the population values. The larger the sample, the less error will occur in our estimate. Let's suppose that you want to find out how employees in a 500-person firm feel about smoking in the workplace. If you asked 400 of those employees, the information would provide a very good estimate of how the entire workforce in that organization feels. If you survey only 100 employees, the estimate might deviate more from the true population. If you ask only 10 people, the estimate could be quite different from what all 500 employees feel.

Notice that sample size goes hand in hand with random selection. You must have a sufficiently large sample size for the principle of randomization to work effectively. In our example of attitudes toward smoking, we would do a poor job of random selection if our sample consisted of only 10 employees from the 500-person organization. The reason is that these 10 people probably wouldn't capture

the diversity of employees throughout the organization. In fact, the more diverse the population, the larger the sample size should be to provide adequate representation through random selection.

CAUSATION IN ORGANIZATIONAL RESEARCH

Theories present notions about relationships among constructs. Often, these propositions suggest a causal relationship, namely, that one variable has an effect on another variable. When discussing causation, we refer to variables as being independent or dependent. *Independent variables* are the presumed causes of *dependent variables*, which are the presumed effects. In our earlier example of directive leadership, the main independent variable (there might be others) would be the supervisor's directive or nondirective leadership style because we presume that it causes the dependent variable (satisfaction with supervision).

In laboratory experiments (described later) the independent variable is always manipulated by the experimenter. In our research on directive leadership, we might have subjects (new employees) work with supervisors who exhibit directive or nondirective leadership behaviors. If subjects are more satisfied under the directive leaders, we would be able to infer an association between the independent and dependent variables.

Researchers must satisfy three conditions to provide sufficient evidence of causality between two variables.[9] The first condition of causality is that the variables are empirically associated with each other. An association exists whenever one measure of a variable changes systematically with a measure of another variable. This condition of causality is the easiest to satisfy, because there are several well-known statistical measures of association. A research study might find, for instance, that heterogeneous groups (in which members come from diverse backgrounds) produce more creative solutions to problems. This might be apparent because the measure of creativity (such as number of creative solutions produced within a fixed time) is higher for teams that have a high score on the measure of group heterogeneity. They are statistically associated or correlated.

The second condition of causality is that the independent variable precedes the dependent variable in time. Sometimes, this condition is satisfied through simple logic. In our group heterogeneity example, it doesn't make sense to say that the number of creative solutions caused the group's heterogeneity, because the group's heterogeneity existed before the group produced the creative solutions. In other situations, however, the temporal relationship among variables is less clear. One example is the ongoing debate about job satisfaction and organizational commitment. Do companies develop more loyal employees by increasing their job satisfaction, or do changes in organizational loyalty cause changes in job satisfaction? Simple logic does not answer these questions; instead, researchers must use sophisticated longitudinal studies to build up evidence of a temporal relationship between the two variables.

The third requirement for evidence of a causal relationship is that the statistical association between two variables cannot be explained by a third variable. There are many associations that we quickly dismiss as causally related. For example, there is a statistical association between the number of storks in an area and the birthrate in that area. We know that storks don't bring babies, so something else must cause the association between these two variables. The real explanation is that both storks and birthrates have a higher incidence in rural areas.

In other studies, the third variable effect is less apparent. Many years ago, before polio vaccines were available, a study in the United States reported a surprisingly strong association between consumption of a certain soft drink and the incidence of polio. Was polio caused by drinking this soda, or did people with polio have an unusual craving for this beverage? Neither. Both polio and consumption of the soft drink were caused by a third variable: climate. There was a higher incidence of polio in the summer months and in warmer climates, and people drink more liquids in these climates.[10] As you can see from this example, researchers have a difficult time supporting causal inferences because third-variable effects are sometimes difficult to detect.

ETHICS IN ORGANIZATIONAL RESEARCH

Organizational behavior researchers need to abide by the ethical standards of the society in which the research is conducted. One of the most important ethical considerations is the individual respondent's freedom to participate in the study. For example, it is inappropriate to force employees to fill out a questionnaire or attend an experimental intervention for research purposes only. Moreover, researchers have an obligation to tell potential subjects about any possible risks inherent in the study so that participants can make an informed choice about whether to be involved.

Finally, researchers must be careful to protect the privacy of those who participate in the study. This usually includes letting people know when they are being studied as well as guaranteeing that their individual information will remain confidential (unless publication of identities is otherwise granted). Researchers maintain anonymity through careful security of data. The research results usually aggregate data in numbers large enough that they do not reveal the opinions or characteristics of any specific individual. For example, we would report the average absenteeism of employees in a department rather than state the absence rates of each person. When researchers are sharing data with other researchers, it is

usually necessary to code each case so that individual identities are not known.

RESEARCH DESIGN STRATEGIES

So far, we have described how to build a theory, including the specific elements of empirically testing the theory within the standards of scientific inquiry. But what are the different ways to design a research study so that we get the data necessary to achieve our research objectives? There are many strategies, but they mainly fall under three headings: laboratory experiments, field surveys, and observational research.

LABORATORY EXPERIMENTS

A **laboratory experiment** is any research study in which independent variables and variables outside the researcher's main focus of inquiry can be controlled to some extent. Laboratory experiments are usually located outside the everyday work environment, such as in a classroom, simulation lab, or any other artificial setting in which the researcher can manipulate the environment. Organizational behavior researchers sometimes conduct experiments in the workplace (called *field experiments*) in which the independent variable is manipulated. However, researchers have less control over the effects of extraneous factors in field experiments than they have in laboratory situations.

Advantages of Laboratory Experiments   There are many advantages of laboratory experiments. By definition, this research method offers a high degree of control over extraneous variables that would otherwise confound the relationships being studied. Suppose we wanted to test the effects of directive leadership on the satisfaction of new employees. One concern might be that employees are influenced by how much leadership is provided, not just the type of leadership style. An experimental design would allow us to control how often the supervisor exhibited this style so that this extraneous variable does not confound the results.

A second advantage of lab studies is that the independent and dependent variables can be developed more precisely than is possible in a field setting. For example, the researcher can ensure that supervisors in a lab study apply specific directive or nondirective behaviors, whereas real-life supervisors would use a more complex mixture of leadership behaviors. By using more precise measures, we are more certain that we are measuring the intended construct. Thus, if new employees are more satisfied with supervisors in the directive leadership condition, we are more confident that the independent variable was directive leadership rather than some other leadership style.

A third benefit of laboratory experiments is that the independent variable can be distributed more evenly among participants. In our directive leadership study, we can ensure that approximately half of the subjects have a directive supervisor, whereas the other half have a nondirective supervisor. In natural settings, we might have trouble finding people who have worked with a nondirective leader and, consequently, we couldn't determine the effects of this condition.

Disadvantages of Laboratory Experiments

With these powerful advantages, you might wonder why laboratory experiments are the least appreciated form of organizational behavior research.[11] One obvious limitation of this research method is that it lacks realism, and thus the results might be different in the real world. One argument is that laboratory experiment subjects are less involved than their counterparts in an actual work situation. This is sometimes true, though many lab studies have highly motivated participants. Another criticism is that the extraneous variables controlled in the lab setting might produce a different effect of the independent variable on the dependent variables. This might also be true, but remember that the experimental design controls variables in accordance with the theory and its hypotheses. Consequently, this concern is really a critique of the theory, not the lab study.

Finally, there is the well-known problem that participants are aware they are being studied, which causes them to act differently than they normally would. Some participants try to figure out how the researcher wants them to behave and then deliberately try to act that way. Other participants try to upset the experiment by doing just the opposite of what they believe the researcher expects. Still others might act unnaturally simply because they know they are being observed. Fortunately, experimenters are well aware of these potential problems and are usually (though not always) successful at disguising the study's true intent.

FIELD SURVEYS

Field surveys collect and analyze information in a natural environment—an office, a factory, or some other existing location. The researcher takes a snapshot of reality and tries to determine whether elements of that situation (including the attitudes and behaviors of people in that situation) are associated as hypothesized. Everyone does some sort of field research. You might think that people from some states are better drivers than others, so you "test" your theory by looking at the way people with out-of-state license plates drive. Although your methods of data collection might not satisfy scientific standards, this is a form of field research because it takes information from a naturally occurring situation.

One advantage of field surveys is that the variables often have a more powerful effect than they would in a laboratory

experiment. Consider the effect of peer pressure on the behavior of members within the team. In a natural environment, team members would form very strong cohesive bonds over time, whereas a researcher would have difficulty replicating this level of cohesiveness and corresponding peer pressure in a lab setting.

Another advantage of field surveys is that the researcher can study many variables simultaneously, thereby permitting a fuller test of more complex theories. Ironically, this is also a disadvantage of field surveys, because it is difficult for the researcher to contain his or her scientific inquiry. There is a tendency to shift from deductive hypothesis testing to more inductive exploratory browsing through the data. If these two activities become mixed together, the researcher can lose sight of the strict covenants of scientific inquiry.

The main weakness with field surveys is that it is very difficult to satisfy the conditions for causal conclusions. One reason is that the data are usually collected at one point in time, so the researcher must rely on logic to decide whether the independent variable really preceded the dependent variable. Contrast this with the lab study in which the researcher can usually be confident that the independent variable was applied before the dependent variable occurred. Increasingly, organizational behavior studies use longitudinal research to provide a better indicator of temporal relations among variables, but it is still not as precise as the lab setting. Another reason causal analysis is difficult in field surveys is that extraneous variables are not controlled as they are in lab studies. Without this control, there is a higher chance that a third variable might explain the relationship between the hypothesized independent and dependent variables.

OBSERVATIONAL RESEARCH

In their study of brainstorming and creativity, Robert Sutton and Andrew Hargadon observed 24 brainstorming sessions at IDEO, a product design firm in Palo Alto, California. They also attended a dozen "Monday morning meetings," conducted 60 semi-structured interviews with IDEO executives and designers, held hundreds of informal discussions with these people, and read through several dozen magazine articles about the company.[12]

Sutton and Hargadon's use of observational research and other qualitative methods was quite appropriate for their research objective, which was to reexamine the effectiveness of brainstorming beyond the number of ideas generated. Observational research generates a wealth of descriptive accounts about the drama of human existence in organizations. It is a useful vehicle for learning about the complex dynamics of people and their activities, such as brainstorming. (Sutton and Hargadon's study is cited in Chapter 7 on team decision making.)

Participant observation takes the observation method one step further by having the observer take part in the organization's activities. This experience gives the researcher a fuller understanding of the activities compared with just watching others participate in those activities.

Despite its intuitive appeal, observational research has a number of weaknesses. The main problem is that the observer is subject to the perceptual screening and organizing biases that we discuss in Chapter 3 of this textbook. There is a tendency to overlook the routine aspects of organizational life, even though they may prove to be the most important data for research purposes. Instead, observers tend to focus on unusual information, such as activities that deviate from what the observer expects. Because observational research usually records only what the observer notices, valuable information is often lost.

Another concern with the observation method is that the researcher's presence and involvement may influence the people whom he or she is studying. This can be a problem in short-term observations, but in the long term people tend to return to their usual behavior patterns. With ongoing observations, such as Sutton and Hargadon's study of brainstorming sessions at IDEO, employees eventually forget that they are being studied.

Finally, observation is usually a qualitative process, so it is more difficult to empirically test hypotheses with the data. Instead, observational research provides rich information for the inductive stages of theory building. It helps us form ideas about the way things work in organizations. We begin to see relationships that lay the foundation for new perspectives and theory. We must not confuse this inductive process of theory building with the deductive process of theory testing.

key terms

constructs, p. 458
field survey, p. 461
grounded theory, p. 459
hypotheses, p. 458

interpretivism, p. 457
laboratory experiment, p. 461
positivism, p. 457
representative sampling, p. 459

scientific method, p. 458
theory, p. 457

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CHAPTER 1

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CHAPTER 2

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CHAPTER 4

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CHAPTER 6

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CHAPTER 7

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CHAPTER 8

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CHAPTER 9

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CHAPTER 10

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CHAPTER 11

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CHAPTER 15

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Achievement-nurturing orientation *Cross-cultural value describing the degree to which people in a culture emphasize competitive versus cooperative relations with other people,* 54

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Action research *A problem-focused change process that combines action orientation (changing attitudes and behavior) and research orientation (testing theory through data collection and analysis),* 430–432

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Adaptive culture *An organizational culture in which employees are receptive to change, including the ongoing alignment of the organization to its environment and continuous improvement of internal processes,* 397

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Affective organizational commitment *An individual's emotional attachment to, involvement in, and identification with an organization,* 106

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Anchoring and adjustment heuristic *A natural tendency for people to be influenced by an initial anchor point such that they do not sufficiently move away from that point as new information is provided,* 188

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Attitudes *The cluster of beliefs, assessed feelings, and behavioral intentions toward a person, object, or event (called an attitude object),* 93–95

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Attraction–selection–attrition (ASA) theory *A theory that states that organizations have a natural tendency to attract, select, and retain people with values and personality characteristics that are consistent with the organization's character, resulting in a more homogeneous organization and a stronger culture,* 403–404

Attribution errors, 78–79

Attribution process *The perceptual process of deciding whether an observed behavior or event is caused largely by internal or external factors,* 77–78

Authentic leadership *The view that effective leaders need to be aware of, feel comfortable with, and act consistently with their values, personality, and self-concept,* 353–354

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Best alternative to a negotiated settlement (BATNA) *The best outcome you might achieve through some other course of action if you abandon the current negotiation,* 321

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Bicultural audit *A process of diagnosing cultural relations between companies and determining the extent to which cultural clashes will likely occur,* 399

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Bounded rationality *The view that people are bounded in their decision-making capabilities, including access to limited information, limited information processing, and tendency toward satisficing rather than maximizing when making choices,* 187

Brainstorming *A freewheeling, face-to-face meeting where team members aren't allowed to criticize but are encouraged to speak freely, generate as many ideas as possible, and build on the ideas of others,* 239

Brainwriting *A variation of brainstorming whereby participants write (rather than speak about) and share their ideas,* 239

Brooks's law *The principle that adding more people to a late software project only makes it later,* 217

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Categorical thinking *Organizing people and objects into preconceived categories that are stored in our long-term memory,* 72–73

Centrality *A contingency of power pertaining to the degree and nature of interdependence between the power holder and others,* 285–286, 288–289

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Rational choice decision making; *see* Decision making

Realistic job preview (RJP) *A method of improving organizational socialization in which job applicants are given a balance of positive and negative information about the job and work context,* 408

Reality shock *The stress that results when employees perceive discrepancies between their preemployment expectations and on-the-job reality,* 407

Recency effect *A perceptual error in which the most recent information dominates our perception of others,* 81

Reciprocal interdependence, 222, 310

Referent power *The capacity to influence others on the basis of an identification with and respect for the power holder,* 283, 288

Refreezing *The latter part of the change process, in which systems and structures are introduced that reinforce and maintain the desired behaviors,* 417, 425–426

Reinforcement
　in OB Mod theory, 134–135
　self-reinforcement, 136
Relational contracts, 405–406
Relationship capital, 19

Relationship conflict *A type of conflict in which people focus on characteristics of other individuals, rather than on the issues, as the source of conflict,* 306–307, 418

Remote work, 9–10

Representativeness heuristic *A natural tendency to evaluate probabilities of events or objects by the degree to which they resemble (are representative of) other events or objects rather than on objective probability information,* 189

Research, systematic, 14–15
Resistance to change
　forms of, 418
　as influence outcome, 295
　reasons for, 419–422
　reducing, 423–425
Resource scarcity
　conflict and, 310, 317
　organizational politics and, 297
Restraining forces, in change, 417, 421
Reward power, 282
Rewards
　financial, 155–159
　improving effectiveness of, 159–162
　performance-based, 155, 157–159
　in self-leadership, 173
　stabilizing change and, 425–426
　strengthening organizational culture
　　through, 402–403
　undesirable effects of, 161, 162

Rituals *The programmed routines of daily organizational life that dramatize the organization's culture,* 393–394

RJP; *see* Realistic job preview
Role management, 406, 407–408

Role perceptions *The degree to which a person understands the job duties assigned to or expected of him or her,* 34–35

Roles *A set of behaviors that people are expected to perform because they hold certain positions in a team and organization,* 227

　clarifying in team building, 228
　of team members, 227
Romance of leadership, 350
Rules
　ambiguity in, 310, 317
　formalization of, 369–370

S

Satisficing *Selecting an alternative that is satisfactory or "good enough," rather than the alternative with the highest value (maximization),* 189

Scenario planning *A systematic process of thinking about alternative futures and what the organization should do to anticipate and react to those environments,* 193

Schedules of reinforcement, 135

Scientific management *The practice of systematically partitioning work into its smallest elements and standardizing tasks to achieve maximum efficiency,* 163–164

SDTs; *see* Self-directed teams

Selective attention *The process of attending to some information received by our senses and ignoring other information,* 71

Self-actualization, 125, 126
Self-awareness, 81–83

Self-concept *An individual's self-beliefs and self-evaluations,* 64

　characteristics of, 64–65
　of effective leaders, 351, 352
　effects on well-being and behavior,
　　65–66
　internal vs. external, 69–70
　processes in, 64, 66–70

Self-directed teams (SDTs) *Cross-functional work groups that are organized around work processes, complete an entire piece of work requiring several interdependent tasks, and have substantial autonomy over the execution of those tasks,* 234

　characteristics of, 214, 215
　span of control and, 367
　success factors of, 235

Self-efficacy *A person's belief that he or she has the ability, motivation, correct role perceptions, and favorable situation to complete a task successfully,* 68, 122

Self-enhancement *A person's inherent motivation to have a positive self-concept (and to have others perceive him or her favorably), such as being competent, attractive, lucky, ethical, and important,* 46, 66–67, 194

　Self-esteem, 68
　Self-evaluation, 68–69
　Self-expansion, 65

Self-fulfilling prophecy *The perceptual process in which our expectations about another person cause that person to act more consistently with those expectations,* 79–80

　Self-justification, in decision making, 194

Self-leadership *Specific cognitive and behavioral strategies to achieve personal goals and standards through self-direction and self-motivation,* 172

　effectiveness of, 174
　predictors of, 175
　strategies of, 172–174
　Self-monitoring, 174

Self-reinforcement *Reinforcement that occurs when an employee has control over a reinforcer but doesn't "take" it until completing a self-set goal,* 136, 174

Self-serving bias *The tendency to attribute our favorable outcomes to internal factors and our failures to external factors,* 78

Self-talk *The process of talking to ourselves about our own thoughts or actions,* 173

　Self-transcendence, 46

Self-verification *A person's inherent motivation to confirm and maintain his or her existing self-concept,* 67–68

　Seniority-based rewards, 155–156
　Separation, of organizational cultures, 400
　Sequential interdependence, 221, 310

Servant leadership *The view that leaders serve followers, rather than vice versa; leaders help employees fulfill their needs and are coaches, stewards, and facilitators of employee development,* 344–345

Service profit chain model *A theory explaining how employees' job satisfaction influences company profitability indirectly through service quality, customer loyalty, and related factors,* 104, 105

　Sexual harassment, 111

Shared leadership *The view that leadership is a role, not a position assigned to one person; consequently, people within the team and organization lead each other,* 336–337