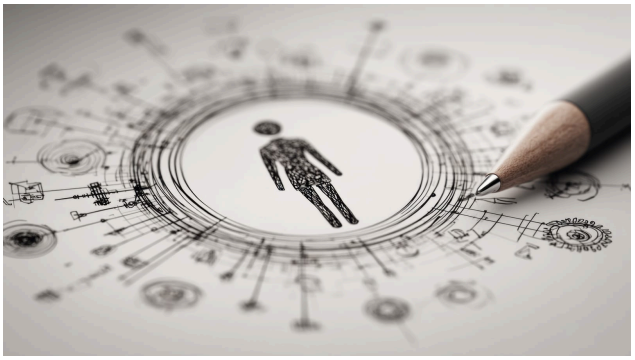
ORG. BEHAVIOR



Loretta Smith



Organization Behavior



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1: AN INTRODUCTION



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Learning Outcomes

After reading this chapter, you should be able to answer these questions:

1. What is the meaning of work in a societal context?
2. How do recognize and meet the challenges facing managers in the new millennium?
3. What is expected of a manager?
4. What is the role of the behavioral sciences in management and organizations?

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1.1: The Nature of Work

EXPLORING MANAGERIAL CAREERS

The Management Challenge at Apple and Google

When Apple was developing iOS 10, a group of 600 engineers was able to debug, develop, and deploy the new programming within two years. Contrarily, Microsoft engineers were able to develop and execute the programming on Vista, but it took considerably longer and was a bigger undertaking, with almost 6,000 engineers at hand. What was the difference?

According to the study conducted by leadership consulting firm Bain & Company, companies like Apple, Google, and Netflix are 40 percent more productive than the average company. Some may think that this is a product of the hiring pool; big companies generally attract a more talented group of recruits. With unique benefits and prowess in the industry, this must be the case. Wrong. Google and Apple have found a way to answer the most fundamental question in management: How do you balance productivity while maintaining employee satisfaction and commitment?

Companies such as Google have approximately the same percentage of "star players" as other companies, but instead of spreading out the talent, they group them dynamically to achieve more throughout the day. This grouping focuses on grouping key players in the most business-critical roles, and is the key to success for the overall company. You've heard the saying "You're only as strong as your weakest link," and in the case of Apple, there were no weak links, making their productivity extremely high overall. To make matters more complicated, the fast-paced workplace and technology changes, including the diversity of employees and the global marketplace, takes a considerable toll on employee expectations, as do the overall stresses of the business performance. Apple is just one example of a company that figured out one of the pieces to this puzzle, but it is illustrative of what is happening in the workplace all around the globe.

Contemporary managers are witnessing changes in technologies, markets, competition, workforce demographics, employee expectations, and ethical standards. At the heart of these changes is the issue of how to manage people effectively. To attain corporate objectives, each manager must discover how to develop and maintain a workforce that can meet today's needs while getting ready for tomorrow's challenges. As a result, managers are asking questions such as:

How can we meet the international competition?
How can we make this organization more effective?
How can we better utilize our human resources?
How can we create a more satisfying and rewarding work environment for all employees?
How can we improve the quality of our products?
How can we improve communication and decision-making processes at work?
How should we evaluate and reward performance?
How can we develop the company leaders of tomorrow?

Questions such as these point to the issue of effective management. That is, what can managers do to improve both organizational and employee performance? Effective management requires an in-depth knowledge of financial management, marketing research and consumer behavior, accounting and control practices, manufacturing and production techniques, and quantitative methods. In addition, however, effective management requires "people skills." That is, a good manager must be able to motivate his employees, to lead skillfully, to make appropriate and timely decisions, to communicate effectively, to organize work, to deal with organizational politics, and to work to develop both employees and the organization as a whole. These issues constitute the subject of this course. We shall examine principles of the behavioral sciences that can help managers improve both their own skills and abilities and those of their subordinates in order to enhance organizational performance and effectiveness.

As a prelude to this analysis, we begin with a brief look at the natures of work and of management. Contemporary challenges are discussed. Next, we consider a model of organizational behavior that will serve as a guide throughout the study of management and organizational behavior. We begin with an examination of work.

1. What is the meaning of work in a societal context?

The Meaning of Work

What is work, and how do people feel about the work they do? These questions may be answered from several perspectives. Perhaps one of the best ways to understand how people feel about their jobs is simply to ask them. A number of years ago Chicago writer Studs Terkel did exactly that. How did the people he interviewed feel about their jobs? Here are some excerpts from his book Working. (S. Terkel, Working (New York: Pantheon, 1974))

"I'm a dying breed. . . . A laborer. Strictly muscle work . . . pick it up, put it down, pick it up, put it down . . . you can't take pride any more. You remember when a guy could point to a house he built, how many logs he stacked. He built it and he was proud of it."
—Steelworker [p. 1]

"I changed my opinion of receptionists because now I'm one. It wasn't the dumb broad at the front desk who took telephone messages. She had to be something else because I thought I was something else. I was fine until there was a press party. We were having a fairly intelligent conversation. Then they asked me what I did. When I told them, they turned around to find other people with name tags. I wasn't worth bothering with. I wasn't being rejected because of what I said or the way I talked, but simply because of my function."
—Receptionist [p. 57]

"People ask me what I do, I say, "I drive a garbage truck for the city." . . . I have nothing to be ashamed of. I put in my eight hours. We make a pretty good salary. I feel I earn my money. . . . My wife's happy; this is the big thing. She doesn't look down at me. I think that's more important than the white-collar guy looking down at me."
—Sanitation Truck Driver [p. 149]

"I'm human. I make mistakes like everybody else. If you want a robot, build machines. If you want human beings, that's what I am."
—Policeman [p. 186]

"I usually say I'm an accountant. Most people think it's somebody who sits there with a green eyeshade and his sleeves rolled up with a garter, poring over books, adding things—with glasses. I suppose a certified public accountant has status. It doesn't mean much to me. Do I like the job or don't I? That's important."
—Accountant [p. 351]

"The boss . . . lost his secretary. She got promoted. So they told this old timekeeper she's to be his secretary-assistant. Oh, she's in her glory. No more money or anything and she's doing two jobs all day long. She's rushin' and runnin' all the time, all day. She's a nervous wreck. And when she asked him to write her up for an award, he refused. That's her reward for being so faithful, obedient."
—Process Clerk [p. 461]

Examples such as these—and there are many, many more—show how some employees view their jobs and the work they perform. Obviously, some jobs are more meaningful than others, and some individuals are more easily satisfied than others. Some people live to work, while others simply work to live. In any case, people clearly have strong feelings about what they do on the job and about the people with whom they work. In our study of behavior in organizations, we shall examine what people do, what causes them to do it, and how they feel about what they do. As a prelude to this analysis, however, we should first consider the basic unit of analysis in this study: work itself. What is work, and what functions does it serve in today's society?

Work has a variety of meanings in contemporary society. Often we think of work as paid employment—the exchange of services for money. Although this definition may suffice in a technical sense, it does not adequately describe why work is necessary. Perhaps **work** could be more meaningfully defined as an activity that produces something of value for other people. This definition broadens the scope of work and emphasizes the social context in which the wage-effort bargain transpires. It clearly recognizes that work has purpose—it is productive. Of course, this is not to say that work is necessarily interesting or rewarding or satisfying. On the contrary, we know that many jobs are dull, repetitive, and stressful. Even so, the activities performed do have utility for society at large. One of the challenges of **management** is to discover ways of transforming necessary yet distasteful jobs into more meaningful situations that are more satisfying and rewarding for individuals and that still contribute to organizational productivity and effectiveness.

Functions of Work

We know why work activities are important from an organization's viewpoint. Without work there is no product or service to provide. But why is work important to individuals? What functions does it serve?

First, work serves a rather obvious economic function. In exchange for labor, individuals receive necessary income with which to support themselves and their families. But people work for many reasons beyond simple economic necessity.

Second, work also serves several social functions. The workplace provides opportunities for meeting new people and developing friendships. Many people spend more time at work with their co-workers than they spend at home with their own families.

Third, work also provides a source of social status in the community. One's occupation is a clue to how one is regarded on the basis of standards of importance prescribed by the community. For instance, in the United States a corporate president is generally accorded greater status than a janitor in the same corporation. In China, on the other hand, great status is ascribed to peasants and people from the working class, whereas managers are not so significantly differentiated from those they manage. In Japan, status is first a function of the company you work for and how well-known it is, and then the position you hold. It is important to note here that the status associated with the work we perform often transcends the boundaries of our organization. A corporate president or a university president may have a great deal of status in the community at large because of his position in the organization. Hence, the work we do can simultaneously represent a source of social differentiation and a source of social integration.

Fourth, work can be an important source of identity and self-esteem and, for some, a means for self- actualization. It provides a sense of purpose for individuals and clarifies their value or contribution to society. As Freud noted long ago, "Work has a greater effect than any other technique of living in binding the individual more closely to reality; in his work he is at least securely attached to a part of reality, the human community." (S. Freud, Lecture XXXIII, *New Introductory Lectures on Psychoanalysis* (New York: Norton, 1933), p. 34.) Work contributes to self-esteem in at least two ways. First, it provides individuals with an opportunity to demonstrate competence or mastery over themselves and their environment. Individuals discover that they can actually do something. Second, work reassures individuals that they are carrying out activities that produce something of value to others—that they have something significant to offer. Without this, the individual feels that he has little to contribute and is thus of little value to society.

We clearly can see that work serves several useful purposes from an individual's standpoint. It provides a degree of economic self-sufficiency, social interchange, social status, self-esteem, and identity. Without this, individuals often experience sensations of powerlessness, meaninglessness, and normlessness—a condition called **alienation**. In work, individuals have the possibility of finding some meaning in their day-to-day activities—if, of course, their work is sufficiently challenging. When employees are not involved in their jobs because the work is not challenging enough, they usually see no reason to apply themselves, which, of course, jeopardizes productivity and organizational effectiveness. This self-evident truth has given rise to a general concern among managers about declining productivity and work values. In fact, concern about this situation has caused many managers to take a renewed interest in how the behavioral sciences can help them solve many of the problems of people at work.

Concept check

1. Define work.
2. What functions does work serve in modern society?

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1.2: The Changing Workplace

2. How do we recognize and meet the challenges facing managers in today's environment?

It has often been said that the only constant in life is change, and nowhere is this truer than in the workplace. As one recent study concluded, “The United States is a competitive location to the extent that firms operating in the U.S. are able to compete successfully in the global economy while supporting high and rising living standards for the average American. Although the U.S. retains profound competitive strengths—for instance, in higher education and entrepreneurship—those strengths are increasingly threatened by weaknesses in areas such as the tax code, basic education, macroeconomic policies, and regulation.”[3] Companies face a variety of changes and challenges that will have a profound impact on organizational dynamics and performance. In fact, in many ways these changes and challenges will determine who will survive and prosper into the next century and who will not. Among these challenges are the following:

The Challenge of Global Competition

Until the 1980s, many American firms had little in the way of serious international competition. As a result, there was little incentive to innovate and remain efficient and competitive. Many companies became lazy and lost touch with their customers. This situation changed abruptly as companies in Asia and Western Europe developed more sophisticated products and marketing systems and gained significant market shares in home electronics, automobiles, medical equipment, telecommunications, and shipbuilding, to name a few areas. As a result, American companies lost considerable clout—and profitability. In the 1990s and into the new millennium, the lowering of trade barriers and acceptance of trade agreements like NAFTA led corporations to seek less expensive labor overseas. This led to lower costs and the ability to offer products at more competitive prices, but also led to a drop in manufacturing in industries like steel production, a drop in manufacturing of products like iPhones, and the relocation of call centers from the U.S. to India.

If we examine corporate behavior during the early decades of the new millennium, it is not difficult to see some of the reasons for the demise. In short, many North American firms lost their **industrial competitiveness**; that is, they lost their capacity to compete effectively in global markets, or they chose to locate in foreign countries as a way to broaden their reach and become more competitive.

While traditional jobs have shifted to developing countries, countries like the United States and Canada have transformed their economies by incorporating more **technology** and automation as well as having a greater proportion of the workforce in the service sectors. It is anticipated that the coming decades will continue to bring disruption to traditional workplace skills that will result in challenging workers to continually evolve their skills.

The number of products that were *invented in the United States* but are now primarily *manufactured overseas* has increased dramatically—advances in technology are helping the United States regain the top spot in world manufacturing. There had been a significant decline in our manufacturing sector as less expensive labor in markets like India and China led companies to locate factories there. Since 2010, however, the United States has risen from fourth place to second and is expected to claim the spot as the leading nation by 2020. The major reasons for this are: advanced manufacturing capabilities require fewer “line workers,” and having products produced near their major markets reduces transport and time to market.

In terms of organizational survival, herein lies what is perhaps management’s biggest challenge: how to become more competitive. Greater competitiveness requires an understanding of individuals, groups, and entire organizational systems. Throughout this course, we shall see numerous examples of how companies from around the world are meeting the challenges of global competition. Particular emphasis will be placed on management practices in other countries as a point of comparison.

The Challenge of New Technologies

Although it is common to think of “high tech” as applying only to the aerospace and telecommunications industries, advanced technologies can be found throughout most industries. For example, most of us are familiar with the explosive growth in computing. Both hardware and software change so rapidly that it is difficult for many companies to keep up. Personal computers are being replaced by cell phones that are now faster and more powerful than their predecessors. Cloud computing and access to big data and applications transform data into useful information that is increasingly complex and increasingly user-friendly.

In November of 1971 Intel launched the first microchip. Today, a modern Intel Skylake processor contains around 1.75 billion transistors—half a million of them would fit on a single transistor from the 4004—and collectively they deliver about 400,000 times as much computing muscle.[5] More and more companies are using computer-based systems and equipment—such as e-mail, real-time messaging and file sharing, PDAs, and cell phones—for communications. As a result, the way in which employees and managers communicate and make decisions is changing dramatically, and the importance of educated and knowledgeable workers is increasing rapidly.

Technological changes also can be seen in the increased use of robotics, expert systems, and computer- integrated manufacturing systems, which have changed the way many products are manufactured today. Such changes affect not only production efficiency and product quality but also the nature of jobs. In many industries, the first-line supervisors are disappearing and being replaced by self-managing work teams who assume responsibility for production scheduling, quality control, and even performance appraisals. All of these technological changes require managers who are capable of effectively implementing technological change in the workplace—managers who can adapt to the technological imperative while still maintaining and developing the organization's human resources. We will examine the role of technology as it relates to organization structure, job design, communication, decision-making, and work-related stress. We will see how some companies successfully adapted to technological change in a way that benefited all parties concerned.

Managing Change

Siri Struggles to Keep Up with the Competition

Many executives struggle in the ongoing competitive landscape of technology. With fast-paced changes, staying one step ahead as well as being able to pivot quickly to respond to action are two critical elements to successful leadership.

Apple Inc. has made its third change in the past year to the leadership of the artificial intelligence voice- assistance system Siri. Due to many factors, including being outperformed by the competition such as Google Assistant and Amazon Inc.'s Alexa, the company decided to pivot and make the change.

These two systems have seen incredible growth in 2018, with the Amazon Echo and Google Home claiming each 34 percent of the market. Now John Giannandrea, formerly Google's head of search and AI, has joined the Apple team and is tasked with getting on the rival's level from which he came (Verge 2018).

He will be challenged not only by having a new culture and company to fit into, but also by finding a good balance on how to innovate in his new role, as well as taking the best practices that he has from his previous role and applying it to boost the success of the Apple artificial intelligence. Keys to his success will be how quickly he can adapt to the new role, learning, adapting, and making changes along the way to bring Apple back to the playing field of artificial intelligence.

Question 1: What other challenges would a new executive have coming from a competing company?
Question 2: How much change is too much? What cautions should Apple be concerned about with all of the turnover for this position?

Sources: Nick Statt, "Apple's New AI Chief Now Oversees Siri, Core ML, and Machine Learning Teams," *The Verge*, July 10, 2018, https://www.theverge.com/2018/7/10/1...n-giannandrea- machine-learning-core-ml-teams; Stephen Nellis, "Apple Shifts Responsibility For Siri to Operating System Chief," *Reuters*, September 1, 2017, www.reuters.com/article/us-a.../apple-shifts- responsibility-for-siri-to-operating-system-chief-idUSKCN1BC65B; Tripp Mickle, Apple Hands Siri Responsibility to Executive Poached from Google," *The Wall Street Journal*, July 10, 2018, www.wsj.com/articles/apple-h...-poached-from-google-1531261759.

The Challenge of Increased Quality

The challenge of industrial competitiveness incorporates several interrelated factors, including an appropriate product mix, manufacturing efficiency, effective cost controls, investment in research and development, and so forth. Not to be ignored in this pursuit is the quest for increased quality control of the products and services offered in the marketplace. Total Quality Management (TQM) is a term often used to describe comprehensive efforts to monitor and improve all aspects of quality within a firm. BMW established and continues to maintain its reputation in part because customers have come to respect its high level of

quality. Quality is also a major reason for the success of many Japanese products in North America. Simply put, if companies are going to compete, renewed efforts must be devoted to enhanced quality assurance. This, too, is a management challenge. How can managers get employees to care about the products they produce or the services they offer? In this book, we will consider both the issue of quality control (what is it?) and mechanisms of ensuring improved product quality (how do we get it?).

Moreover, quality control includes several organizational issues. For instance, how can managers get parties who are traditionally independently associated with a product to work together to build a better product? That is, how can they get the design staff, manufacturing engineers, workers, suppliers—and potential customers—to come together and cooperate in developing and manufacturing a superior product? Later in the book we will examine several instances in which such teamwork played a major role in quality improvement.

The Challenge of Employee Motivation and Commitment

A major hurdle in the pursuit of industrial competitiveness is the traditional adversarial relationship between management and workers. Whether a company is unionized or not, we see situations in which the average employee simply sees no reason to increase output or to improve the quality of existing outputs. Frequently, the company's reward system restricts, rather than increases, performance. At other times, rewards encourage employees to increase quantity at the expense of quality. Furthermore, North American companies often view their workforce as a variable expense (in contrast to Japan, where the workforce is viewed as a fixed expense) and lay workers off when they are not needed for short-run activities. As a result, returning the favor, employees see little reason to be committed or loyal to their employers. Turnover and absenteeism rates are often unreasonably high, further eroding performance efficiency and effectiveness.

If companies are to succeed in an increasingly turbulent environment, managers must discover better ways to develop and motivate employees. A company's human resources often represent its biggest single asset, and failing to properly nurture this asset leads to suboptimal return on an organization's resources. Part of solving this problem involves knowing and understanding today's employees. **Exhibit 1.2** illustrates the various characteristics employees consider important in their employers. Overall, employees seem to have a fairly positive outlook on their employers. As illustrated in **Exhibit 1.3**, however, many millennials do not see their tenure lasting for a long period and expect to have another job soon.

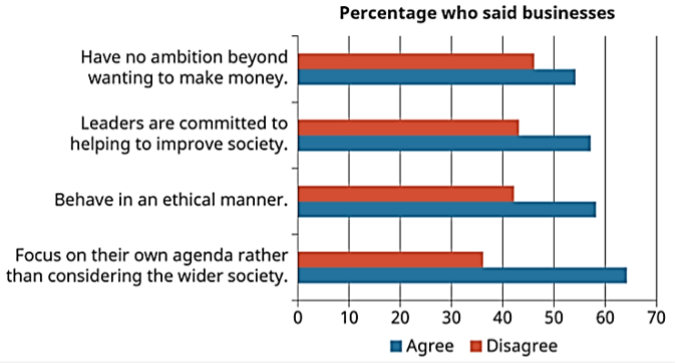


Exhibit 1.2 How Employees View Their Employers

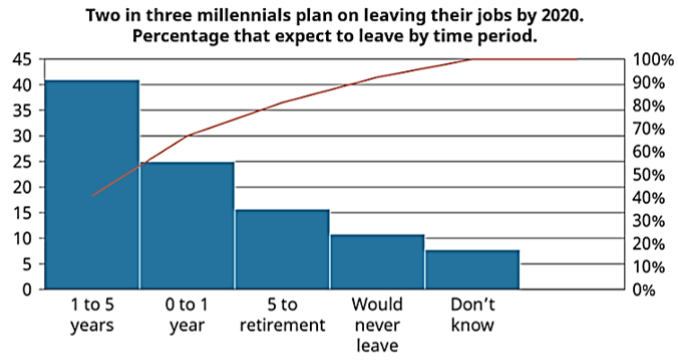


Exhibit 1.3 Millennials and the Workplace

The Challenge of Managing a Diverse Workforce

Historically, the American economy has been dominated by white males. They have filled the vast majority of managerial positions and many of the more important blue-collar jobs, becoming skilled craftsmen. Traditionally, women filled lower-paying clerical positions and often left the workforce to raise their families. Minorities of both genders found considerable barriers to entering the labor market at the higher (and higher-paying) levels. Now, things are changing, and the pace of this change is accelerating. Among other changes, the twenty-first century will also bring major changes in terms of workforce demographics. We will see changes in gender, race, disability, and age.

The Challenge of Ethical Behavior

Finally, the future will bring a renewed concern with maintaining high standards of ethical behavior in business transactions and in the workplace. Many executives and social scientists see unethical behavior as a cancer working on the fabric of society both in business and beyond. Many are concerned that we face a crisis of ethics in the West that is undermining our competitive strength. This crisis involves business, government, customers, and employees. Especially worrisome is unethical behavior among employees at all levels of the organization. For example, recent reports found that employees and vendors accounted for a higher percentage of thefts than did retail customers.[7]

In addition, we hear about illegal and unethical behavior on Wall Street—pension scandals in which disreputable executives gamble on risky business ventures with employee retirement funds, companies that expose their workers to hazardous working conditions, and blatant favoritism in hiring and promotion practices. Although such practices occur throughout the world, their presence nonetheless serves to remind us of the challenges we face.

This challenge is especially difficult because standards for what constitutes ethical behavior lie in a "gray zone" where clear-cut right-or-wrong answers may not always exist. For example, if you were a sales representative for an American company abroad and your foreign competitors used bribes to get business, what would you do? In the United States such behavior is illegal, yet it is perfectly acceptable in other countries. What is ethical here? Similarly, in many countries women are systematically discriminated against in the workplace; it is felt that their place is in the home. In the United States, again, this practice is illegal. If you ran an American company in one of these countries, would you hire women in important positions? If you did, your company might be isolated in the larger business community, and you might lose business. If you did not, you might be violating what most Americans believe to be fair business practices.

Effective managers must know how to deal with ethical issues in their everyday work lives; therefore, we will devote parts of this course to the role of **ethics** in decision-making, the exercise of power, performance appraisals and reward systems, and so forth.

Ethics in practice

Papa John's Founder under Fire

As a manager, and leader, the words and actions you take are incredibly important. John Schnatter, founder and chairman of Papa John's Pizza, found this out the hard way. During a media training conference call, Schnatter used derogatory comments and racial slurs. This call, although intended to be a role-playing exercise, quickly turned into a bad dream for Schnatter. In response to this action, and having admitted the fault, Schnatter was forced to resign as chairman after the local NAACP branch called for his resignation. In addition, the board of directors decided that he would be removed from all marketing, publicity, and pizza boxes, and they took the stance that "Papa John's is not an individual.

Papa John's is a pizza company with 120,000 corporate and franchise team members around the world" (Forbes 2018). Shares of stock for Papa John's soared after the announcement of his resignation, adding $50 million to Schnatter's total net worth (CNN Money 2018). The values of the company prevailed through the actions of Schnatter, showcasing that despite making a mistake, the commitment to maintaining an ethical standard is still an important value to Schnatter as well as the company overall.

Question 1: Do you think the actions of the board of directors were enough to uphold Papa John's reputation?
Question 2: What other actions or types of training should Papa John's take with their employees in light of the current state of ethical defamation of the company and founder?

Sources: Julie Jargon, "Papa John's Stock Soars After Chairman's resignation," *The Wall Street Journal*, July 12, 2018, https://www.wsj.com/articles/papa-jo...ion-1531404524; Megan Friedman, "John Schnatter Will No longer Be the Face of Papa John's," *Delish*, July 16, 2018, https://www.delish.com/food-news/a22...ved-marketing/; Noah Kirsch, "Papa John's Founder Resigns, Gains $50 Million in a Day," Forbes, July 13, 2018, www.forbes.com/sites/noahkir...r-resigns-net- worth-rises-50-million-in-a-day/#6aaf997f7123; Jordan Valinsky, "Papa John's Founder John Schnatter Kicked Out of His Office," *CNN Money*, July 16, 2018, money.cnn.com/2018/07/16/news/ companies/papa-johns-office/index.html

Concept Check

1. Describe the extent and nature of the challenges facing the workplace in the next decade.
2. What can be done about these challenges?

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3 Michael E. Porter and Jan V. Rivkin, *The Looming Challenge to U.S. Competitiveness,* Harvard Business Review, March 2012.

4 World Economic Outlook Database, *International Monetary Fund.* Retrieved 2018-07-15.

5 "The Future of Computing," *The Economist,* March 12, 2015, www.economist.com/leaders/2016/03/ 12/the-future-of-computing.

6 Bureau of labor Statistics, "Labor Force Characteristics by Race and Ethnicity, 2016," October 2017, https://www.bls.gov/opub/reports/rac.../2016/home.htm.

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Exhibit 1.2 Source: Adapted from Deloitte, "2016 Deloitte Millennial Survey," accessed July 18, 2018, https://www2.deloitte.com/content/da...ec-summary.pdf. (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)

Exhibit 1.3 Source: Adapted from Deloitte, "2016 Deloitte Millennial Survey," accessed July 18, 2018, https://www2.deloitte.com/content/da...ec-summary.pdf. (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)

Exhibit 1.4 The winner of the E Pluribus Unum Corporate Leadership Award, Kaiser Permanente focuses on the elimination of racial and ethnic health care disparities and has been in the vanguard of efforts to create innovative, scalable approaches that address the cultural and linguistic needs of patients, and thereby improve overall health care quality and outcomes. Its industry-leading training, testing, and certification process for multilingual staff who serve as health care interpreters, as well as for the physicians who speak with patients in languages other than English, helps to improve the quality of patient care while also capitalizing on the organization's diverse workforce. (Credit: Ted Eytan/ flickr/ Attribution-ShareAlike 2.0 Generic (CC BY-SA 2.0))

Exhibit 1.5 Note: People whose ethnicity is identified as Hispanic or Latino may be of any race. Data may not sum to 100 percent because of rounding. Source: U.S. Bureau of Labor Statistics, Current Population Survey (CPS). (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)

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1.3: The Nature of Management

3. What is expected of a manager?

If organizations are to be successful in meeting these challenges, management must lead the way. With effective management, contemporary companies can accomplish a great deal toward becoming more competitive in the global environment. On the other hand, ineffective management dooms the organization to mediocrity and sometimes outright failure. Because of this, we turn now to a look at the nature of management. However, we want to point out that even though our focus is on managers, what we discuss is also relevant to the actions of nonmanagers. On the basis of this examination, we should be ready to begin our analysis of what managers can learn from the behavioral sciences to improve their effectiveness in a competitive environment.

What is Management?

Many years ago, Mary Parker Follett defined management as "the art of getting things done through people." A manager coordinates and oversees the work of others to accomplish ends he could not attain alone. Today this definition has been broadened. **Management** is generally defined as the process of planning, organizing, directing, and controlling the activities of employees in combination with other resources to accomplish organizational objectives. In a broad sense, then, the task of management is to facilitate the organization's effectiveness and long-term goal attainment by coordinating and efficiently utilizing available resources. Based on this definition, it is clear that the topics of effectively managing individuals, groups, or organizational systems is relevant to anyone who must work with others to accomplish organizational objectives.

Management exists in virtually all goal-seeking organizations, whether they are public or private, large or small, profit-making or not-for-profit, socialist or capitalist. For many, the mark of an excellent company or organization is the quality of its managers.

Managerial Responsibilities

An important question often raised about managers is: What responsibilities do managers have in organizations? According to our definition, managers are involved in planning, organizing, directing, and controlling. Managers have described their responsibilities that can be aggregated into nine major types of activities. These include:

1. *Long-range planning*. Managers occupying executive positions are frequently involved in strategic planning and development.
2. *Controlling*. Managers evaluate and take corrective action concerning the allocation and use of human, financial, and material resources.
3. *Environmental scanning*. Managers must continually watch for changes in the business environment and monitor business indicators such as returns on equity or investment, economic indicators, business cycles, and so forth.
4. *Supervision*. Managers continually oversee the work of their subordinates.
5. *Coordinating*. Managers often must coordinate the work of others both inside the work unit and out.
6. *Customer relations and marketing*. Certain managers are involved in direct contact with customers and potential customers.
7. *Community relations*. Contact must be maintained and nurtured with representatives from various constituencies outside the company, including state and federal agencies, local civic groups, and suppliers
8. *Internal consulting*. Some managers make use of their technical expertise to solve internal problems, acting as inside consultants for organizational change and development.
9. *Monitoring products and services*. Managers get involved in planning, scheduling, and monitoring the design, development, production, and delivery of the organization's products and services.

As we shall see, not every manager engages in all of these activities. Rather, different managers serve different roles and carry different responsibilities, depending upon where they are in the organizational hierarchy. We will begin by looking at several of the variations in managerial work.

Variations in Managerial Work

Although each manager may have a diverse set of responsibilities, including those mentioned above, the amount of time spent on each activity and the importance of that activity will vary considerably. The two most salient perceptions of a manager are (1)

the manager's level in the organizational hierarchy and (2) the type of department or function for which he is responsible. Let us briefly consider each of these.

Management by Level. We can distinguish three general levels of management: executives, **middle management**, and **first-line management** (see **Exhibit 1.6**). **Executive managers** are at the top of the hierarchy and are responsible for the entire organization, especially its strategic direction. Middle managers, who are at the middle of the hierarchy, are responsible for major departments and may supervise other lower-level managers. Finally, first-line managers supervise rank-and-file employees and carry out day-to-day activities within departments.

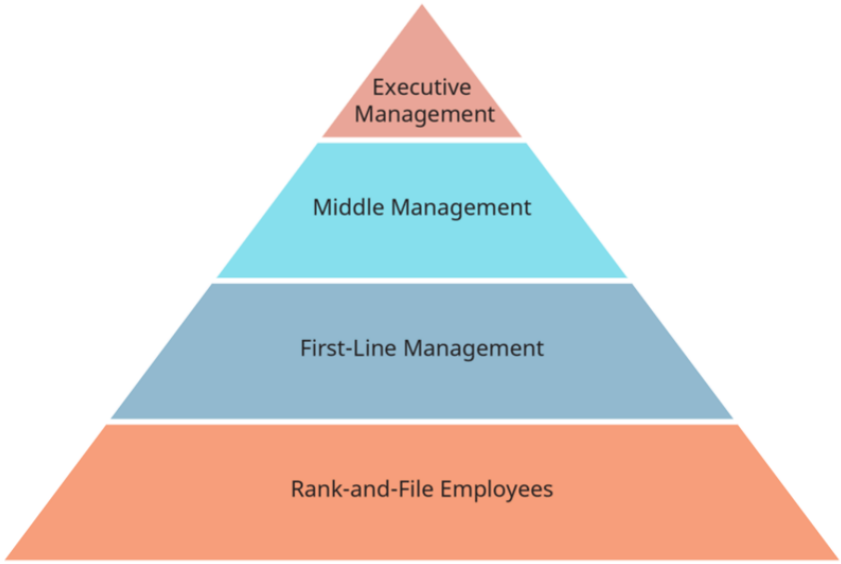


Figure 1.3.1: Levels in the Management Hierarchy

Figure 1.3.1 shows differences in managerial activities by hierarchical level. Senior executives will devote more of their time to conceptual issues, while first-line managers will concentrate their efforts on technical issues. For example, top managers rate high on such activities as **long-range planning**, monitoring business indicators, coordinating, and internal consulting. Lower-level managers, by contrast, rate high on supervising because their responsibility is to accomplish tasks through rank-and-file employees. Middle managers rate near the middle for all activities. We can distinguish three types of managerial skills:[8]

1. *Technical skills*. Managers must have the ability to use the tools, procedures, and techniques of their special areas. An accountant must have expertise in accounting principles, whereas a production manager must know operations management. These skills are the mechanics of the job.
2. *Human relations skills*. Human relations skills involve the ability to work with people and understand employee motivation and group processes. These skills allow the manager to become involved with and lead his or her group.
3. *Conceptual skills*. These skills represent a manager's ability to organize and analyze information in order to improve organizational performance. They include the ability to see the organization as a whole and to understand how various parts fit together to work as an integrated unit. These skills are required to coordinate the departments and divisions successfully so that the entire organization can pull together.

As shown in Figure 1.3.2, different levels of these skills are required at different stages of the managerial hierarchy. That is, success in executive positions requires far more conceptual skill and less use of technical skills in most (but not all) situations, whereas first-line managers generally require more technical skills and fewer conceptual skills. Note, however, that human or people skills remain important for success at all three levels in the hierarchy.

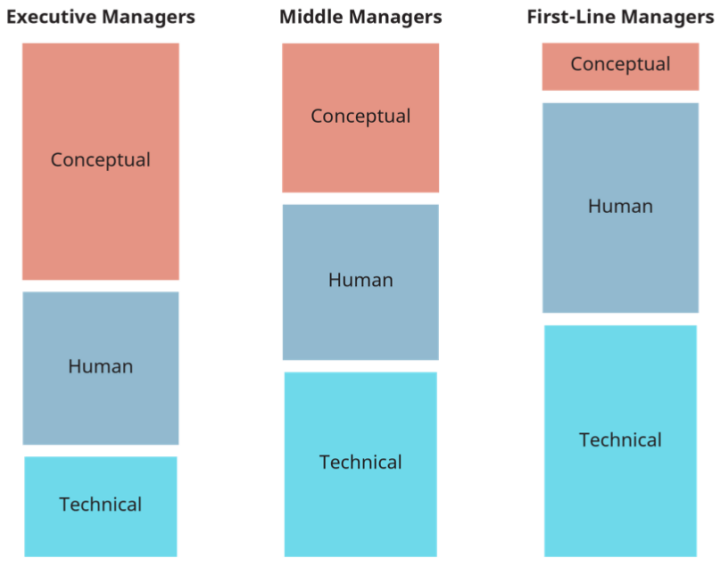


Figure 1.3.2: Difference in Skills Required for Successful Management According to Level in the Hierarchy

Management by Department or Function. In addition to level in the hierarchy, managerial responsibilities also differ with respect to the type of department or function. There are differences found for quality assurance, manufacturing, marketing, accounting and finance, and human resource management departments. For instance, manufacturing department managers will concentrate their efforts on products and services, controlling, and supervising. Marketing managers, in comparison, focus less on planning, coordinating, and consulting but more on customer relations and external contact. Managers in both accounting and human resource management departments rate high on long-range planning, but will spend less time on the organization's products and service offerings. Managers in accounting and finance are also concerned with controlling and with monitoring performance indicators, while human resource managers provide consulting expertise, coordination, and external contacts. The emphasis on and intensity of managerial activities varies considerably by the department the manager is assigned to.

At a personal level, knowing that the mix of conceptual, human, and technical skills changes over time and that different functional areas require different levels of specific management activities can serve at least two important functions. First, if you choose to become a manager, knowing that the mix of skills changes over time can help you avoid a common complaint that often young employees want to think and act like a CEO before they have mastered being a first-line supervisor. Second, knowing the different mix of management activities by functional area can facilitate your selection of an area or areas that best match your skills and interests.

In many firms, managers are rotated through departments as they move up in the hierarchy. In this way they obtain a well-rounded perspective on the responsibilities of the various departments. In their day-to-day tasks they must emphasize the right activities for their departments and their managerial levels. Knowing what types of activity to emphasize is the core of the manager's job. In any event, we shall return to this issue when we address the nature of individual differences in the next chapter.

The Twenty-First Century Manager

We discussed above many of the changes and challenges facing organizations in the twenty-first century. Because of changes such as these, the managers and executives of tomorrow will have to change their approaches to their jobs if they are to succeed in meeting the new challenges. In fact, their profiles may even look somewhat different than they often do today. Consider the five skills that *Fast Company* predicts that successful future managers, compared to the senior manager in the year 2000, will need. The five skills are: the ability to think of new solutions, being comfortable with chaos, an understanding of technology, high emotional intelligence, and the ability to work with people and technology together.

For the past several decades, executive profiles have typically looked like this: He started out in finance with an undergraduate degree in accounting. He methodically worked his way up through the company from the controller's office in a division, to running that division, to the top job. His military background shows. He is used to giving orders—and to having them obeyed. As head of the philanthropic efforts, he is a big man in his community. However, the first time he traveled overseas on business was as chief executive. Computers, which became ubiquitous during his career, make him nervous.[9]

Her [or his] undergraduate degree might be in French literature, but she also has a joint MBA/engineering degree. She started in research and was quickly picked out as a potential CEO. She is able to think creatively and thrives in a chaotic environment. She zigzagged from research to marketing to finance. She is comfortable with technology and people, with a high degree of emotional intelligence. She proved valuable in Brazil by turning around a failing joint venture. She speaks multiple languages and is on a first-name basis with commerce ministers in half a dozen countries. Unlike her predecessor's predecessor, she isn't a drill sergeant. She is first among equals in a five-person office of the chief executive.

Clearly, the future holds considerable excitement and promise for future managers and executives who are properly prepared to meet the challenges. How do we prepare them? One study suggested that the manager of the future must be able to fill at least the following four roles:[10]

Global strategist. Executives of the future must understand world markets and think internationally. They must have a capacity to identify unique business opportunities and then move quickly to exploit them.

Master of technology. Executives and managers of the future must be able to get the most out of emerging technologies, whether these technologies are in manufacturing, communications, marketing, or other areas.

Leadership that embraces vulnerability. The successful executive of the future will understand how to cut through red tape to get a job done, how to build bridges with key people from highly divergent backgrounds and points of view, and how to make coalitions and joint ventures work.

Follow-from-the-front motivator. Finally, the executive of tomorrow must understand group dynamics and how to counsel, coach, and command work teams and individuals so they perform at their best. Future organizations will place greater emphasis on teams and coordinated efforts, requiring managers to understand participative management techniques.

Great communicator. To this list of four, we would add that managers of the future must be great communicators. They must be able to communicate effectively with an increasingly diverse set of employees as well as customers, suppliers, and community and government leaders.

Whether these predictions are completely accurate is difficult to know. Suffice it to say that most futurists agree that the organizational world of the twenty-first century will likely resemble, to some extent, the portrait described here. The task for future managers, then, is to attempt to develop these requisite skills to the extent possible so they will be ready for the challenges of the next decade.

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8 R. Katz, "Skills of an Effective Administrator," *Harvard Business Review,* September-October 1974, pp. 34–56.

9 J. Lindzon, "Five Skills That You'll Need to Lead the Company of the Future," Fast Company, May 18, 2017, https://www.fastcompany.com/40420957...-of-the-future; A. Bennett, "Going Global: The Chief Executives in the Year 2000 Are Likely to Have Had Much Foreign Experience," *Wall Street Journal,* February 27, 1989, p. A–4.

10 Jacob Morgan, "5 Qualities of the Modern Manager," *Forbes,* July 23, 2013, https://www.forbes.com/sites/jacobmo.../#644a2b6a3a0b.

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Exhibit 1.7 (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)

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1.4: A Model of Organizational Behavior and Management

4. What is the role of the behavioral sciences in management and organizations?

A major responsibility—perhaps *the* major responsibility—of managers is to make organizations operate effectively. Bringing about effective performance, however, is no easy task. As Nadler and Tushman note:

> Understanding one individual's behavior is challenging in and of itself; understanding a group that's made up of different individuals and comprehending the many relationships among those individuals is even more complex. Imagine, then, the mind-boggling complexity of a large organization made up of thousands of individuals and hundreds of groups with myriad relationships among these individuals and groups.[11]

Despite this difficulty, however, organizations must be managed. Nadler and Tushman continue:

> Ultimately the organization's work gets done through people, individually or collectively, on their own or in collaboration with technology. Therefore, the management of **organizational behavior** is central to the management task—a task that involves the capacity to *understand* the behavior patterns of individuals, groups, and organizations, to *predict* what behavioral responses will be elicited by various managerial actions, and finally to use this understanding and these predictions to achieve *control*.[12]

The work of society is accomplished largely through organizations, and the role of management is to see to it that organizations perform this work. Without it, the wheels of society would soon grind to a halt.

What is Organizational Behavior?

the focus is on applying what we can learn from the social and behavioral sciences so we can better understand and predict human behavior at work. We examine such behavior on three levels—the individual, the group, and the organization as a whole. In all three cases, we seek to learn more about what causes people—individually or collectively—to behave as they do in organizational settings. What motivates people? What makes some employees leaders and others not? Why do groups often work in opposition to their employer? How do organizations respond to changes in their external environments? How do people communicate and make decisions? Questions such as these constitute the domain of organizational behavior and are the focus of this course.

To a large extent, we can apply what has been learned from psychology, sociology, and cultural anthropology. In addition, we can learn from economics and political science. All of these disciplines have something to say about life in organizations. However, what sets organizational behavior apart is its particular focus on the organization (not the discipline) in organizational analysis (see **Exhibit 1.8**). Thus, if we wish to examine a problem of employee motivation, for example, we can draw upon economic theories of wage structures in the workplace. At the same time, we can also draw on the psychological theories of motivation and incentives as they relate to work. We can bring in sociological treatments of social forces on behavior, and we can make use of anthropological studies of cultural influences on individual performance. It is this conceptual richness that establishes organizational behavior as a unique applied discipline. And throughout our analyses, we are continually concerned with the implications of what we learn for the quality of working life and organizational performance. We always look for management implications so the managers of the future can develop more humane and more competitive organizations for the future.

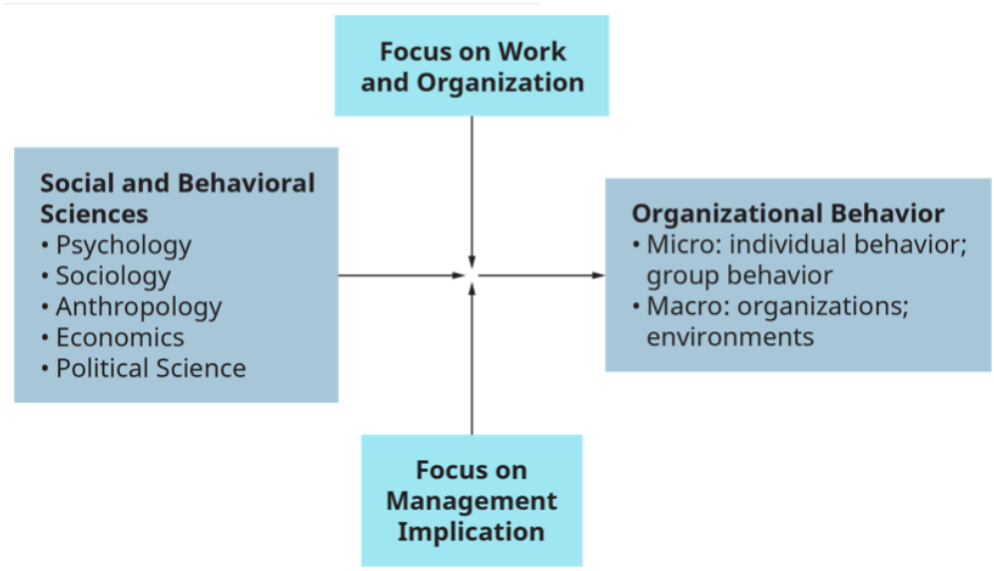


Exhibit 1.8 Origins of Organizational Behavior

For convenience, we often differentiate between micro- and macro-organizational behavior. **Micro- organizational behavior** is primarily concerned with the behavior of individuals and groups, while **macro- organizational behavior** (also referred to as **organization theory**) is concerned with organization-wide issues, such as organization design and the relations between an organization and its environment. Although there are times when this distinction is helpful, it is always important to remember that in most instances we learn the most when we take a comprehensive view of organizational behavior and integrate these two perspectives. That is, issues such as organization structure can influence employee motivation. Hence, by keeping these two realms separate we lose valuable information that can help us better understand how to manage organizations.

Building Blocks of Organizations

Understanding the behavior of people at work is fundamental to the effective management of an organization. Obviously, a number of factors come together to determine this behavior and its organizational consequences. In order to understand the origins and characteristics of these factors, it is necessary to have a model that organizes and simplifies the variables involved. We offer such a model here in the hope that it will bring some order to the study of this subject. The model can be considered in two parts (see **Exhibit 1.10**).

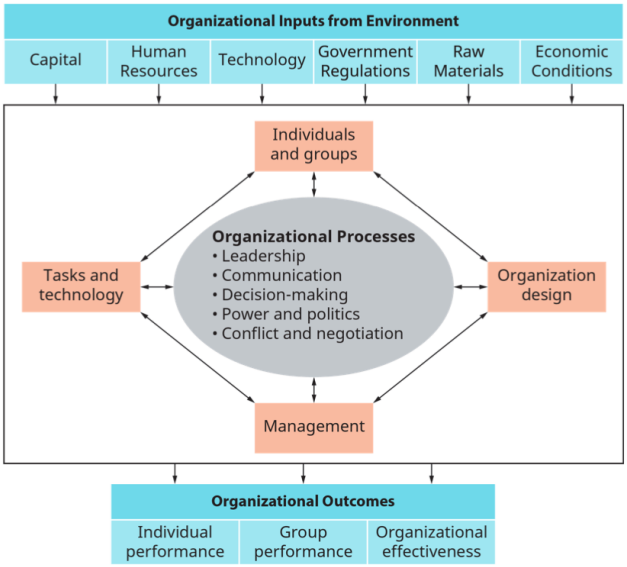


Exhibit 1.10 A Model of Management and Organizational Behavior

The first part of the model is the simple recognition of organizational inputs and outcomes. That is, organizations receive inputs from the external environment in the form of capital, raw materials, labor, community or government support, and so forth. In addition, organizations experience or produce certain outcomes, including (1) organizational goal attainment, (2) group performance and effectiveness, and (3) individual performance and effectiveness. Thus, organizations and the people in them exist in a constant state of flux, receiving and transforming inputs from the environment and returning those transformed inputs in the form of finished goods and services, return on stockholders' equity, salaries that are paid to employees, and so forth. It is, in short, a dynamic system.

The second aspect of the model is the organization itself and all of its parts. One way to understand the complexity of organizations is to think of them simply as a set of building blocks, including:

Individuals and groups. Organizations are collectives of individuals and groups working to pursue common objectives. Their members come from various backgrounds and have varying abilities and skills, differing motivational levels, and different ambitions. Within the organizational context, these people must communicate, make decisions, show leadership, and handle power and organizational politics as they carry out their assigned activities.

Tasks and technology. In addition to variations among individuals and groups, we must recognize variations in the technology of the workplace. That is, how does the work actually get done? Technology includes both the actual design of jobs and the tools and techniques used in manufacture (e.g., robotics and expert systems).

Organization design. Putting together these factors—individuals and groups and tasks—is the subject of **organization design**. That is, how do we structure an organization so it effectively coordinates and controls employee behavior to facilitate performance?

Organizational processes. In addition to people, machines, and structure, we must recognize a series of **organizational processes**, such as leadership, communication, decision-making, power and politics, and so forth. The processes largely determine the nature and quality of interpersonal and intergroup relations within the workplace and, as such, influence ultimate organizational performance.

Management. Finally, the glue that holds these building blocks together is the character of management. Throughout this text, we shall see numerous examples of how the degree of managerial effectiveness and prowess have determined the success or failure of a venture. We shall take a managerial view throughout our survey of organizational behavior.

There have been many attempts to provide a differentiation between leadership and management over time. While they are not the same thing, they are necessarily linked, and complementary. Any effort to separate the two is likely to cause more problems than it solves and as business evolved the content of leadership and management has changed. The emergence of the "knowledge worker," and the profound differences that this causes the way business is organized. With the rise of the knowledge worker, one does not 'manage' people, and instead the task is to lead people and the goal is to make productive the specific strengths and knowledge of every individual.

These five variables, then, will constitute the primary ingredients of this book. We shall proceed sequentially, beginning with individual behavior and moving to group and intergroup behavior and finally to organization design and structure. On the basis of this, we will turn to a consideration of several of the more important organizational processes. Finally, we will look to the future and examine ways that organizations can continue to develop and improve their workforces and the organization as a whole. Throughout, the roles of technology and management will be considered. Also, throughout, we will blend **theory** with research and practice.

Concept Check

1. Discuss the role of management in the larger societal context.
2. What do you think the managers of the future will be like?
3. Identify what you think are the critical issues facing contemporary management. Explain.

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11 D. Nadler and M. Tushman, "A Model for Diagnosing Organizational Behavior," *Organizational Dynamics,* 1980, p. 35.

12 Ibid.

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Exhibit 1.9 Xinyu Liu was hired as the studio as a designer at Invo, a Massachusetts-based firm. Prior to joining Invo, she was a user experience researcher at Samsung, where she investigated how to apply future technologies in everyday living. Changing behavior for good was a key component of the R&D work, leveraging invisible sensing tech, devising emotional effects, and crafting just-in-time graphic communication. Her wide-ranging skills, from analyzing social behavior to 3D modeling to electronics to UI design, are well-suited for the multi- domain projects at Invo. As part of the employee selection process, the hiring managers at Invo needed to recognize that their employees come from various backgrounds and have varying abilities and skills, differing motivational levels, and different ambitions. Within the organizational context, they needed to consider how Xinyu would fit on the team in the areas of communication, decision-making, and leadership, and how she would handle power and organizational politics as she carried out her responsibilities. (Credit: Juhan Sonin/ flickr/ Attribution 2.0 Generic (CC BY 2.0))

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Alienation The experience of being isolated from a group or an activity to which one should belong, or in which one should be involved.
Ethics Moral principles that govern a person's behavior or the conducting of an activity.
Executive managers Generally, a team of individuals at the highest level of management of an organization.
First-line management The level of management directly managing nonmanagerial employees.
Industrial competitiveness The ability to provide products and services more effectively and efficiently than competitors.
Long-range planning A process of setting goals that outlines the path for the company's future.
Macro-organizational behavior Macro-organizational behavioral research steps back and looks at an organization as a whole.
Management The process of planning, organizing, directing, and controlling the activities of employees in combination with other resources to accomplish organizational objectives.
Micro-organizational behavior Micro-organizational behavioral studies focus on individual and group dynamics within an organization.
Middle management The managers in an organization at a level just below that of senior executives.
Organization theory The study of organization designs and organization structures, relationship of organizations with their external environment, and the behavior of managers and workers within organizations.
Organizational behavior The study of the actions and attitudes of individuals and groups toward one another and toward the organization as a whole.
Organizational design A formal methodology that identifies dysfunctional aspects of workflow, procedures, structures and systems, and then realigns them to fit current business goals and develops plans to implement change.
Organizational processes The activities that establish the business goals of the organization and develop **processes**, product and resource assets that when used will help to achieve business goals.
Technology The application of scientific knowledge for practical purposes.
Theory A set of principles on which the practice of an activity is based.
Work All activity involving mental or physical effort done in order to achieve a purpose or result.

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1.6: Summary of Learning Outcomes

Summary of Learning Outcomes

1.1 The Nature of Work

1. What is the meaning of work in a societal context?

Work will almost inevitably be a large part of your life. An understanding of organizational behavior will aid you in making that part of life more productive and enjoyable for yourself as well those you are in a position to influence. In this course, our objective is to provide sound and relevant insights concerning individuals, groups, and overall organizational systems that will be helpful to you not just as an executive or CEO but also when you are starting your career as an individual contributor or subordinate.

1.2 The Changing Workplace

2. How do recognize and meet the challenges facing managers in the new millennium?

The fundamental challenge facing managers is how to achieve performance goals while simultaneously providing for employee welfare and satisfaction. Work may be defined as an activity that produces something of value for other people. Work serves several functions, including economic, social, status, self-esteem, and self-actualization. As managers in today's environment, several challenges arise, including international competition, new technologies, the need for increased quality, employee motivation and commitment, a diverse workforce, and ethical behavior. These challenges must be met by managers concerned about survival and competitiveness in the future.

1.3 The Nature of Management

3. What is expected of a manager?

Management is the process of planning, organizing, directing, and controlling the activities of employees in combination with other resources to accomplish organizational goals. Managerial responsibilities include long- range planning, controlling, environmental scanning, supervision, coordination, customer relations, community relations, internal consulting, and monitoring of products and services. These responsibilities differ by level in the organizational hierarchy and by department or function. The twenty-first-century manager will differ from most current managers in four ways. In essence, he or she will be a global strategist, a master of technology, a good politician, and a premier leader-motivator.

1.4 A Model of Organizational Behavior and Management

4. What is the role of the behavioral sciences in management and organizations?

Organizational behavior is the study of people in organizations. It can be studied on a micro level, which focuses on individual or group behavior, or on a macro level, which focuses on organization-wide actions and events. A model of organizational behavior is presented, consisting of five building blocks: individuals and groups, tasks and technology, organization design, organizational processes, and management.

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1.7: Chapter Review Questions

Chapter Review Questions

1. Define *work*.
2. What functions does work serve in modern society?
3. Describe the extent and nature of the challenges facing the workplace in the next decade.
4. What can be done about these challenges?
5. Define *management*.
6. How does the nature of management change according to one's level and function in the organization?
7. Discuss the role of management in the larger societal context. What do you think the managers of the future will be like?
8. Identify what you think are the critical issues facing contemporary management. Explain.

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1.8: Critical Thinking Case

Critical Thinking Case

New Management Challenges for the New Age

Today's news is littered with scandals, new allegations of sexual assault, and tragedy. Since 2017 and the #metoo movement, stemming from the Harvey Weinstein scandal, more and more public figures have been put into the spotlight to defend themselves against allegations from women around the globe.

Not only publicly, but privately in companies around the world, there have been firings and investigations into misconduct from coworkers, managers, and CEOs. It is a relevant topic that is getting long-overdue publicity and encouraging more men and women to come forward to discuss openly rather than hide the events and injustices of the past. Other events showcase the tumultuous and on-edge society we are living in, such as the Charlottesville, VA, attack that left one dead and 19 injured when a person drove a car through a crowd of protestors during a white nationalist gathering.

With unanticipated events on a daily business, it is important for companies to take a stand against racial hatred and harassment of any kind, and to have firm policies when such events occur. Take Netflix, for example, who in July 2018 fired their chief communications officer for saying the "N-word" in full form. This event occurred during an internal meeting in which the speaker was not directing the slur at anyone specific, but claimed it was being made as an emphatic point about offensive words in comedy programming. The "Netflix way," the culture that is built around radical candor and transparency, was put to the test during this occurrence.

The offender, Jonathan Friedland, attempted to apologize for his misdeed, hoping it would fade away and his apology would be accepted. However, it didn't work that way; instead, the anger was palpable between coworkers and eventually led to the firing of Friedland after a few months of inaction.

Netflixers are given a high level of freedom and responsibility within their "Netflix way" culture. Blunt feedback is encouraged, and trust and discretion are the ultimate gatekeeper, as employees have access to sensitive information and are ultimately trusted for how they expense items and take vacation time.

In the insanely fast-paced streaming-services industry, it is hard to keep this culture at a premium, but it is imperative for the success of the company overall. "As you scale a company to become bigger and bigger, how do you scale that kind of culture?" said Colin Estep, a former senior engineer who left voluntarily in 2016. "I don't know that we ever had a good answer."

In order to keep up, sometimes the company is seen as harsh in their tactics to keep the best of the best. "I think we're transparent to a fault in our culture and that can come across as cutthroat," said Walta Nemariam, an employee in talent acquisition at Netflix.

Netflix has stayed true to their cultural values despite the pressures and sometimes negative connotations associated with this "cutthroat" environment. Their ability to remain agile, while displaying no tolerance for societal injustices, puts them at the forefront of new-age companies. It is a difficult pace to stay in line with, but it seems that they are keeping in stride and remaining true to who they are, for now.

Questions:

1. How has the current cultural environment of our country shaped the way that companies are looking at their own corporate cultural standards?
2. What are the potential downfalls and positive influences of the "Netflix way"?
3. How does Netflix's internal culture negatively or positively affect their ability to stay competitive and deliver cutting-edge content?

Sources: B. Stelter, "The Weinstein Effect: Harvey Weinstein scandal sparks movements in Hollywood and beyond," CNN Business, October 20, 2017, money.cnn.com/2017/10/20/med...effect-harvey- weinstein/; L. Hertzler, "Talking #MeToo, one year after bombshell Weinstein allegations," Penn Today, October 30, 2018, https://penntoday.upenn.edu/news/tal...one-year-later; S. Ramachandaran and J. Flint, "At Netflix, Radical Transparency and Blunt Firings Unsettle the Ranks," Wall Street Journal, October

25, 2018, www.wsj.com/articles/at-netf...-unsettle-the- ranks-1540497174.

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Part 1 - Organizational Behavior - The Individual



In a pro business setting, a black document holder for disciplinary action protocol sits on a polished conference table with a pen. *By* NimVisuals

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3: INDIVIDUAL DIFFERENCES



Learning Outcomes

After reading this chapter, you should be able to answer these questions:

1. How do managers and organizations appropriately select individuals for particular jobs?
2. How do people with different abilities, skills, and personalities build effective work teams?
3. How do managers and employees deal effectively with individual differences in the workplace?
4. How can organizations foster a work environment that allows employees an opportunity to develop and grow?
5. How do managers know how to get the best from each employee?
6. What is the role of ethical behavior in managerial actions?
7. How do you manage and do business with people from different cultures?

3.1: Individual and Cultural Factors in Employee Performance

3.2: Employee Abilities and Skills

3.3: Personality- An Introduction

3.4: Personality and Work Behavior

3.5: Personality Assessment

3.6: Personality Traits

3.7: Self-Efficacy

3.8: Personality and Organization- A Basic Conflict?

3.9: Personal Values and Ethics

3.10: Cultural Differences

3.11: Glossary

3.12: Summary of Learning Outcomes

3.13: Management Skills Application Exercises

3.14: Managerial Decision Exercises
3.15: Critical Thinking Case

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3.1: Individual and Cultural Factors in Employee Performance

exploring managerial careers

Building Back Trust on the Back End

One institution that has been around for generations is banking. However, many individuals have lost faith in the banking system, and who's to blame them? Big banks have let the general consumer down with security breaches and countless stories of scandals. One glaring example is Wells Fargo & Co., who are still recovering their brand from their admission of creating nearly two million accounts for customers without their permission. But this problem is not new. The approach to bolstering this trust factor is, however, taking on a new perspective with some quick adaptation and managerial foresight.

One CEO, Cathie Mahon, chief executive officer of the National Federation of Community Development Credit Unions, is not taking the disparities between credit unions and big banks lying down. Credit unions have always operated differently from big banks, and one key factor is that they are nonprofit while their big-bank counterparts are for-profit enterprises. This also can mean that they offer higher interest rates on deposits due to their size. Mahon has begun a keen undertaking to educate and empower low-income residents about financial resources. Her most recent endeavor is to provide a platform called CU Impact that keeps customers more informed about their balances, creates more trustworthy auto-pay features, more information delivered at ATMs as well. The improvements to the back-end reliability within the credit union system sustain the small, community feel of the credit union, while providing powerful, trustworthy systems that restore faith in their business. Her willingness to embrace technology and embrace differences of customers, employees, and the company structure overall made her the key to success for the future of their business.

Sources: Cohen, Arianne, "The CEO Who's Leveling the Playing Field Between Credit Unions and Big Banks," *Bloomberg Businessweek*, July 9, 2018, https://www.bloomberg.com/news/articles/2018-07-09/ the-ceo-who-s-leveling-the-playing-field-between-credit-unions-and-big-banks; Koren, James Rufus, "It's been a year since the Wells Fargo scandal broke—and new problems are still surfacing," *Los Angeles Times*, September 8, 2017, www.latimes.com/business/la-f...lls-fargo-one-year-20170908-story.html.

1. How do managers and organizations appropriately select individuals for particular jobs?

As we can see in the example of Cathie Mahon, our unique personal characteristics can have a dramatic influence on both individual behavior and the behavior of those around us. To succeed in any managerial position, it is necessary to have the appropriate skills and abilities for the situation. Moreover, when selecting subordinates, managers have similar concerns. In short, individual differences can play a major role in how well someone performs on the job. They can even influence whether someone gets the job in the first place. Because of this, we begin this section with a look at individual differences in the workplace.

Several factors can be identified that influence employee behavior and performance. One early model of job performance argued simply that performance was largely a function of *ability* and *motivation*. [1] Using this simple model as a guide, we can divide our discussion of individual factors in performance into two categories: those that influence our *capacity to respond* and those that influence our will or *desire to respond*. The first category includes such factors as mental and physical abilities, personality traits, perceptual capabilities, and stress-tolerance levels. The second category includes those variables dealing with employee motivation. Both of these sets of factors are discussed in this part of the book as a prelude to more complex analyses of overall organizational performance.

Specifically, we begin our analysis in this chapter with a look at individual differences, including employee abilities and skills, personality variables, and work values. We will also examine the nature of culture and cultural diversity as it affects behavior in organizations both at home and abroad. Later we look at perception and job attitudes, and we review basic learning and reinforcement techniques. The basic theories of employee motivation are then introduced, including the concept of employee needs. More complex cognitive models of motivation will be examined, and finally, we review contemporary approaches to performance appraisals and reward systems in organizations. All told, this coverage aims to introduce the reader to the more salient aspects of individual behavior as they relate to organizational behavior and effectiveness.

concept check

1. What are the various abilities and skills that should be considered when hiring employees?
2. How should the personality differences and work values be taken into account when selecting employees?
3. What is the role of cultural diversity in selecting employees?

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3.2: Employee Abilities and Skills

2. How do people with different abilities, skills, and personalities build effective work teams?

We begin with a look at *employee abilities and skills*. Abilities and skills generally represent those physical and intellectual characteristics that are relatively stable over time and that help determine an employee's capability to respond. Recognizing them is important in understanding organizational behavior, because they often bound an employee's ability to do the job. For example, if a clerk-typist simply does not have the manual dexterity to master the fundamentals of typing or keyboard entry, her performance will likely suffer. Similarly, a sales representative who has a hard time with simple numerical calculations will probably not do well on the job.

Mental Abilities

It is possible to divide our discussion of abilities and skills into two sections: mental abilities and physical abilities. **Mental abilities** are an individual's intellectual capabilities and are closely linked to how a person makes decisions and processes information. Included here are such factors as verbal comprehension, inductive reasoning, and memory. A summary is shown in **Table 2.1**.

Dimensions of Mental Abilities
• *Verbal comprehension*. The ability to understand the meanings of words and their relations to each other. • *Word fluency*. The ability to name objects or use words to form sentences that express an idea. • *Number aptitude*. The ability to make numerical calculations speedily and accurately. • *Inductive reasoning*. The ability to discover a rule or principle and apply it to the solution of a problem. • *Memory*. The ability to remember lists of words and numbers and other associations. • *Spatial aptitude*. The ability to perceive fixed geometric figures and their relations with other geometric figures. • *Perceptual speed*. The ability to perceive visual details quickly and accurately.

Table 2.1

From a managerial standpoint, a key aspect of mental ability is cognitive complexity. **Cognitive complexity** represents a person's capacity to acquire and sort through various pieces of information from the environment and organize them in such a way that they make sense. People with high cognitive complexity tend to use more information—and to see the relationships between aspects of this information—than people with low cognitive complexity. For example, if a manager was assigned a particular problem, would she have the capacity to break the problem down into its various facets and understand how these various facets relate to one another? A manager with low cognitive complexity would tend to see only one or two salient aspects of the problem, whereas a manager with higher cognitive complexity would understand more of the nuances and subtleties of the problem as they relate to each other and to other problems.

People with *low* cognitive complexity typically exhibit the following characteristics:[2]

They tend to be categorical and stereotypical. Cognitive structures that depend upon simple fixed rules of

integration tend to reduce the possibility of thinking in terms of degrees.

Internal conflict appears to be minimized with simple structures. Since few alternative relationships are generated, closure is quick.

Behavior is apparently anchored in external conditions. There is less personal contribution in simple structures.

Fewer rules cover a wider range of phenomena. There is less distinction between separate situations.
On the other hand, people with *high* levels of cognitive complexity are typically characterized by the following:3

Their cognitive system is less deterministic. Numerous alternative relationships are generated and considered.

The environment is tracked in numerous ways. There is less compartmentalization of the environment.

The individual utilizes more internal processes. The self as an individual operates on the process.

Research on cognitive complexity has focused on two important areas from a managerial standpoint:

leadership style and decision-making. In the area of leadership, it has been found that managers rated high on cognitive complexity are better able to handle complex situations, such as rapid changes in the external environment. Moreover, such managers also tend to use more resources and information when solving a problem and tend to be somewhat more considerate and consultative in their approach to managing their subordinates.[4] In the area of decision-making, fairly consistent findings show that individuals with highcognitive complexity (1) seek out more information for a decision, (2) actually process or use more information, (3) are better able to integrate discrepant information, (4) consider a greater number of possible solutions to the problem, and (5) employ more complex decision strategies than individuals with low cognitive complexity.[5]

Physical Abilities

The second set of variables relates to someone's **physical abilities**. Included here are both basic physical abilities (for example, strength) and **psychomotor abilities** (such as manual dexterity, eye-hand coordination, and manipulation skills). These factors are summarized in **Table 2.2.**[6] Considering both mental and physical abilities helps one understand the behavior of people at work and how they can be better managed. The recognition of such abilities—and the recognition that people have *different* abilities—has clear implications for employee recruitment and selection decisions; it brings into focus the importance of matching people to jobs. For example, Florida Power has a 16-hour selection process that involves 12 performance tests. Over the test period of a couple of years, 640 individuals applied for "lineperson" jobs. Of these, 259 were hired. As a consequence of the new performance tests and selection process, turnover went from 43 percent to 4.5 percent, and the program saved net $1 million.[7] In addition to selection, knowledge of job requirements and individual differences is also useful in evaluating training and development needs. Because human resources are important to management, it is imperative that managers become more familiar with the basic characteristics of their people.

Dimensions of Physical Abilities
Physical Abilities
• *Dynamic strength*. The ability to exert muscular force repeatedly or continuously for a period of time. • *Trunk strength*. The ability to exert muscular strength using the back and abdominal muscles. • *Static strength*. The amount of continuous force one is capable of exerting against an external object. • *Explosive strength*. The amount of force one is capable of exerting in one or a series of explosive acts. • *Extent flexibility*. The ability to move the trunk and back muscles as far as possible. • *Dynamic flexibility*. The ability to make rapid and repeated flexing movements. • *Gross body coordination*. The ability to coordinate the simultaneous actions of different parts of the body. • *Equilibrium*. The ability to maintain balance and equilibrium in spite of disruptive external forces. • *Stamina*. The ability to continue maximum effort requiring prolonged effort over time; the degree of cardiovascular conditioning.
Psychomotor Abilities
• *Control precision*. The ability to make fine, highly controlled muscular movements needed to adjust a control mechanism. • *Multilimb coordination*. The ability to coordinate the simultaneous movement of hands and feet. • *Response orientation*. The ability to make an appropriate response to a visual signal indicating a direction. • *Rate control*. The ability to make continuous anticipatory motor adjustments in speed and direction to follow a continuously moving target. • *Manual dexterity*. The ability to make skillful and well-directed arm-hand movements in manipulating large objects quickly. • *Finger dexterity*. The ability to make skillful and controlled manipulations of small objects. • *Arm-hand steadiness*. The ability to make precise arm-hand movements where steadiness is extremely important, and speed and strength are relatively unimportant. • *Reaction time*. How quickly a person can respond to a single stimulus with a simple response. • *Aiming*. The ability to make highly accurate, restricted hand movements requiring precise eye-hand coordination.

Table 2.2

concept check

1. Why should abilities and skills be taken into account when selecting employees?
2. Describe the components of mental abilities, cognitive complexity, physical ability, and psychomotor abilities.

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2 R.J. Ebert and T.R. Mitchell, *Organization Decision Processes: Concepts and Analysis* (New York: Crane, Russak, 1975), p. 81.

3 Ibid.

4 T.R. Mitchell, "Cognitive Complexity and Leadership Style," *Journal of Personality and Social Psychology,* 1970, *16,* pp. 166–174.

5 H. M. Schroder, M. H. Driver, and S. Streufert, *Human Information Processing* (New York: Holt, Rinehart and Winston, 1967).

6 E. J. McCormick and J. Tiffin, *Industrial Psychology* (Englewood Cliffs, N.J.: Prentice-Hall, 1976).

7 Dale Feuer & Chris Lee. 1988. The Kaizen Connection: How Companies Pick Tomorrow's Workers. Training. May, 23–35.

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3.3: Personality- An Introduction

3. How do managers and employees deal effectively with individual differences in the workplace?

The second individual difference variable deals with the concept of personality. We often hear people use and misuse the term **personality**. For example, we hear that someone has a "nice" personality. For our purposes, we will examine the term from a psychological standpoint as it relates to behavior and performance in the workplace. To do this, let us start with a more precise definition of the concept.

Definition of Personality

Personality can be defined in many ways. Perhaps one of the more useful definitions for purposes of organizational analysis is offered by Salvatore Maddi, who defines *personality* as follows:

". . . a stable set of characteristics and tendencies that determine those communalities and differences in the psychological behavior (thoughts, feelings, and actions) of people that have continuity in time and that may not be easily understood as the sole result of the social and biological pressures of the moment."[8]

Several aspects of this definition should be noted. First, personality is best understood as a constellation of interacting characteristics; it is necessary to look at the whole person when attempting to understand the phenomenon and its effects on subsequent behavior. Second, various dimensions of personality are relatively stable across time. Although changes—especially evolutionary ones—can occur, seldom do we see major changes in the personality of a normal individual. And third, the study of personality emphasizes both similarities and differences across people. This is important for managers to recognize as they attempt to formulate actions designed to enhance performance and employee well-being.

Influences on Personality Development

Early research on personality development focused on the issue of whether heredity or environment determined an individual's personality. Although a few researchers are still concerned with this issue, most contemporary psychologists now feel this debate is fruitless. As noted long ago by Kluckhohn and Murray:

"The two sets of determinants can rarely be completely disentangled once the environment has begun to operate. The pertinent questions are: (1) which of the various genetic potentialities will be actualized as a consequence of a particular series of life-events in a given physical, social, and cultural environment? and (2) what limits to the development of this personality are set by genetic constitution?"[9]

In other words, if the individual is viewed from the whole-person perspective, the search for the determinants of personal traits focuses on both heredity and environment as well as the interaction between the two over time. In this regard, five major categories of determinants of personal traits may be identified: physiological, cultural, family and social group, role, and situational determinants.

Physiological Determinants. Physiological determinants include factors such as stature, health, and sex that often act as constraints on personal growth and development. For instance, tall people often tend to become more domineering and self-confident than shorter people. Traditional sex-role stereotyping has served to channel males and females into different developmental patterns. For example, males have been trained to be more assertive and females more passive.

Cultural Determinants. Because of the central role of culture in the survival of a society, there is great emphasis on instilling cultural norms and values in children growing up. For instance, in capitalist societies, where individual responsibility is highly prized, emphasis is placed on developing achievement-oriented, independent, self-reliant people, whereas in socialistic societies, emphasis is placed on developing cooperative, group-oriented individuals who place the welfare of the whole society ahead of individual needs. Cultural determinants affect personal traits. As Mussen notes, "The child's cultural group defines the range of experiments and situations he is likely to encounter and the values and personality characteristics that will be reinforced and hence learned."10 Consider, for example, how Japanese society develops its world-renowned work ethic.

Family and Social Group Determinants. Perhaps the most important influences on personal development are family and social group determinants. For instance, it has been found that children who grow up in democratic homes tend to be more stable, less argumentative, more socially successful, and more sensitive to praise or blame than those who grow up in authoritarian homes.[11] One's immediate family and peers contribute significantly to the socialization process, influencing how individuals think and behave through an intricate system of rewards and penalties.

Role Determinants. People are assigned various roles very early in life because of factors such as sex, socioeconomic background, and race. As one grows older, other factors, such as age and occupation, influence the roles we are expected to play. Such role determinants often limit our personal growth and development as individuals and significantly control acceptable behavior patterns.

Situational Determinants. Finally, personal development can be influenced by situational determinants. These are factors that are often unpredictable, such as a divorce or death in the family. For instance, James Abegglen studied 20 successful male executives who had risen from lower-class childhoods and discovered that in three-fourths of the cases these executives had experienced some form of severe separation trauma from their fathers. Their fathers (and role models) had either died, been seriously ill, or had serious financial setbacks. Abegglen hypothesized that the sons' negative identification with their fathers' plights represented a major motivational force for achievement and success.[12]

concept check

1. What is the role of personality and personality development in the workplace?

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8 S.R. Maddi, *Personality Theories: A Comparative Analysis* (Homewood, III.: Dorsey, 1980), p. 10.

9. C. Kluckhohn and H. Murray, *Personality in Society and Nature,* (New York: Knopf, 1953).

10. P.H. Mussen, *The Psychological Development of the Child* (Englewood Cliffs, N.J.: Prentice-Hall, 1963).

11. Ibid.

12. J. C. Abegglen, "Personality Factors in Social Mobility: A Study of Occupationally Mobile Businessmen," *Genetic Psychology Monographs,* August 1958, pp. 101–159.

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3.4: Personality and Work Behavior

4. How can organizations foster a work environment that allows employees an opportunity to develop and grow?

Personality theories that utilize the trait approach have proven popular among investigators of employee behavior in organizations. There are several reasons for this. To begin with, trait theories focus largely on the normal, healthy adult, in contrast to psychoanalytic and other personality theories that focus largely on abnormal behavior. Trait theories identify several characteristics that describe people. Allport insisted that our understanding of individual behavior could progress only by breaking behavior patterns down into a series of elements (traits).[13] "The only thing you can do about a *total* personality is to send flowers to it," he once said. Hence, in the study of people at work, we may discuss an employee's dependability, emotional stability, or cognitive complexity. These traits, when taken together, form a large mosaic that provides insight into individuals. A third reason for the popularity of trait theories in the study of organizational behavior is that the traits that are identified are measurable and tend to remain relatively stable over time. It is much easier to make comparisons among employees using these tangible qualities rather than the somewhat mystical psychoanalytic theories or the highly abstract and volatile self theories.

The number of traits people are believed to exhibit varies according to which theory we employ. In an exhaustive search, over 17,000 can be identified. Obviously, this number is so large as to make any reasonable analysis of the effects of personality in the workplace impossible. In order for us to make any sense out of this, it is necessary for us to concentrate on a small number of personality variables that have a direct impact on work behavior. If we do this, we can identify six traits that seem to be relatively important for our purposes here. It will be noted that some of these traits (for example, self-esteem or locus of control) have to do with how we see ourselves, whereas other traits (for example, introversion-extroversion or dependability) have to do with how we interact with others. Moreover, these traits are largely influenced by one's personality development and, in turn, influence actual attitudes and behaviors at work, as shown in **Exhibit 2.2**.

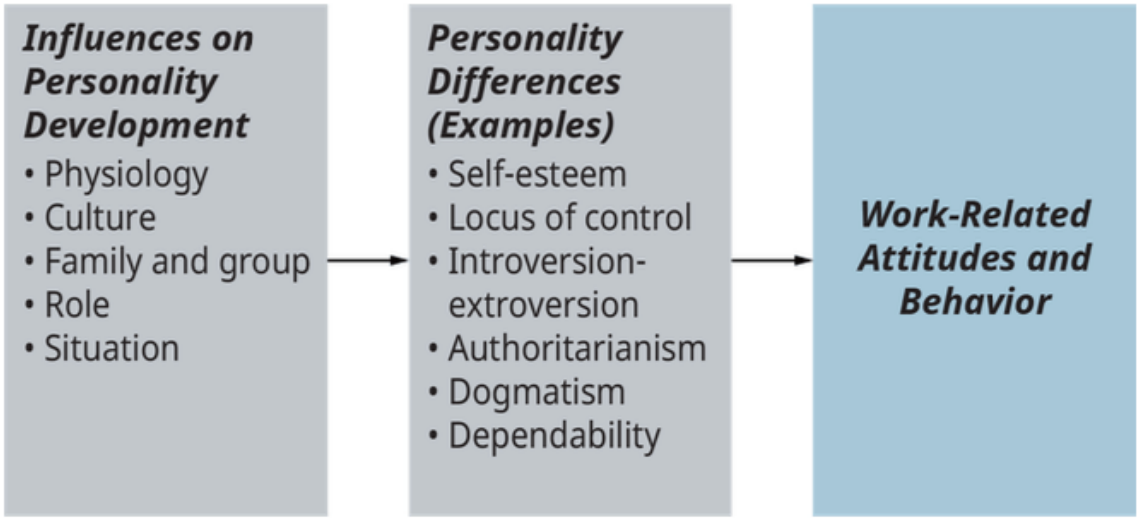


Exhibit 2.2 Relation of Personality to Attitudes and Behavior

Self-Esteem

One trait that has emerged recently as a key variable in determining work behavior and effectiveness is an employee's self-esteem. **Self-esteem** can be defined as one's opinion or belief about one's self and self-worth. It is how we see ourselves as individuals. Do we have confidence in ourselves? Do we think we are successful? Attractive? Worthy of others' respect or friendship?

Research has shown that high self-esteem in school-age children enhances assertiveness, independence, and creativity. People with high self-esteem often find it easier to give and receive affection, set higher goals for personal achievement, and exert energy to try to attain goals set for them. Moreover, individuals with high self-esteem will be more likely to seek higher-status occupations and will take more risks in the job search. For example, one study found that students possessing higher self-esteem

were more highly rated by college recruiters, received more job offers, and were more satisfied with their job search than students with low self-esteem.14 Hence, personality traits such as this one can affect your job and career even before you begin work!

Locus of Control

Locus of control refers to the tendency among individuals to attribute the events affecting their lives either to their own actions or to external forces; it is a measure of how much you think you control your own destiny. Two types of individual are identified. People with an *internal* locus of control tend to attribute their successes—and failures—to their own abilities and efforts. Hence, a student would give herself credit for passing an examination; likewise, she would accept blame for failing.

In contrast, people with an *external* locus of control tend to attribute things that happen to them as being caused by someone or something else. They give themselves neither credit nor blame. Hence, passing an exam may be dismissed by saying it was “too easy,” whereas failing may be excused by convincing one’s self that the exam was “unfair.”

If you want to determine your own locus of control, fill out the self-assessment in the end-of-chapter assignments. This is an abbreviated and adapted version of the scale originally developed by Rotter. When you have finished, refer to that reference for scoring procedures.

Recent research on locus of control suggests that people with an internal locus of control (1) exhibit greater work motivation, (2) have stronger expectations that effort will lead to actual high job performance, (3) perform better on tasks requiring learning or problem-solving, (4) typically receive higher salaries and salary increases, and (5) exhibit less job-related anxiety than externals.[15] Locus of control has numerous implications for management. For example, consider what would happen if you placed an “internal” under tight supervision or an “external” under loose supervision. The results probably would not be very positive. Or what would happen if you placed both internals and externals on a merit-based compensation plan? Who would likely perform better? Who might perform better under a piece-rate system?

Introversion-Extroversion

The third personality dimension we should consider focuses on the extent to which people tend to be shy and retiring or socially gregarious. *Introverts* (**introversion**) tend to focus their energies inwardly and have a greater sensitivity to abstract feelings, whereas *extroverts* (**extroversion**) direct more of their attention to other people, objects, and events. Research evidence suggests that both types of people have a role to play in organizations.[16] Extroverts more often succeed in first-line management roles, where only superficial "people skills” are required; they also do better in field assignments—for example, as sales representatives. Introverts, on the other hand, tend to succeed in positions requiring more reflection, analysis, and sensitivity to people’s inner feelings and qualities. Such positions are included in a variety of departments within organizations, such as accounting, personnel, and computer operations. In view of the complex nature of modern organizations, both types of individuals are clearly needed.

Authoritarianism and Dogmatism

Authoritarianism refers to an individual’s orientation toward authority. More specifically, an authoritarian orientation is generally characterized by an overriding conviction that it is right and proper for there to be clear status and power differences among people.[17] According to T.W. Adorno, a high authoritarian is typically (1) demanding, directive, and controlling of her subordinates; (2) submissive and deferential toward superiors;

(3) intellectually rigid; (4) fearful of social change; (5) highly judgmental and categorical in reactions to others; (6) distrustful; and (7) hostile in response to restraint. Nonauthoritarians, on the other hand, generally believe that power and status differences should be minimized, that social change can be constructive, and that people should be more accepting and less judgmental of others.

In the workplace, the consequences of these differences can be tremendous. Research has shown, for example, that employees who are high in authoritarianism often perform better under rigid supervisory control, whereas those rated lower on this characteristic perform better under more participative supervision.[18] Can you think of other consequences that might result from these differences?

Related to this authoritarianism is the trait of dogmatism. **Dogmatism** refers to a particular cognitive style that is characterized by closed-mindedness and inflexibility.[19] The dimension has particularly profound implications for managerial decision-making; it is found that dogmatic managers tend to make decisions quickly, based on only limited information and with a high degree of confidence in the correctness of their decisions.[20] Do you know managers (or professors) who tend to be dogmatic? How does this behavior affect those around them?

Dependability

Finally, people can be differentiated with respect to their behavioral consistency, or **dependability**. Individuals who are seen as self-reliant, responsible, consistent, and dependable are typically considered to be desirable colleagues or group members who will cooperate and work steadfastly toward group goals.[21] Personnel managers often seek a wide array of information concerning dependability before hiring job applicants. Even so, contemporary managers often complain that many of today's workers simply lack the feeling of personal responsibility necessary for efficient operations. Whether this is a result of the personal failings of the individuals or a lack of proper motivation by superiors remains to be determined.

Obviously, personality factors such as those discussed here can play a major role in determining work behavior both on the shop floor and in the executive suite. A good example of this can be seen in the events leading up to the demise of one of America's largest and oldest architectural firms. Observe the role of personality in the events that follow.

managing change

Personality Clash: Design vs. Default

Philip Johnson, at age 86, was considered the dean of American architecture and was known for such landmarks as the AT&T building in New York and the Pennzoil Center in Houston, but he was also forced out of the firm that he built, only to watch it fall into default and bankruptcy.

In 1969, Johnson invited John Burgee, who was just 35, to become his sole partner to handle the management side of the business and thereby allow him to focus on the creative side. "I picked John Burgee as my righthand man. Every design architect needs a Burgee. The more leadership he took, the happier I was," Johnson said. Burgee's personality was perfectly suited to the nuts-and-bolts tasks of managing the firm and overseeing the projects through construction.

For all his management effort, Burgee felt that only Johnson's name ever appeared in the press. "It was always difficult for me, being a younger man and less flamboyant," commented Burgee. Eventually, Burgee was able to get Johnson to change the name of the firm, first to Philip Johnson & John Burgee Architects, then to Johnson/Burgee Architects, and finally to John Burgee Architects, with Philip Johnson. Although Burgee wanted to be involved in all aspects of the business, Johnson was unwilling to relinquish control over design to Burgee.

In 1988, Burgee sent a four-page memo to Johnson in which he listed each of the firm's 24 projects and outlined the ones for which Johnson could initiate designs, initiate contact with clients, or work on independently at home. Burgee also instructed Johnson not to involve himself with the younger architects or advise them on their drawings.

The clash of the creative personality of Johnson and the controlling personality of Burgee came to a climax when Burgee asked Johnson to leave the firm. Unfortunately, Burgee underestimated the reaction of clients and lost many key contracts. Eventually, Burgee had to file for bankruptcy, and Johnson continued working on his own, including a project for Estée Lauder.

Source: Michelle Pacelle, "Design Flaw." *Wall Street Journal,* September 2, 1992, p. A1, A5.

concept check

1. What are the things that managers can do to foster an environment where employees can gain personal development and grow?

13. G.W. Allport, *Pattern and Growth in Personality* (New York: Holt, Rinehart and Winston, 1961).

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15. P. Spector, “Behavior in Organizations as a Function of Locus of Control,” *Psychological Bulletin,* May 1982, pp. 482–497; P. Nystrom, “Managers’ Salaries and Their Beliefs About Reinforcement Control,” *Journal of Social Psychology,* August 1983, pp. 291–292.

16. L. R. Morris, *Extroversion and Introversion: An Interactional Perspective* (New York: Hemisphere, 1979), p.8.

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20. R. N. Taylor and M. D. Dunnette, “Influence of Dogmatism, Risk-Taking Propensity, and Intelligence on Decision-Making Strategies for a Sample of Industrial Managers,” *Journal of Applied Psychology,* 1974, *59,* pp. 420–423.

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3.5: Personality Assessment

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This module provides a basic overview to the assessment of personality. It discusses objective personality tests (based on both self-report and informant ratings), projective and implicit tests, and behavioral/performance measures. It describes the basic features of each method, as well as reviewing the strengths, weaknesses, and overall validity of each approach.

learning objectives

- Appreciate the diversity of methods that are used to measure personality characteristics.
- Understand the logic, strengths and weaknesses of each approach.
- Gain a better sense of the overall validity and range of applications of personality tests.

Introduction

Personality is the field within psychology that studies the thoughts, feelings, behaviors, goals, and interests of normal individuals. It therefore covers a very wide range of important psychological characteristics. Moreover, different theoretical models have generated very different strategies for measuring these characteristics. For example, humanistically oriented models argue that people have clear, well-defined goals and are actively striving to achieve them (McGregor, McAdams, & Little, 2006). It, therefore, makes sense to ask them directly about themselves and their goals. In contrast, psychodynamically oriented theories propose that people lack insight into their feelings and motives, such that their behavior is influenced by processes that operate outside of their awareness (e.g., McClelland, Koestner, & Weinberger, 1989; Meyer & Kurtz, 2006). Given that people are unaware of these processes, it does not make sense to ask directly about them. One, therefore, needs to adopt an entirely different approach to identify these nonconscious factors. Not surprisingly, researchers have adopted a wide range of approaches to measure important personality characteristics. The most widely used strategies will be summarized in the following sections.



Do people possess the necessary awareness to see themselves as they are and provide accurate insights into their own personalities? [Image: fotEK10, https://goo.gl/GCBDJL, CC BY-NC-SA 2.0, goo.gl/Toc0ZF]

Objective Tests

Definition

Objective tests (Loevinger, 1957; Meyer & Kurtz, 2006) represent the most familiar and widely used approach to assessing personality. Objective tests involve administering a standard set of items, each of which is answered using a limited set of response options (e.g., true or false; strongly disagree, slightly disagree, slightly agree, strongly agree). Responses to these items then are scored in a standardized, predetermined way. For example, self-ratings on items assessing talkativeness, assertiveness, sociability, adventurousness, and energy can be summed up to create an overall score on the personality trait of extraversion.

It must be emphasized that the term "objective" refers to the method that is used to *score* a person's responses, rather than to the responses themselves. As noted by Meyer and Kurtz (2006, p. 233), "What is *objective* about such a procedure is that the psychologist administering the test does not need to rely on judgment to classify or interpret the test-taker's response; the intended response is clearly indicated and scored according to a pre-existing key." In fact, as we will see, a person's test responses may be highly subjective and can be influenced by a number of different rating biases.

Basic Types of Objective Tests

Self-report measures

Objective personality tests can be further subdivided into two basic types. The first type—which easily is the most widely used in modern personality research—asks people to describe themselves. This approach offers two key advantages. First, self-raters have access to an unparalleled wealth of information: After all, who knows more about you than you yourself? In particular, self-raters have direct access to their own thoughts, feelings, and motives, which may not be readily available to others (Oh, Wang, & Mount, 2011; Watson, Hubbard, & Weise, 2000). Second, asking people to describe themselves is the simplest, easiest, and most cost-effective approach to assessing personality. Countless studies, for instance, have involved administering self-report measures to college students, who are provided some relatively simple incentive (e.g., extra course credit) to participate.

The items included in self-report measures may consist of single words (e.g., *assertive*), short phrases (e.g., *am full of energy*), or complete sentences (e.g., *I like to spend time with others*). Table 1 presents a sample self-report measure assessing the general traits comprising the influential five-factor model (FFM) of personality: neuroticism, extraversion, openness, agreeableness, and conscientiousness (John & Srivastava, 1999; McCrae, Costa, & Martin, 2005). The sentences shown in Table 1 are modified versions of items included in the International Personality Item Pool (IPIP) (Goldberg et al., 2006), which is a rich source of personality-related content in the public domain (for more information about IPIP, go to: http://ipip.ori.org/).

Please read each statement carefully and then mark the appropriate response below. Use the following scale to record your responses:

1 strongly disagree	2 slightly disagree	3 neutral or cannot decide	4 slightly agree	5 strongly agree

_____ 1. I get upset easily.
_____ 2. I enjoy being part of a group.
_____ 3. I like to solve complex problems.
_____ 4. I believe that others have good intentions.
_____ 5. I am always prepared.
_____ 6. I have a low opinion of myself.
_____ 7. I have a natural talent for influencing people.
_____ 8. I enjoy the beauty of nature.
_____ 9. I try to anticipate the needs of others.
_____ 10. I can be trusted to keep my promises.
_____ 11. I get irritated easily.
_____ 12. I have a lot of fun.
_____ 13. I like to visit new places.
_____ 14. I love to help others.
_____ 15. I set high standards for myself and others.

Sum up the following items to see how you score on five general personality traits. The numbers below indicate which questions correspond to each trait. A high score indicates a stronger level of that trait:

1	6	11	Neuroticism
2	7	12	Extraversion
3	8	13	Openness/Intellect
4	9	14	Agreeableness
5	10	15	Conscientiousness

Table1: Sample Self-Report Personality Measure

Self-report personality tests show impressive **validity** in relation to a wide range of important outcomes. For example, self-ratings

of conscientiousness are significant predictors of both overall academic performance (e.g., cumulative grade point average; Poropat, 2009) and job performance (Oh, Wang, and Mount, 2011). Roberts, Kuncel, Shiner, Caspi, and Goldberg (2007) reported that self-rated personality predicted occupational attainment, divorce, and mortality. Similarly, Friedman, Kern, and Reynolds (2010) showed that personality ratings collected early in life were related to happiness/well-being, physical health, and mortality risk assessed several decades later. Finally, self-reported personality has important and pervasive links to psychopathology. Most notably, self-ratings of neuroticism are associated with a wide array of clinical syndromes, including anxiety disorders, depressive disorders, substance use disorders, somatoform disorders, eating disorders, personality and conduct disorders, and schizophrenia/schizotypy (Kotov, Gamez, Schmidt, & Watson, 2010; Mineka, Watson, & Clark, 1998).

At the same time, however, it is clear that this method is limited in a number of ways. First, raters may be motivated to present themselves in an overly favorable, socially desirable way (Paunonen & LeBel, 2012). This is a particular concern in "**high-stakes testing**," that is, situations in which test scores are used to make important decisions about individuals (e.g., when applying for a job). Second, personality ratings reflect a **self-enhancement bias** (Vazire & Carlson, 2011); in other words, people are motivated to ignore (or at least downplay) some of their less desirable characteristics and to focus instead on their more positive attributes. Third, self-ratings are subject to the **reference group effect** (Heine, Buchtel, & Norenzayan, 2008); that is, we base our self-perceptions, in part, on how we compare to others in our sociocultural reference group. For instance, if you tend to work harder than most of your friends, you will see yourself as someone who is relatively conscientious, even if you are not particularly conscientious in any absolute sense.

Informant ratings

Another approach is to ask someone who knows a person well to describe his or her personality characteristics. In the case of children or adolescents, the informant is most likely to be a parent or teacher. In studies of older participants, informants may be friends, roommates, dating partners, spouses, children, or bosses (Oh et al., 2011; Vazire & Carlson, 2011; Watson et al., 2000).

Generally speaking, informant ratings are similar in format to self-ratings. As was the case with self-report, items may consist of single words, short phrases, or complete sentences. Indeed, many popular instruments include parallel self- and informant-rating versions, and it often is relatively easy to convert a self-report measure so that it can be used to obtain informant ratings. Table 2 illustrates how the self-report instrument shown in Table 1 can be converted to obtain spouse-ratings (in this case, having a husband describe the personality characteristics of his wife).

Please read each statement carefully and then mark the appropriate response below. For each item, select the answer that best represents the personality characteristics of *your wife*. Use the following scale to record your responses:

1	2	3	4	5
strongly disagree	slightly disagree	neutral or cannot decide	slightly agree	strongly agree

_____ 1. She gets upset easily.
_____ 2. She enjoys being part of a group.
_____ 3. She likes to solve complex problems.
_____ 4. She believes that others have good intentions.
_____ 5. She is always prepared.
_____ 6. She has a low opinion of herself.
_____ 7. She has a natural talent for influencing people.
_____ 8. She enjoys the beauty of nature.
_____ 9. She tries to anticipate the needs of others.
_____ 10. She can be trusted to keep her promises.
_____ 11. She gets irritated easily.
_____ 12. She has a lot of fun.
_____ 13. She likes to visit new places.
_____ 14. She loves to help others.
_____ 15. She sets high standards for herself and others.

Table 2: Sample Spouse-Report Personality Measure

Informant ratings are particularly valuable when self-ratings are impossible to collect (e.g., when studying young children or cognitively impaired adults) or when their validity is suspect (e.g., as noted earlier, people may not be entirely honest in high-stakes testing situations). They also may be combined with self-ratings of the same characteristics to produce more **reliable** and valid measures of these attributes (McCrae, 1994).

Informant ratings offer several advantages in comparison to other approaches to assessing personality. A well-acquainted informant presumably has had the opportunity to observe large samples of behavior in the person he or she is rating. Moreover,

these judgments presumably are not subject to the types of defensiveness that potentially can distort self-ratings (Vazire & Carlson, 2011). Indeed, informants typically have strong incentives for being accurate in their judgments. As Funder and Dobroth (1987, p. 409), put it, “Evaluations of the people in our social environment are central to our decisions about who to befriend and avoid, trust and distrust, hire and fire, and so on.”

Informant personality ratings have demonstrated a level of validity in relation to important life outcomes that is comparable to that discussed earlier for self-ratings. Indeed, they outperform self-ratings in certain circumstances, particularly when the assessed traits are highly evaluative in nature (e.g., intelligence, charm, creativity; see Vazire & Carlson, 2011). For example, Oh et al. (2011) found that informant ratings were more strongly related to job performance than were self-ratings. Similarly, Oltmanns and Turkheimer (2009) summarized evidence indicating that informant ratings of Air Force cadets predicted early, involuntary discharge from the military better than self-ratings.

Nevertheless, informant ratings also are subject to certain problems and limitations. One general issue is the level of relevant information that is available to the rater (Funder, 2012). For instance, even under the best of circumstances, informants lack full access to the thoughts, feelings, and motives of the person they are rating. This problem is magnified when the informant does not know the person particularly well and/or only sees him or her in a limited range of situations (Funder, 2012; Beer & Watson, 2010).



Informant personality ratings are generally a reliable and valid assessment instrument, however in certain cases the informant may have some significant biases that make the rating less reliable. Newly married individuals for example are likely to rate their partners in an unrealistically positive way. [Image: Sociales El Heraldo de Saltillo, https://goo.gl/3g3Qhh, CC BY-NC-SA 2.0, goo.gl/Toc0ZF]

Informant ratings also are subject to some of the same response biases noted earlier for self-ratings. For instance, they are not immune to the reference group effect. Indeed, it is well-established that parent ratings often are subject to a **sibling contrast effect**, such that parents exaggerate the true magnitude of differences between their children (Pinto, Rijsdijk, Frazier-Wood, Asherson, & Kuntsi, 2012). Furthermore, in many studies, individuals are allowed to nominate (or even recruit) the informants who will rate them. Because of this, it most often is the case that informants (who, as noted earlier, may be friends, relatives, or romantic partners) like the people they are rating. This, in turn, means that informants may produce overly favorable personality ratings. Indeed, their ratings actually can be more favorable than the corresponding self-ratings (Watson & Humrichouse, 2006). This tendency for informants to produce unrealistically positive ratings has been termed the **letter of recommendation effect** (Leising, Erbs, & Fritz, 2010) and the **honeymoon effect** when applied to newlyweds (Watson & Humrichouse, 2006).

Other Ways of Classifying Objective Tests

Comprehensiveness

In addition to the source of the scores, there are at least two other important dimensions on which personality tests differ. The first such dimension concerns the extent to which an instrument seeks to assess personality in a reasonably comprehensive

manner. At one extreme, many widely used measures are designed to assess a single core attribute. Examples of these types of measures include the Toronto Alexithymia Scale (Bagby, Parker, & Taylor, 1994), the Rosenberg Self-Esteem Scale (Rosenberg, 1965), and the Multidimensional Experiential Avoidance Questionnaire (Gamez, Chmielewski, Kotov, Ruggero, & Watson, 2011). At the other extreme, a number of omnibus inventories contain a large number of specific scales and purport to measure personality in a reasonably comprehensive manner. These instruments include the California Psychological Inventory (Gough, 1987), the Revised HEXACO Personality Inventory (HEXACO-PI-R) (Lee & Ashton, 2006), the Multidimensional Personality Questionnaire (Patrick, Curtin, & Tellegen, 2002), the NEO Personality Inventory-3 (NEO-PI-3) (McCrae et al., 2005), the Personality Research Form (Jackson, 1984), and the Sixteen Personality Factor Questionnaire (Cattell, Eber, & Tatsuoka, 1980).

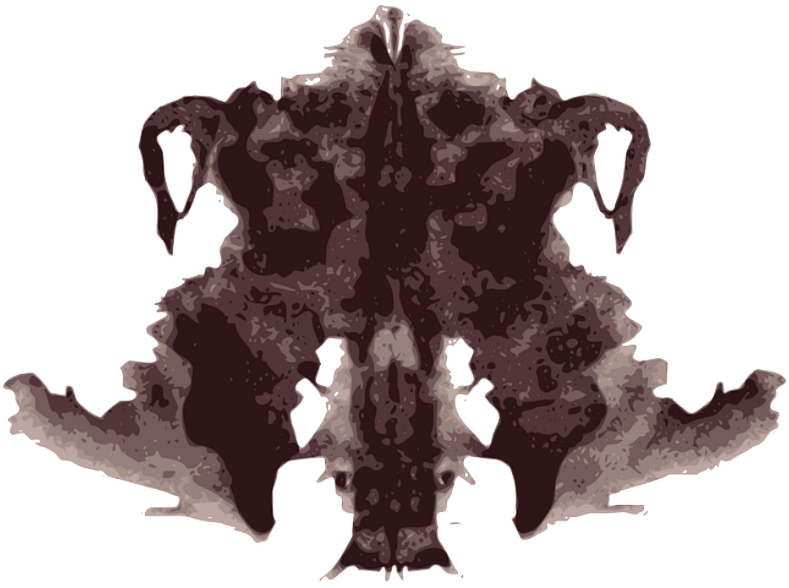
Breadth of the target characteristics

Second, personality characteristics can be classified at different levels of breadth or generality. For example, many models emphasize broad, “big” traits such as neuroticism and extraversion. These general dimensions can be divided up into several distinct yet empirically correlated component traits. For example, the broad dimension of extraversion contains such specific component traits as dominance (extraverts are assertive, persuasive, and exhibitionistic), sociability (extraverts seek out and enjoy the company of others), positive emotionality (extraverts are active, energetic, cheerful, and enthusiastic), and adventurousness (extraverts enjoy intense, exciting experiences).

Some popular personality instruments are designed to assess only the broad, general traits. For example, similar to the sample instrument displayed in Table 1, the **Big Five** Inventory (John & Srivastava, 1999) contains brief scales assessing the broad traits of neuroticism, extraversion, openness, agreeableness, and conscientiousness. In contrast, many instruments—including several of the omnibus inventories mentioned earlier—were designed primarily to assess a large number of more specific characteristics. Finally, some inventories—including the HEXACO-PI-R and the NEO-PI-3—were explicitly designed to provide coverage of both general and specific trait characteristics. For instance, the NEO-PI-3 contains six specific facet scales (e.g., Gregariousness, Assertiveness, Positive Emotions, Excitement Seeking) that then can be combined to assess the broad trait of extraversion.

Projective and Implicit Tests

Projective Tests



Projective tests, such as the famous Rorschach inkblot test require a person to give spontaneous answers that "project" their unique personality onto an ambiguous stimulus. [Imge: CC0 Public Domain, goo.gl/m25gce]

As noted earlier, some approaches to personality assessment are based on the belief that important thoughts, feelings, and motives operate outside of conscious awareness. Projective tests represent influential early examples of this approach. Projective tests originally were based on the **projective hypothesis** (Frank, 1939; Lilienfeld, Wood, & Garb, 2000): If a person is asked to describe or interpret ambiguous stimuli—that is, things that can be understood in a number of different ways—their responses will be influenced by nonconscious needs, feelings, and experiences (note, however, that the theoretical rationale underlying

these measures has evolved over time) (see, for example, Spangler, 1992). Two prominent examples of projective tests are the Rorschach Inkblot Test (Rorschach, 1921) and the Thematic Apperception Test (TAT) (Morgan & Murray, 1935). The former asks respondents to interpret symmetrical blots of ink, whereas the latter asks them to generate stories about a series of pictures.

For instance, one TAT picture depicts an elderly woman with her back turned to a young man; the latter looks downward with a somewhat perplexed expression. Another picture displays a man clutched from behind by three mysterious hands. What stories could you generate in response to these pictures?

In comparison to objective tests, projective tests tend to be somewhat cumbersome and labor intensive to administer. The biggest challenge, however, has been to develop a reliable and valid scheme to score the extensive set of responses generated by each respondent. The most widely used Rorschach scoring scheme is the Comprehensive System developed by Exner (2003). The most influential TAT scoring system was developed by McClelland, Atkinson and colleagues between 1947 and 1953 (McClelland et al., 1989; see also Winter, 1998), which can be used to assess motives such as the need for achievement.

The validity of the Rorschach has been a matter of considerable controversy (Lilienfeld et al., 2000; Mihura, Meyer, Dumitrascu, & Bombel, 2012; Society for Personality Assessment, 2005). Most reviews acknowledge that Rorschach scores do show some ability to predict important outcomes. Its critics, however, argue that it fails to provide important incremental information beyond other, more easily acquired information, such as that obtained from standard self-report measures (Lilienfeld et al., 2000).

Validity evidence is more impressive for the TAT. In particular, reviews have concluded that TAT-based measures of the need for achievement (a) show significant validity to predict important criteria and (b) provide important information beyond that obtained from objective measures of this motive (McClelland et al., 1989; Spangler, 1992). Furthermore, given the relatively weak associations between objective and projective measures of motives, McClelland et al. (1989) argue that they tap somewhat different processes, with the latter assessing **implicit motives** (Schultheiss, 2008).

Implicit Tests

In recent years, researchers have begun to use implicit measures of personality (Back, Schmuckle, & Egloff, 2009; Vazire & Carlson, 2011). These tests are based on the assumption that people form automatic or implicit associations between certain concepts based on their previous experience and behavior. If two concepts (e.g., *me*and *assertive*) are strongly associated with each other, then they should be sorted together more quickly and easily than two concepts (e.g., *me* and *shy*) that are less strongly associated. Although validity evidence for these measures still is relatively sparse, the results to date are encouraging: Back et al. (2009), for example, showed that implicit measures of the FFM personality traits predicted behavior even after controlling for scores on objective measures of these same characteristics.

Behavioral and Performance Measures



Observing real world behavior is one way to assess personality. Tendencies such as messiness and neatness are clues to personality. [Image: Crumley Roberts, https://goo.gl/6Ahn8q, CC BY 2.0, goo.gl/BRvSA7]

A final approach is to infer important personality characteristics from direct samples of behavior. For example, Funder and Colvin (1988) brought opposite-sex pairs of participants into the laboratory and had them engage in a five-minute "getting acquainted" conversation; raters watched videotapes of these interactions and then scored the participants on various personality characteristics. Mehl, Gosling, and Pennebaker (2006) used the electronically activated recorder (EAR) to obtain samples of ambient sounds in participants' natural environments over a period of two days; EAR-based scores then were related to self- and observer-rated measures of personality. For instance, more frequent talking over this two-day period was significantly related to both self- and observer-ratings of extraversion. As a final example, Gosling, Ko, Mannarelli, and Morris (2002) sent observers into college students' bedrooms and then had them rate the students' personality characteristics on the Big Five traits. The averaged observer ratings correlated significantly with participants' self-ratings on all five traits. Follow-up analyses indicated that conscientious students had neater rooms, whereas those who were high in openness to experience had a wider variety of books and magazines.

Behavioral measures offer several advantages over other approaches to assessing personality. First, because behavior is sampled directly, this approach is not subject to the types of response biases (e.g., self-enhancement bias, reference group effect) that can distort scores on objective tests. Second, as is illustrated by the Mehl et al. (2006) and Gosling et al. (2002) studies, this approach allows people to be studied in their daily lives and in their natural environments, thereby avoiding the artificiality of other methods (Mehl et al., 2006). Finally, this is the only approach that actually assesses what people *do,* as opposed to what they think or feel (see Baumeister, Vohs, & Funder, 2007).

At the same time, however, this approach also has some disadvantages. This assessment strategy clearly is much more cumbersome and labor intensive than using objective tests, particularly self-report. Moreover, similar to projective tests, behavioral measures generate a rich set of data that then need to be scored in a reliable and valid way. Finally, even the most ambitious study only obtains relatively small samples of behavior that may provide a somewhat distorted view of a person's true characteristics. For example, your behavior during a "getting acquainted" conversation on a single given day inevitably will reflect a number of transient influences (e.g., level of stress, quality of sleep the previous night) that are idiosyncratic to that day.

Conclusion

No single method of assessing personality is perfect or infallible; each of the major methods has both strengths and limitations. By using a diversity of approaches, researchers can overcome the limitations of any single method and develop a more complete and integrative view of personality.

Discussion Questions

1. Under what conditions would you expect self-ratings to be most similar to informant ratings? When would you expect these two sets of ratings to be most different from each other?
2. The findings of Gosling, et al. (2002) demonstrate that we can obtain important clues about students' personalities from their dorm rooms. What other aspects of people's lives might give us important information about their personalities?
3. Suppose that you were planning to conduct a study examining the personality trait of honesty. What method or methods might you use to measure it?

Vocabulary

Big Five

Five, broad general traits that are included in many prominent models of personality. The five traits are neuroticism (those high on this trait are prone to feeling sad, worried, anxious, and dissatisfied with themselves), extraversion (high scorers are friendly, assertive, outgoing, cheerful, and energetic), openness to experience (those high on this trait are tolerant, intellectually curious, imaginative, and artistic), agreeableness (high scorers are polite, considerate, cooperative, honest, and trusting), and conscientiousness (those high on this trait are responsible, cautious, organized, disciplined, and achievement-oriented).

High-stakes testing

Settings in which test scores are used to make important decisions about individuals. For example, test scores may be used to determine which individuals are admitted into a college or graduate school, or who should be hired for a job. Tests also are used in forensic settings to help determine whether a person is competent to stand trial or fits the legal definition of sanity.

Honeymoon effect

The tendency for newly married individuals to rate their spouses in an unrealistically positive manner. This represents a specific manifestation of the letter of recommendation effect when applied to ratings made by current romantic partners. Moreover, it illustrates the very important role played by relationship satisfaction in ratings made by romantic partners: As marital satisfaction declines (i.e., when the "honeymoon is over"), this effect disappears.

Implicit motives

These are goals that are important to a person, but that he/she cannot consciously express. Because the individual cannot verbalize these goals directly, they cannot be easily assessed via self-report. However, they can be measured using projective devices such as the Thematic Apperception Test (TAT).

Letter of recommendation effect

The general tendency for informants in personality studies to rate others in an unrealistically positive manner. This tendency is due a pervasive bias in personality assessment: In the large majority of published studies, informants are individuals who like the person they are rating (e.g., they often are friends or family members) and, therefore, are motivated to depict them in a socially desirable way. The term reflects a similar tendency for academic letters of recommendation to be overly positive and to present the referent in an unrealistically desirable manner.

Projective hypothesis

The theory that when people are confronted with ambiguous stimuli (that is, stimuli that can be interpreted in more than one way), their responses will be influenced by their unconscious thoughts, needs, wishes, and impulses. This, in turn, is based on the Freudian notion of projection, which is the idea that people attribute their own undesirable/unacceptable characteristics to other people or objects.

Reference group effect

The tendency of people to base their self-concept on comparisons with others. For example, if your friends tend to be very smart and successful, you may come to see yourself as less intelligent and successful than you actually are. Informants also are prone to these types of effects. For instance, the sibling contrast effect refers to the tendency of parents to exaggerate the true extent of differences between their children.

Reliablility

The consistency of test scores across repeated assessments. For example, test-retest reliability examines the extent to which scores change over time.

Self-enhancement bias

The tendency for people to see and/or present themselves in an overly favorable way. This tendency can take two basic forms: defensiveness (when individuals actually believe they are better than they really are) and impression management (when people intentionally distort their responses to try to convince others that they are better than they really are). Informants also can show enhancement biases. The general form of this bias has been called the letter-of-recommendation effect, which is the tendency of informants who like the person they are rating (e.g., friends, relatives, romantic partners) to describe them in an overly favorable way. In the case of newlyweds, this tendency has been termed the honeymoon effect.

Sibling contrast effect

The tendency of parents to use their perceptions of all of their children as a frame of reference for rating the characteristics of each of them. For example, suppose that a mother has three children; two of these children are very sociable and outgoing, whereas the third is relatively average in sociability. Because of operation of this effect, the mother will rate this third child as less sociable and outgoing than he/she actually is. More generally, this effect causes parents to exaggerate the true extent of differences between their children. This effect represents a specific manifestation of the more general reference group effect when applied to ratings made by parents.

Validity

Evidence related to the interpretation and use of test scores. A particularly important type of evidence is criterion validity, which involves the ability of a test to predict theoretically relevant outcomes. For example, a presumed measure of conscientiousness should be related to academic achievement (such as overall grade point average).

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3.6: Personality Traits

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Personality traits reflect people's characteristic patterns of thoughts, feelings, and behaviors. Personality traits imply consistency and stability—someone who scores high on a specific trait like Extraversion is expected to be sociable in different situations and over time. Thus, trait psychology rests on the idea that people differ from one another in terms of where they stand on a set of basic trait dimensions that persist over time and across situations. The most widely used system of traits is called the Five-Factor Model. This system includes five broad traits that can be remembered with the acronym OCEAN: Openness, Conscientiousness, Extraversion, Agreeableness, and Neuroticism. Each of the major traits from the Big Five can be divided into facets to give a more fine-grained analysis of someone's personality. In addition, some trait theorists argue that there are other traits that cannot be completely captured by the Five-Factor Model. Critics of the trait concept argue that people do not act consistently from one situation to the next and that people are very influenced by situational forces. Thus, one major debate in the field concerns the relative power of people's traits versus the situations in which they find themselves as predictors of their behavior.

learning objectives

- List and describe the "Big Five" ("OCEAN") personality traits that comprise the Five-Factor Model of personality.
- Describe how the facet approach extends broad personality traits.
- Explain a critique of the personality-trait concept.
- Describe in what ways personality traits may be manifested in everyday behavior.
- Describe each of the Big Five personality traits, and the low and high end of the dimension.
- Give examples of each of the Big Five personality traits, including both a low and high example.
- Describe how traits and social learning combine to predict your social activities.
- Describe your theory of how personality traits get refined by social learning.

Introduction

When we observe people around us, one of the first things that strikes us is how different people are from one another. Some people are very talkative while others are very quiet. Some are active whereas others are couch potatoes. Some worry a lot, others almost never seem anxious. Each time we use one of these words, words like "talkative," "quiet," "active," or "anxious," to describe those around us, we are talking about a person's **personality**—the characteristic ways that people differ from one another. Personality psychologists try to describe and understand these differences.



"Are you an introvert"? In popular culture it's common to talk about people being introverts or extroverts as if these were precise descriptions that meant the same thing for everyone. But research shows that these traits and others are quite variable within individuals. [Image: Nguyen Hung Vu, https://goo.gl/qKJUAC, CC BY 2.0, goo.gl/BRvSA7]

Although there are many ways to think about the personalities that people have, Gordon Allport and other "personologists" claimed that we can best understand the differences between individuals by understanding their personality traits. **Personality traits** reflect basic dimensions on which people differ (Matthews, Deary, & Whiteman, 2003). According to trait psychologists, there are a limited number of these dimensions (dimensions like Extraversion, Conscientiousness, or Agreeableness), and each individual falls somewhere on each dimension, meaning that they could be low, medium, or high on any specific trait.

An important feature of personality traits is that they reflect **continuous distributions** rather than distinct personality types. This means that when personality psychologists talk about Introverts and Extraverts, they are not really talking about two distinct types of people who are completely and qualitatively different from one another. Instead, they are talking about people who score relatively low or relatively high along a continuous distribution. In fact, when personality psychologists measure traits like **Extraversion**, they typically find that most people score somewhere in the middle, with smaller numbers showing more extreme levels. The figure below shows the distribution of Extraversion scores from a survey of thousands of people. As you can see, most people report being moderately, but not extremely, extraverted, with fewer people reporting very high or very low scores.

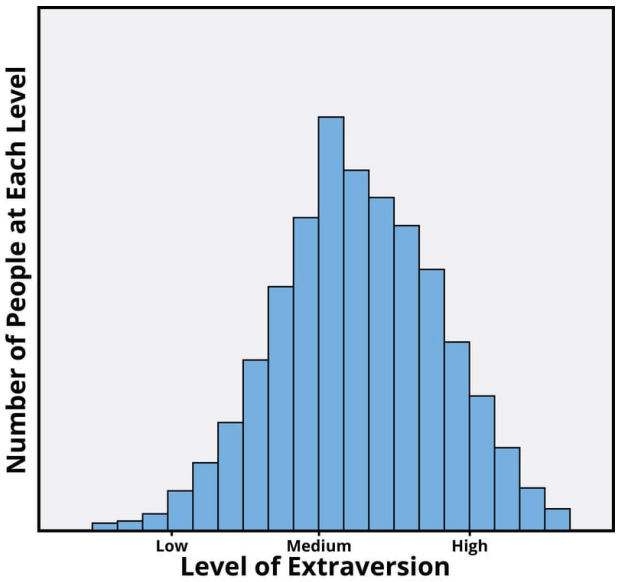


Figure 3.2.1: Distribution of Extraversion Scores in a Sample Higher bars mean that more people have scores of that level. This figure shows that most people score towards the middle of the extraversion scale, with fewer people who are highly extraverted or highly introverted.

There are three criteria that are characterize personality traits: (1) consistency, (2) stability, and (3) individual differences.

1. To have a personality trait, individuals must be somewhat consistent across situations in their behaviors related to the trait. For example, if they are talkative at home, they tend also to be talkative at work.
2. Individuals with a trait are also somewhat stable over time in behaviors related to the trait. If they are talkative, for example, at age 30, they will also tend to be talkative at age 40.
3. People differ from one another on behaviors related to the trait. Using speech is not a personality trait and neither is walking on two feet—virtually all individuals do these activities, and there are almost no individual differences. But people differ on how frequently they talk and how active they are, and thus personality traits such as Talkativeness and Activity Level do exist.

A challenge of the trait approach was to discover the major traits on which all people differ. Scientists for many decades generated hundreds of new traits, so that it was soon difficult to keep track and make sense of them. For instance, one psychologist might focus on individual differences in "friendliness," whereas another might focus on the highly related concept of "sociability." Scientists began seeking ways to reduce the number of traits in some systematic way and to discover the basic traits that describe most of the differences between people.

The way that Gordon Allport and his colleague Henry Odbert approached this was to search the dictionary for all descriptors of personality (Allport & Odbert, 1936). Their approach was guided by the **lexical hypothesis**, which states that all important personality characteristics should be reflected in the language that we use to describe other people. Therefore, if we want to understand the fundamental ways in which people differ from one another, we can turn to the words that people use to describe one another. So if we want to know what words people use to describe one another, where should we look? Allport and Odbert looked in the most obvious place—the dictionary. Specifically, they took all the personality descriptors that they could find in the dictionary (they started with almost 18,000 words but quickly reduced that list to a more manageable number) and then used statistical techniques to determine which words "went together." In other words, if everyone who said that they were "friendly" also said that they were "sociable," then this might mean that personality psychologists would only need a single trait to capture individual differences in these characteristics. Statistical techniques were used to determine whether a small number of dimensions might underlie all of the thousands of words we use to describe people.

The Five-Factor Model of Personality

Research that used the lexical approach showed that many of the personality descriptors found in the dictionary do indeed overlap. In other words, many of the words that we use to describe people are synonyms. Thus, if we want to know what a person is like, we do not necessarily need to ask how sociable they are, how friendly they are, and how gregarious they are. Instead, because sociable people tend to be friendly and gregarious, we can summarize this personality dimension with a single term. Someone who is sociable, friendly, and gregarious would typically be described as an "Extravert." Once we know she is an extravert, we can assume that she is sociable, friendly, and gregarious.

Statistical methods (specifically, a technique called **factor analysis**) helped to determine whether a small number of dimensions underlie the diversity of words that people like Allport and Odbert identified. The most widely accepted system to emerge from this approach was "The Big Five" or "**Five-Factor Model**" (Goldberg, 1990; McCrae & John, 1992; McCrae & Costa, 1987). The Big Five comprises five major traits shown in the Figure 3.2.2 below. A way to remember these five is with the acronym OCEAN (O is for **Openness**; C is for **Conscientiousness**; E is for **Extraversion**; A is for **Agreeableness**; N is for **Neuroticism**). Figure 3.2.3 provides descriptions of people who would score high and low on each of these traits.

Big 5 Trait	Definition
Openness	The tendency to appreciate new art, ideas, values, feelings, and behaviors.
Conscientiousness	The tendency to be careful, on-time for appointments, to follow rules, and to be hardworking.
Extraversion	The tendency to be talkative, sociable, and to enjoy others; the tendency to have a dominant style.
Agreeableness	The tendency to agree and go along with others rather than to assert one's own opinions and choices.
Neuroticism	The tendency to frequently experience negative emotions such as anger, worry, and sadness, as well as being interpersonally sensitive.

Figure 3.2.2: Descriptions of the Big Five Personality Traits

Big 5 Trait	Example Behavior for LOW Scorers	Example Behavior for HIGH Scorers
Openness	Prefers not to be exposed to alternative moral systems; narrow interests; inartistic; not analytical; down-to-earth	Enjoys seeing people with new types of haircuts and body piercing; curious; imaginative; untraditional
Conscientiousness	Prefers spur-of-the-moment action to planning; unreliable; hedonistic; careless; lax	Never late for a date; organized; hardworking; neat; persevering; punctual; self-disciplined
Extraversion	Preferring a quiet evening reading to a loud party; sober; aloof; unenthusiastic	Being the life of the party; active; optimistic; fun-loving; affectionate
Agreeableness	Quickly and confidently asserts own rights; irritable; manipulative; uncooperative; rude	Agrees with others about political opinions; good-natured; forgiving; gullible; helpful; forgiving
Neuroticism	Not getting irritated by small annoyances; calm, unemotional; hardy; secure; self-satisfied	Constantly worrying about little things; insecure; hypochondriacal; feeling inadequate

Figure 3.2.3: Example behaviors for those scoring low and high for the big 5 traits

Scores on the Big Five traits are mostly independent. That means that a person's standing on one trait tells very little about their standing on the other traits of the Big Five. For example, a person can be extremely high in Extraversion and be either high or low on Neuroticism. Similarly, a person can be low in Agreeableness and be either high or low in Conscientiousness. Thus, in the Five-Factor Model, you need five scores to describe most of an individual's personality.

In the Appendix to this module, we present a short scale to assess the Five-Factor Model of personality (Donnellan, Oswald, Baird, & Lucas, 2006). You can take this test to see where you stand in terms of your Big Five scores. John Johnson has also created a helpful website that has personality scales that can be used and taken by the general public:

http://www.personal.psu.edu/j5j/IPIP/ipipneo120.htm

After seeing your scores, you can judge for yourself whether you think such tests are valid.

Traits are important and interesting because they describe stable patterns of behavior that persist for long periods of time (Caspi, Roberts, & Shiner, 2005). Importantly, these stable patterns can have broad-ranging consequences for many areas of our life (Roberts, Kuncel, Shiner, Caspi, & Goldberg, 2007). For instance, think about the factors that determine success in college. If you were asked to guess what factors predict good grades in college, you might guess something like intelligence. This guess would be correct, but we know much more about who is likely to do well. Specifically, personality researchers have also found the personality traits like Conscientiousness play an important role in college and beyond, probably because highly conscientious

individuals study hard, get their work done on time, and are less distracted by nonessential activities that take time away from school work. In addition, highly conscientious people are often healthier than people low in conscientiousness because they are more likely to maintain healthy diets, to exercise, and to follow basic safety procedures like wearing seat belts or bicycle helmets. Over the long term, this consistent pattern of behaviors can add up to meaningful differences in health and longevity. Thus, personality traits are not just a useful way to describe people you know; they actually help psychologists predict how good a worker someone will be, how long he or she will live, and the types of jobs and activities the person will enjoy. Thus, there is growing interest in personality psychology among psychologists who work in applied settings, such as health psychology or organizational psychology.

Facets of Traits (Subtraits)

So how does it feel to be told that your entire personality can be summarized with scores on just five personality traits? Do you think these five scores capture the complexity of your own and others' characteristic patterns of thoughts, feelings, and behaviors? Most people would probably say no, pointing to some exception in their behavior that goes against the general pattern that others might see. For instance, you may know people who are warm and friendly and find it easy to talk with strangers at a party yet are terrified if they have to perform in front of others or speak to large groups of people. The fact that there are different ways of being extraverted or conscientious shows that there is value in considering lower-level units of personality that are more specific than the Big Five traits. These more specific, lower-level units of personality are often called **facets**.

Trait	Facets of Trait
Openness	• Fantasy prone • Open to feelings • Open to diverse behaviors • Open to new and different ideas • Open to various values and beliefs
Conscientiousness	• Competent • Orderly • Dutiful • Achievement oriented • Self-disciplined • Deliberate
Extraversion	• Gregarious (sociable) • Warm • Assertive • Active • Excitement-seeking • Positive emotionality
Agreeableness	• Trusting • Straightforward • Altruistic • Compliant • Modest • Tender-minded
Neuroticism	• Anxious • Angry • Depressed • Self-consciousness • Impulsive • Vulnerable

Figure 3.2.4: Facets of Traits

To give you a sense of what these narrow units are like, Figure 3.2.4 shows facets for each of the Big Five traits. It is important to note that although personality researchers generally agree about the value of the Big Five traits as a way to summarize one's personality, there is no widely accepted list of facets that should be studied. The list seen here, based on work by researchers Paul Costa and Jeff McCrae, thus reflects just one possible list among many. It should, however, give you an idea of some of the facets making up each of the Five-Factor Model.

Facets can be useful because they provide more specific descriptions of what a person is like. For instance, if we take our friend who loves parties but hates public speaking, we might say that this person scores high on the "gregariousness" and "warmth" facets of extraversion, while scoring lower on facets such as "assertiveness" or "excitement-seeking." This precise profile of facet scores not only provides a better description, it might also allow us to better predict how this friend will do in a variety of different jobs (for example, jobs that require public speaking versus jobs that involve one-on-one interactions with customers; Paunonen & Ashton, 2001). Because different facets within a broad, global trait like extraversion tend to go together (those who are gregarious are often but not always assertive), the broad trait often provides a useful summary of what a person is like. But when we really want to know a person, facet scores add to our knowledge in important ways.

Other Traits Beyond the Five-Factor Model

Despite the popularity of the Five-Factor Model, it is certainly not the only model that exists. Some suggest that there are more

than five major traits, or perhaps even fewer. For example, in one of the first comprehensive models to be proposed, Hans Eysenck suggested that Extraversion and Neuroticism are most important. Eysenck believed that by combining people's standing on these two major traits, we could account for many of the differences in personality that we see in people (Eysenck, 1981). So for instance, a neurotic introvert would be shy and nervous, while a stable introvert might avoid social situations and prefer solitary activities, but he may do so with a calm, steady attitude and little anxiety or emotion. Interestingly, Eysenck attempted to link these two major dimensions to underlying differences in people's biology. For instance, he suggested that introverts experienced too much sensory stimulation and arousal, which made them want to seek out quiet settings and less stimulating environments. More recently, Jeffrey Gray suggested that these two broad traits are related to fundamental reward and avoidance systems in the brain—extraverts might be motivated to seek reward and thus exhibit assertive, reward-seeking behavior, whereas people high in neuroticism might be motivated to avoid punishment and thus may experience anxiety as a result of their heightened awareness of the threats in the world around them (Gray, 1981. This model has since been updated; see Gray & McNaughton, 2000). These early theories have led to a burgeoning interest in identifying the physiological underpinnings of the individual differences that we observe.

Another revision of the Big Five is the **HEXACO model** of traits (Ashton & Lee, 2007). This model is similar to the Big Five, but it posits slightly different versions of some of the traits, and its proponents argue that one important class of individual differences was omitted from the Five-Factor Model. The HEXACO adds Honesty-Humility as a sixth dimension of personality. People high in this trait are sincere, fair, and modest, whereas those low in the trait are manipulative, narcissistic, and self-centered. Thus, trait theorists are agreed that personality traits are important in understanding behavior, but there are still debates on the exact number and composition of the traits that are most important.

There are other important traits that are not included in comprehensive models like the Big Five. Although the five factors capture much that is important about personality, researchers have suggested other traits that capture interesting aspects of our behavior. In Figure 5 below we present just a few, out of hundreds, of the other traits that have been studied by personologists.

Personality Trait	Description
Machiavellianism	Named after the famous political philosopher, Niccolo Machiavelli, this trait refers to individuals who manipulate the behavior of others, often through duplicity. Machiavellians are often interested in money and power, and pragmatically use others in this quest.
Need for Achievement	Those high in need for achievement want to accomplish a lot and set high standards of excellence for themselves. They are able to work persistently and hard for distant goals. David McClelland argued that economic growth depends in part on citizens with high need for achievement.
Need for Cognition	People high in need for cognition find it rewarding to understand things, and are willing to use considerable cognitive effort in this quest. Such individuals enjoy learning, and the process of trying to understand new things.
Authoritarianism	Authoritarians believe in strict social hierarchies, in which they are totally obedient to those above them, and expect complete obedience from their subordinates. Rigid in adherence to rules, the authoritarian personality is very uncomfortable with uncertainty.
Narcissism	The narcissistic personality has self-love that is so strong that it results in high levels of vanity, conceit, and selfishness. The narcissistic individual often has problems feeling empathetic toward others and grateful to others.
Self-esteem	The tendency to evaluate oneself positively. Self-esteem does not imply that one believes that he or she is better than others, only that he or she is a person of worth.
Optimism	The tendency to expect positive outcomes in the future. People who are optimistic expect good things to happen, and indeed they often have more positive outcomes, perhaps because they work harder to achieve them.
Alexithymia	The inability to recognize and label emotions in oneself. The individual also has a difficult time recognizing emotions in others, and often has difficulties in relationships.

Figure 3.2.5: Other Traits Beyond Those Included in the Big Five

Not all of the above traits are currently popular with scientists, yet each of them has experienced popularity in the past. Although the Five-Factor Model has been the target of more rigorous research than some of the traits above, these additional personality characteristics give a good idea of the wide range of behaviors and attitudes that traits can cover.

The Person-Situation Debate and Alternatives to the Trait Perspective



The way people behave is only in part a product of their natural personality. Situations also influence how a person behaves. Are you for instance a “different person” as a student in a classroom compared to when you’re a member of a close-knit social group? [Image: UO Education, https://goo.gl/ylgV9T, CC BY-NC 2.0, goo.gl/VnKlK8]

The ideas described in this module should probably seem familiar, if not obvious to you. When asked to think about what our friends, enemies, family members, and colleagues are like, some of the first things that come to mind are their personality characteristics. We might think about how warm and helpful our first teacher was, how irresponsible and careless our brother is, or how demanding and insulting our first boss was. Each of these descriptors reflects a personality trait, and most of us generally think that the descriptions that we use for individuals accurately reflect their “characteristic pattern of thoughts, feelings, and behaviors,” or in other words, their personality.

But what if this idea were wrong? What if our belief in personality traits were an illusion and people are not consistent from one situation to the next? This was a possibility that shook the foundation of personality psychology in the late 1960s when Walter Mischel published a book called *Personality and Assessment* (1968). In this book, Mischel suggested that if one looks closely at people’s behavior across many different situations, the consistency is really not that impressive. In other words, children who cheat on tests at school may steadfastly follow all rules when playing games and may never tell a lie to their parents. In other words, he suggested, there may not be any general trait of honesty that links these seemingly related behaviors. Furthermore, Mischel suggested that observers may believe that broad personality traits like honesty exist, when in fact, this belief is an illusion. The debate that followed the publication of Mischel’s book was called the **person-situation debate**because it pitted the power of personality against the power of situational factors as determinants of the behavior that people exhibit.

Because of the findings that Mischel emphasized, many psychologists focused on an alternative to the trait perspective. Instead of studying broad, context-free descriptions, like the trait terms we’ve described so far, Mischel thought that psychologists should focus on people’s distinctive reactions to specific situations. For instance, although there may not be a broad and general trait of honesty, some children may be especially likely to cheat on a test when the risk of being caught is low and the rewards for cheating are high. Others might be motivated by the sense of risk involved in cheating and may do so even when the rewards are not very high. Thus, the behavior itself results from the child’s unique evaluation of the risks and rewards present at that moment, along with her evaluation of her abilities and values. Because of this, the same child might act very differently in different situations. Thus, Mischel thought that specific behaviors were driven by the interaction between very specific, psychologically meaningful features of the situation in which people found themselves, the person’s unique way of perceiving that situation, and his or her abilities for dealing with it. Mischel and others argued that it was these social-cognitive processes that underlie people’s reactions to specific situations that provide some consistency when situational features are the same. If so, then studying these broad traits might be more fruitful than cataloging and measuring narrow, context-free traits like Extraversion or Neuroticism.

In the years after the publication of Mischel’s (1968) book, debates raged about whether personality truly exists, and if so, how it should be studied. And, as is often the case, it turns out that a more moderate middle ground than what the situationists proposed could be reached. It is certainly true, as Mischel pointed out, that a person’s behavior in one specific situation is not a good guide to how that person will behave in a very different specific situation. Someone who is extremely talkative at one specific party may sometimes be reticent to speak up during class and may even act like a wallflower at a different party. But this does not mean

that personality does not exist, nor does it mean that people's behavior is completely determined by situational factors. Indeed, research conducted after the person-situation debate shows that on average, the effect of the "situation" is about as large as that of personality traits. However, it is also true that if psychologists assess a broad range of behaviors across many different situations, there are general tendencies that emerge. Personality traits give an indication about how people will act on average, but frequently they are not so good at predicting how a person will act in a specific situation at a certain moment in time. Thus, to best capture broad traits, one must assess *aggregate*behaviors, averaged over time and across many different types of situations. Most modern personality researchers agree that there is a place for broad personality traits and for the narrower units such as those studied by Walter Mischel.

Appendix

The Mini-IPIP Scale

(Donnellan, Oswald, Baird, & Lucas, 2006)

Instructions: Below are phrases describing people's behaviors. Please use the rating scale below to describe how accurately each statement describes you. Describe yourself as you generally are now, not as you wish to be in the future. Describe yourself as you honestly see yourself, in relation to other people you know of the same sex as you are, and roughly your same age. Please read each statement carefully, and put a number from 1 to 5 next to it to describe how accurately the statement describes you.

1 = Very inaccurate

2 = Moderately inaccurate

3 = Neither inaccurate nor accurate

4 = Moderately accurate

5 = Very accurate

1. _____ Am the life of the party (E)
2. _____ Sympathize with others' feelings (A)
3. _____ Get chores done right away (C)
4. _____ Have frequent mood swings (N)
5. _____ Have a vivid imagination (O)
6. _____Don't talk a lot (E)
7. _____ Am not interested in other people's problems (A)
8. _____ Often forget to put things back in their proper place (C)
9. _____ Am relaxed most of the time (N)
10. _____ Am not interested in abstract ideas (O)
11. _____ Talk to a lot of different people at parties (E)
12. _____ Feel others' emotions (A)
13. _____ Like order (C)
14. _____ Get upset easily (N)
15. _____ Have difficulty understanding abstract ideas (O)
16. _____ Keep in the background (E)
17. _____ Am not really interested in others (A)
18. _____ Make a mess of things (C)
19. _____ Seldom feel blue (N)
20. _____ Do not have a good imagination (O)

Scoring: The first thing you must do is to reverse the items that are worded in the opposite direction. In order to do this, subtract the number you put for that item from 6. So if you put a 4, for instance, it will become a 2. Cross out the score you put when you took the scale, and put the new number in representing your score subtracted from the number 6.

Items to be reversed in this way: 6, 7, 8, 9, 10, 15, 16, 17, 18, 19, 20

Next, you need to add up the scores for each of the five OCEAN scales (including the reversed numbers where relevant). Each

OCEAN score will be the sum of four items. Place the sum next to each scale below.

_____ Openness: Add items 5, 10, 15, 20

_____ Conscientiousness: Add items 3, 8, 13, 18

_____ Extraversion: Add items 1, 6, 11, 16

_____ Agreeableness: Add items 2, 7, 12, 17

_____ Neuroticism: Add items 4, 9,14, 19

Compare your scores to the norms below to see where you stand on each scale. If you are low on a trait, it means you are the opposite of the trait label. For example, low on Extraversion is Introversion, low on Openness is Conventional, and low on Agreeableness is Assertive.

19–20 Extremely High, 17–18 Very High, 14–16 High,

11–13 Neither high nor low; in the middle, 8–10 Low, 6–7 Very low, 4–5 Extremely low

Outside Resources

Video 1: Gabriela Cintron's – *5 Factors of Personality (OCEAN Song)*. This is a student-made video which cleverly describes, through song, common behavioral characteristics of the Big 5 personality traits. It was one of the winning entries in the 2016-17 Noba + Psi Chi Student Video Award.

Video 2: Michael Harris' – *Personality Traits: The Big 5 and More*. This is a student-made video that looks at characteristics of the OCEAN traits through a series of funny vignettes. It also presents on the Person vs Situation Debate. It was one of the winning entries in the 2016-17 Noba + Psi Chi Student Video Award.

Video 3: David M. Cole's – *Grouchy with a Chance of Stomping*. This is a student-made video that makes a very important point about the relationship between personality traits and behavior using a handy weather analogy. It was one of the winning entries in the 2016-17 Noba + Psi Chi Student Video Award.

Web: International Personality Item Pool
http://ipip.ori.org/

Web: John Johnson personality scales
http://www.personal.psu.edu/j5j/IPIP/ipipneo120.htm

Web: Personality trait systems compared
http://www.personalityresearch.org/bigfive/goldberg.html

Web: Sam Gosling website
homepage.psy.utexas.edu/homep...samgosling.htm

Discussion Questions

1. Consider different combinations of the Big Five, such as O (Low), C (High), E (Low), A (High), and N (Low). What would this person be like? Do you know anyone who is like this? Can you select politicians, movie stars, and other famous people and rate them on the Big Five?
2. How do you think learning and inherited personality traits get combined in adult personality?
3. Can you think of instances where people do not act consistently—where their personality traits are not good predictors of their behavior?
4. Has your personality changed over time, and in what ways?
5. Can you think of a personality trait not mentioned in this module that describes how people differ from one another?
6. When do extremes in personality traits become harmful, and when are they unusual but productive of good outcomes?

Vocabulary

Agreeableness
A personality trait that reflects a person's tendency to be compassionate, cooperative, warm, and caring to others. People low in agreeableness tend to be rude, hostile, and to pursue their own interests over those of others.

Conscientiousness
A personality trait that reflects a person's tendency to be careful, organized, hardworking, and to follow rules.

Continuous distributions
Characteristics can go from low to high, with all different intermediate values possible. One does not simply have the trait or not have it, but can possess varying amounts of it.

Extraversion
A personality trait that reflects a person's tendency to be sociable, outgoing, active, and assertive.

Facets
Broad personality traits can be broken down into narrower facets or aspects of the trait. For example, extraversion has several facets, such as sociability, dominance, risk-taking and so forth.

Factor analysis
A statistical technique for grouping similar things together according to how highly they are associated.

Five-Factor Model
(also called the Big Five) The Five-Factor Model is a widely accepted model of personality traits. Advocates of the model believe that much of the variability in people's thoughts, feelings, and behaviors can be summarized with five broad traits. These five traits are Openness, Conscientiousness, Extraversion, Agreeableness, and Neuroticism.

HEXACO model
The HEXACO model is an alternative to the Five-Factor Model. The HEXACO model includes six traits, five of which are variants of the traits included in the Big Five (Emotionality [E], Extraversion [X], Agreeableness [A], Conscientiousness [C], and Openness [O]). The sixth factor, Honesty-Humility [H], is unique to this model.

Independent
Two characteristics or traits are separate from one another-- a person can be high on one and low on the other, or vice-versa. Some correlated traits are relatively independent in that although there is a tendency for a person high on one to also be high on the other, this is not always the case.

Lexical hypothesis
The lexical hypothesis is the idea that the most important differences between people will be encoded in the language that we use to describe people. Therefore, if we want to know which personality traits are most important, we can look to the language that people use to describe themselves and others.

Neuroticism
A personality trait that reflects the tendency to be interpersonally sensitive and the tendency to experience negative emotions like anxiety, fear, sadness, and anger.

Openness to Experience
A personality trait that reflects a person's tendency to seek out and to appreciate new things, including thoughts, feelings, values, and experiences.

Personality
Enduring predispositions that characterize a person, such as styles of thought, feelings and behavior.

Personality traits
Enduring dispositions in behavior that show differences across individuals, and which tend to characterize the person across varying types of situations.

Person-situation debate
The person-situation debate is a historical debate about the relative power of personality traits as compared to situational influences on behavior. The situationist critique, which started the person-situation debate, suggested

that people overestimate the extent to which personality traits are consistent across situations.

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3.7: Self-Efficacy

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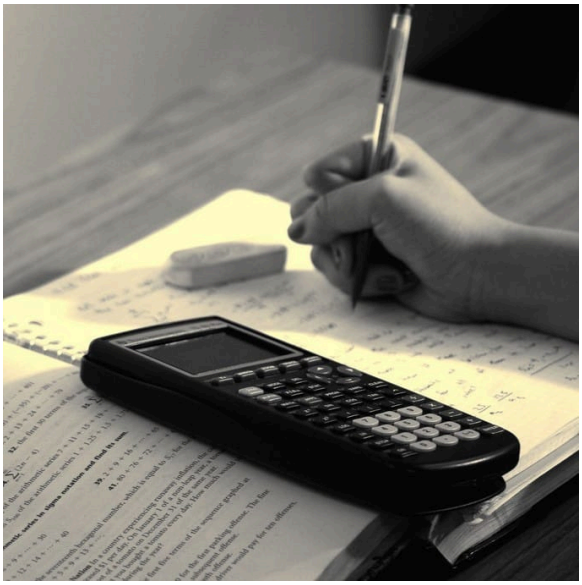
The term "self-efficacy" refers to your beliefs about your ability to effectively perform the tasks needed to attain a valued goal. Self-efficacy does not refer to your abilities but to how strongly you believe you can use your abilities to work toward goals. Self-efficacy is not a unitary construct or trait; rather, people have self-efficacy beliefs in different domains, such as academic self-efficacy, problem-solving self-efficacy, and self-regulatory self-efficacy. Stronger self-efficacy beliefs are associated with positive outcomes, such as better grades, greater athletic performance, happier romantic relationships, and a healthier lifestyle.

learning objectives

- Define self-efficacy.
- List the major factors that influence self-efficacy.
- Explain how self-efficacy develops.
- Understand the influence of self-efficacy on psychological and physical health andwell-being as well as academic and vocational success.
- Define collective efficacy and explain why it is important.

Introduction: What Is Self-Efficacy?

Imagine two students, Sally and Lucy, who are about to take the same math test. Sally and Lucy have the same exact ability to do well in math, the same level of intelligence, and the same motivation to do well on the test. They also studied together. They even have the same brand of shoes on. The only difference between the two is that Sally is very confident in her mathematical and her test-taking abilities, while Lucy is not. So, who is likely to do better on the test? Sally, of course, because she has the confidence to use her mathematical and test-taking abilities to deal with challenging math problems and to accomplish goals that are important to her—in this case, doing well on the test. This difference between Sally and Lucy—the student who got the A and the student who got the B-, respectively—is s*elf-efficacy*. As you will read later, self-efficacy influences behavior and emotions in particular ways that help people better manage challenges and achieve valued goals.



It makes intuitive sense that if you believe you're going to do well on a math test, you'll do better than if you believe you won't do well. But why should this be the case? [Image: Steve S., https://goo.gl/4JOZdG, CC BY 2.0, goo.gl/BRvSA7]

A concept that was first introduced by Albert Bandura in 1977, **self-efficacy** refers to a person's beliefs that he or she is able to effectively perform the tasks needed to attain a valued goal (Bandura, 1977). Since then, self-efficacy has become one of the most thoroughly researched concepts in psychology. Just about every important domain of human behavior has been investigated using self-efficacy theory (Bandura, 1997; Maddux, 1995; Maddux & Gosselin, 2011, 2012). Self-efficacy does not refer to your abilities but rather to your beliefs about what you can do with your abilities. Also, self-efficacy is not a trait—there are not certain types of people with high self-efficacies and others with low self-efficacies (Stajkovic & Luthans, 1998). Rather, people have self-efficacy beliefs about specific goals and life domains. For example, if you believe that you have the skills necessary to do well in school and believe you can use those skills to excel, then you have high *academic self-efficacy*.

Self-efficacy may sound similar to a concept you may be familiar with already—*self-esteem*—but these are very different notions. Self-esteem refers to how much you like or "esteem" yourself—to what extent you believe you are a good and worthwhile person. Self-efficacy, however, refers to your self-confidence to perform well and to achieve in specific areas of life such as school, work, and relationships. Self-efficacy does influence self-esteem because how you feel about yourself overall is greatly influenced by your confidence in your ability to perform well in areas that are important to you and to achieve valued goals. For example, if performing well in athletics is very important to you, then your self-efficacy for athletics will greatly influence your self-esteem; however, if performing well in athletics is not at all important you to you, then your self-efficacy for athletics will probably have little impact on your self-esteem.

How Do We Measure Self-Efficacy?

Like many other concepts in psychology, self-efficacy is not necessarily measured in a straightforward manner and requires much thought to be measured accurately. Self-efficacy is unlike weight, which is simple to objectively measure by using a scale, or height, which is simple to objectively measure by using a tape measure. Rather, self-efficacy is an abstract concept you can't touch or see. To measure an abstract concept like self-efficacy, we use something called a **self-report measure**. A self-report measure is a type of questionnaire, like a survey, where people answer questions usually with answers that correspond to numerical values that can be added to create an overall index of some construct. For example, a well-known self-report measure is the Perceived Stress Scale (Cohen, Kamarck, & Mermelstein, 1983). It asks questions like, "In the last month, how often have you been upset because of something that happened unexpectedly?" and "In the last month, how often have you been angered because of things that were outside of your control?" Participants answer the questions on a 1 through 5 scale, where 1 means "not often" and 5 means "very often." Then all of the answers are summed together to create a total "stress" score, with higher scores equating to higher levels of stress. It is very important to develop tools to measure self-efficacy that take people's subjective beliefs about their self-efficacy and turn them into the most objective possible measure. This means that one person's score of 6 out of 10 on a measure of self-efficacy will be similar to another person's score of 6 out of 10 on the same measure.



How confident would you be about doing daily exercise if you had small children to take care of? Task specific measures of self efficacy would take this sort of circumstance into account. [Image: Ed Yourdon, https://goo.gl/DH582s, CC BY-NC-SA 2.0, goo.gl/Toc0ZF]

We will discuss two broad types of self-report measures for self-efficacy. The first category includes measures of general self-efficacy (e.g., Schwarzer & Jerusalem, 1995; Sherer et al., 1982). These scales ask people to rate themselves on general items,

such as “It is easy for me to stick to my aims and accomplish my goals” and “I can usually handle whatever comes my way.” If you remember from earlier in this module, however, self-efficacy is not a global trait, so there are problems with lumping all types of self-efficacy together in one measure. Thus, the second category of self-efficacy measures includes **task-specific measures of self-efficacy**. Rather than gauge self-efficacy in general, these measures ask about a person’s self-efficacy beliefs about a particular task. There can be an unlimited number of these types of measures. Task-specific measures of self-efficacy describe several situations relating to a behavior and then ask the participant to write down how confidently he or she feels about doing that behavior. For example, a measure of dieting self-efficacy would list a variety of situations where it can be hard to stick to a diet—such as during vacations, when bored, or when going out to eat with others who are not on a diet. A measure of exercise self-efficacy would list a variety of situations where it can be hard to exercise—such as when feeling depressed, when feeling tired, and when you are with other people who do not want to exercise. Finally, a measure of children’s or teens’ self-regulatory self-efficacy would include a variety of situations where it can be hard to resist impulses—such as controlling temper, resisting peer pressure to smoke cigarettes, and defying pressure to have unprotected sex. Most studies agree that the task-specific measures of self-efficacy are better predictors of behavior than the general measures of self-efficacy (Bandura, 2006).

What Are the Major Influences on Self-Efficacy?

Self-efficacy beliefs are influenced in five different ways (Bandura, 1997), which are summarized in Table 1 .

Influence	Definition
Performance Experiences	When you do well and succeed at a particular task to attain a valued goa, you usually believe that you will succeed again at this task. When you fail you often expect that you will fail again in the future if you try that task.
Vicarious Performances	If someone who seems similar to you succeeds, then you may come to believe that you will succeed as well.
Verbal Persuasion	This involves people telling you what they believe you are and are not capable of doing. Not all people will be equally persuasive.
Imaginal Performances	What you imagine yourself doing and how well or poorly you imagine yourself doing it.
Affective States & Physical Sensations	When you associate negative moods and negative physical sensations with failure, and positive physical sensations with success.

Table 1: Major Influences on Self-efficacy

These five types of self-efficacy influence can take many real-world forms that almost everyone has experienced. You may have had previous performance experiences affect your academic self-efficacy when you did well on a test and believed that you would do well on the next test. A vicarious performance may have affected your athletic self-efficacy when you saw your best friend skateboard for the first time and thought that you could skateboard well, too. **Verbal persuasion** could have affected your academic self-efficacy when a teacher that you respect told you that you could get into the college of your choice if you studied hard for the SATs. It’s important to know that not all people are equally likely to influence your self-efficacy though verbal persuasion. People who appear trustworthy or attractive, or who seem to be experts, are more likely to influence your self-efficacy than are people who do not possess these qualities (Petty & Brinol, 2010). That’s why a teacher you respect is more likely to influence your self-efficacy than a teacher you do not respect. **Imaginal performances** are an effective way to increase your self-efficacy. For example, imagining yourself doing well on a job interview actually leads to more effective interviewing (Knudstrup, Segrest, & Hurley, 2003). Affective states and physical sensations abound when you think about the times you have given presentations in class. For example, you may have felt your heart racing while giving a presentation. If you believed your heart was racing because you had just had a lot of caffeine, it likely would not affect your performance. If you believed your heart was racing because you were doing a poor job, you might believe that you cannot give the presentation well. This is because you associate the feeling of anxiety with failure and expect to fail when you are feeling anxious.

When and How Does Self-Efficacy Develop?

Self-efficacy begins to develop in very young children. Once self-efficacy is developed, it does not remain constant—it can change and grow as an individual has different experiences throughout his or her lifetime. When children are very young, their parents' self-efficacies are important (Jones & Prinz, 2005). Children of parents who have high parental self-efficacies perceive their parents as more responsive to their needs (Gondoli & Silverberg, 1997). Around the ages of 12 through 16, adolescents' friends also become an important source of self-efficacy beliefs. Adolescents who associate with peer groups that are not academically motivated tend to experience a decline in academic self-efficacy (Wentzel, Barry, & Caldwell, 2004). Adolescents who watch their peers succeed, however, experience a rise in academic self-efficacy (Schunk & Miller, 2002). This is an example of gaining self-efficacy through **vicarious performances**, as discussed above. The effects of self-efficacy that develop in adolescence are long lasting. One study found that greater social and academic self-efficacy measured in people ages 14 to 18 predicted greater life satisfaction five years later (Vecchio, Gerbino, Pastorelli, Del Bove, & Caprara, 2007).


Our assessments of our own self-efficacy aren't created in a vacuum. Those around us (e.g., our parents, our friends) greatly influence our perceptions of self-efficacy. [Image: CC0 Public Domain, goo.gl/m25gce]

What Are the Benefits of High Self-Efficacy?

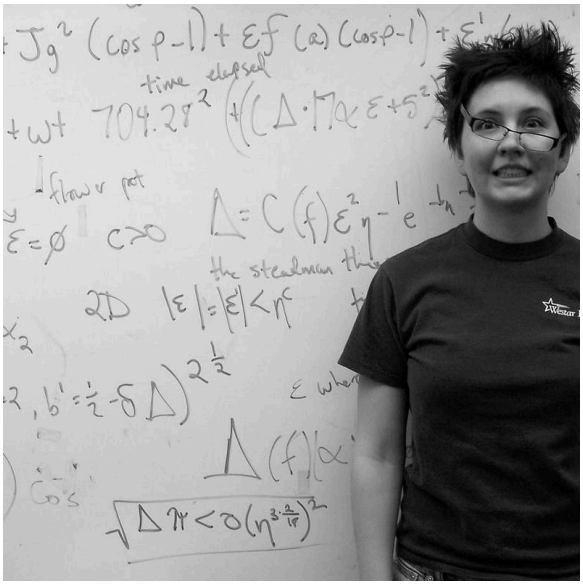
Academic Achievement

Consider academic self-efficacy in your own life and recall the earlier example of Sally and Lucy. Are you more like Sally, who has high academic self-efficacy and believes that she can use her abilities to do well in school, or are you more like Lucy, who does not believe that she can effectively use her academic abilities to excel in school? Do you think your own self-efficacy has ever affected your academic ability? Do you think you have ever studied more or less intensely because you did or did not believe in your abilities to do well? Many researchers have considered how self-efficacy works in academic settings, and the short answer is that academic self-efficacy affects every possible area of academic achievement (Pajares, 1996).

Students who believe in their ability to do well academically tend to be more motivated in school (Schunk, 1991). When self-efficacious students attain their goals, they continue to set even more challenging goals (Schunk, 1990). This can all lead to better performance in school in terms of higher grades and taking more challenging classes (Multon, Brown, & Lent, 1991). For example, students with high academic self-efficacies might study harder because they believe that they are able to use their abilities to study effectively. Because they studied hard, they receive an A on their next test. Teachers' self-efficacies also can affect how well a student performs in school. Self-efficacious teachers encourage parents to take a more active role in their children's learning, leading to better academic performance (Hoover-Dempsey, Bassler, & Brissie, 1987).

Although there is a lot of research about how self-efficacy is beneficial to school-aged children, college students can also benefit from self-efficacy. Freshmen with higher self-efficacies about their ability to do well in college tend to adapt to their first year in

college better than those with lower self-efficacies (Chemers, Hu, & Garcia, 2001). The benefits of self-efficacy continue beyond the school years: people with strong self-efficacy beliefs toward performing well in school tend to perceive a wider range of career options (Lent, Brown, & Larkin, 1986). In addition, people who have stronger beliefs of self-efficacy toward their professional work tend to have more successful careers (Stajkovic & Luthans, 1998).



Consider getting a math problem you automatically believe you can't solve. Will you even attempt to answer it? Our perception of self-efficacy affects our motivation to engage with challenges in the first place. [Image: Andrea Allen, https://goo.gl/EdsSwo, CC BY 2.0, goo.gl/BRvSA7]

One question you might have about self-efficacy and academic performance is how a student's actual academic ability interacts with self-efficacy to influence academic performance. The answer is that a student's actual ability does play a role, but it is also influenced by self-efficacy. Students with greater ability perform better than those with lesser ability. But, among a group of students with the same exact level of academic ability, those with stronger academic self-efficacies outperform those with weaker self-efficacies. One study (Collins, 1984) compared performance on difficult math problems among groups of students with different levels of math ability and different levels of math self-efficacy. Among a group of students with average levels of math ability, the students with weak math self-efficacies got about 25% of the math problems correct. The students with average levels of math ability and strong math self-efficacies got about 45% of the questions correct. This means that by just having stronger math self-efficacy, a student of average math ability will perform 20% better than a student with similar math ability but weaker math self-efficacy. You might also wonder if self-efficacy makes a difference only for people with average or below-average abilities. Self-efficacy is important even for above-average students. In this study, those with above-average math abilities and low math self-efficacies answered only about 65% of the questions correctly; those with above-average math abilities and high math self-efficacies answered about 75% of the questions correctly.

Healthy Behaviors

Think about a time when you tried to improve your health, whether through dieting, exercising, sleeping more, or any other way. Would you be more likely to follow through on these plans if you believed that you could effectively use your skills to accomplish your health goals? Many researchers agree that people with stronger self-efficacies for doing healthy things (e.g., exercise self-efficacy, dieting self-efficacy) engage in more behaviors that prevent health problems and improve overall health (Strecher, DeVellis, Becker, & Rosenstock, 1986). People who have strong self-efficacy beliefs about quitting smoking are able to quit smoking more easily (DiClemente, Prochaska, & Gibertini, 1985). People who have strong self-efficacy beliefs about being able to reduce their alcohol consumption are more successful when treated for drinking problems (Maisto, Connors, & Zywiak, 2000). People who have stronger self-efficacy beliefs about their ability to recover from heart attacks do so more quickly than those who do not have such beliefs (Ewart, Taylor, Reese, & DeBusk, 1983).

One group of researchers (Roach Yadrick, Johnson, Boudreaux, Forsythe, & Billon, 2003) conducted an experiment with people trying to lose weight. All people in the study participated in a weight loss program that was designed for the U.S. Air Force. This program had already been found to be very effective, but the researchers wanted to know if increasing people's self-efficacies could make the program even more effective. So, they divided the participants into two groups: one group received an intervention that was designed to increase weight loss self-efficacy along with the diet program, and the other group received only the diet

program. The researchers tried several different ways to increase self-efficacy, such as having participants read a copy of *Oh, The Places You'll Go!* by Dr. Seuss (1990), and having them talk to someone who had successfully lost weight. The people who received the diet program and an intervention to increase self-efficacy lost an average of 8.2 pounds over the 12 weeks of the study; those participants who had only the diet program lost only 5.8 pounds. Thus, just by increasing weight loss self-efficacy, participants were able to lose over 50% more weight.

Studies have found that increasing a person's nutritional self-efficacy can lead them to eat more fruits and vegetables (Luszczynska, Tryburcy, & Schwarzer, 2006). Self-efficacy plays a large role in successful physical exercise (Maddux & Dawson, 2014). People with stronger self-efficacies for exercising are more likely to plan on beginning an exercise program, actually beginning that program (DuCharme & Brawley, 1995), and continuing it (Marcus, Selby, Niaura, & Rossi, 1992). Self-efficacy is especially important when it comes to safe sex. People with greater self-efficacies about condom usage are more likely to engage in safe sex (Kaneko, 2007), making them more likely to avoid sexually transmitted diseases, such as HIV (Forsyth & Carey, 1998).

Athletic Performance



Self-efficacy can work in an upward, feedback loop. That is, when you do well in a sport, you have greater self-efficacy, and by having greater self-efficacy, you subsequently do better in the sport! [Image: CC0 Public Domain, goo.gl/m25gce]

If you are an athlete, self-efficacy is especially important in your life. Professional and amateur athletes with stronger self-efficacy beliefs about their athletic abilities perform better than athletes with weaker levels of self-efficacy (Wurtele, 1986). This holds true for athletes in all types of sports, including track and field (Gernigon & Delloye, 2003), tennis (Sheldon & Eccles, 2005), and golf (Bruton, Mellalieu, Shearer, Roderique-Davies, & Hall, 2013). One group of researchers found that basketball players with strong athletic self-efficacy beliefs hit more foul shots than did basketball players with weak self-efficacy beliefs (Haney & Long, 1995). These researchers also found that the players who hit more foul shots had greater increases in self-efficacy after they hit the foul shots compared to those who hit fewer foul shots and did not experience increases in self-efficacy. This is an example of how we gain self-efficacy through **performance experiences**.

Self-Regulation

One of the major reasons that higher self-efficacy usually leads to better performance and greater success is that self-efficacy is an important component of **self-regulation**. Self-regulation is the complex process through which you control your thoughts, emotions, and actions (Gross, 1998). It is crucial to success and well-being in almost every area of your life. Every day, you are exposed to situations where you might want to act or feel a certain way that would be socially inappropriate or that might be unhealthy for you in the long run. For example, when sitting in a boring class, you might want to take out your phone and text your friends, take off your shoes and take a nap, or perhaps scream because you are so bored. Self-regulation is the process that you use to avoid such behaviors and instead sit quietly through class. Self-regulation takes a lot of effort, and it is often compared to a muscle that can be exhausted (Baumeister, Bratslavsky, Muraven, & Tice, 1998). For example, a child might be able to resist eating a pile of delicious cookies if he or she is in the room with the cookies for only a few minutes, but if that child were forced to spend hours with the cookies, his or her ability to regulate the desire to eat the cookies would wear down. Eventually, his or

her self-regulatory abilities would be exhausted, and the child would eat the cookies. A person with strong self-efficacy beliefs might become less distressed in the face of failure than might someone with weak self-efficacy. Because self-efficacious people are less likely to become distressed, they draw less on their self-regulation reserves; thus, self-efficacious people persist longer in the face of a challenge.


Self-efficacy is all about your belief of control over your environment. But when cookies that look this good are nearby, you may feel like you have no control to resist eating one (or more). [Image: CC0 Public Domain, goo.gl/m25gce]

Self-efficacy influences self-regulation in many ways to produce better performance and greater success (Maddux & Volkmann, 2010). First, people with stronger self-efficacies have greater *motivation to perform* in the area for which they have stronger self-efficacies (Bandura & Locke, 2003). This means that people are motivated to work harder in those areas where they believe they can effectively perform. Second, people with stronger self-efficacies are more likely to *persevere through challenges* in attaining goals (Vancouver, More, & Yoder, 2008). For example, people with high academic self-efficacies are better able to motivate themselves to persevere through such challenges as taking a difficult class and completing their degrees because they believe that their efforts will pay off. Third, self-efficacious people believe that *they have more control over a situation*. Having more control over a situation means that self-efficacious people might be more likely to engage in the behaviors that will allow them to achieve their desired goal. Finally, self-efficacious people *have more confidence* in their problem-solving abilities and, thus, are able to better use their cognitive resources and make better decisions, especially in the face of challenges and setbacks (Cervone, Jiwani, & Wood, 1991).

Collective Efficacy

Collective efficacy is a concept related to self-efficacy. **Collective efficacy** refers to the shared beliefs among members of a group about the group's ability to effectively perform the tasks needed to attain a valued goal (Bandura, 1997). Groups and teams that have higher collective efficacies perform better than groups and teams with lower collective efficacies (Marks, 1999). Collective efficacy is especially important during tasks that require a lot of teamwork (Katz-Navon & Erez, 2005). For example, when you have to do a group project that involves each group member contributing a portion of the final project, your group's performance will be much better if all members share the belief that your group can perform the necessary tasks together. Collective efficacy plays a role in romantic relationships. Married couples who strongly believe in their ability to accomplish shared goals are happier than couples with weaker efficacy beliefs (Kaplan & Maddux, 2002). Although collective efficacy is an important part of how well a team or group performs, self-efficacy also plays a role in team situations. For example, better decision-making self-efficacy predicts better performance in team sports, such as baseball (Hepler & Feltz, 2012).

Conclusion

Self-efficacy refers to your beliefs about your ability to effectively perform the tasks needed to attain a valued goal and it affects your daily life in many ways. Self-efficacious adolescents perform better at school and self-efficacious adults perform better at work. These individuals have happier romantic relationships and work better in teams. People with strong self-efficacies have

better health than those with weak self-efficacies; they are more likely to engage in behaviors that prevent health problems and actually increase their health. They are more likely to begin and continue exercise, have safer sex, and eat better foods. Higher self-efficacy is also useful for getting out of bad habits. People with strong self-efficacies are able to lose weight, quit smoking, and cut down on alcohol consumption more successfully than can people with low self-efficacies. As illustrated by the well-known children's book *The Little Engine That Could* (Piper, 1930),telling yourself "I think I can" can be a powerful motivator and can increase your chances for success.

Our own final words on self-efficacy also draw from children's literature. Many people receive a copy of *Oh, The Places You'll Go!* when they reach a major milestone, such as graduating high school to go on to college or graduating college to enter the workforce. Whether or not you or whoever gave you the book knew it, *Oh, The Places You'll Go!* is all about self-efficacy. This book speaks directly to readers by talking about all of the challenges they might face on their journeys. Throughout the book, the narrator continues to assure readers that they will be able to use their abilities to effectively handle these challenges. So, we leave you with Dr. Seuss' wise words: "You're on your own. And you know what you know. And you are the guy who'll decide where to go.... And will you succeed? Yes! You will, indeed! 98 and 3/4 percent guaranteed."

Outside Resources

Video: Association for Psychological Science presents an interview with Albert Bandura

Video: Self-efficacy's role and sources

Web: Professor Frank Pajares' self-efficacy site.
http://www.uky.edu/~eushe2/Pajares/self-efficacy.html

Discussion Questions

1. Can you think of ways your own self-efficacy beliefs play a role in your daily life? In which areas do you have strong self-efficacy? In which areas would you like your self-efficacy to be a bit stronger? How could you increase your self-efficacy in those areas?
2. Can you think of a time when a teacher, coach, or parent did something to encourage your self-efficacy? What did he or she do and say? How did it enhance your self-efficacy?
3. What are some ways that you can help strengthen the self-efficacies of the people in your life?
4. Can you think of a time when collective efficacy played a role in your team or group activities? What did you notice about being on a team or in a group that had high collective efficacy? What about a team or group with low collective efficacy?

Vocabulary

Collective efficacy
The shared beliefs among members of a group about the group's ability to effectively perform the tasks needed to attain a valued goal.

Imaginal performances
When imagining yourself doing well increases self-efficacy.

Performance experiences
When past successes or failures lead to changes in self-efficacy.

Self-efficacy
The belief that you are able to effectively perform the tasks needed to attain a valued goal.

Self-regulation
The complex process through which people control their thoughts, emotions, and actions.

Self-report measure
A type of questionnaire in which participants answer questions whose answers correspond to numerical values that can be added to create an overall index of some construct.

Task-specific measures of self-efficacy
Measures that ask about self-efficacy beliefs for a particular task (e.g., athletic self-efficacy, academic self-

efficacy).

Verbal persuasion
When trusted people (friends, family, experts) influence your self-efficacy for better or worse by either encouraging or discouraging you about your ability to succeed.

Vicarious performances
When seeing other people succeed or fail leads to changes in self-efficacy.

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3.8: Personality and Organization- A Basic Conflict?

5. How do managers know how to get the best from each employee?

Most theories of personality stress that an individual's personality becomes complete only when the individual interacts with other people; growth and development do not occur in a vacuum. Human personalities are the individual expressions of our culture, and our culture and social order are the group expressions of individual personalities. This being the case, it is important to understand how work organizations influence the growth and development of the adult employee.

A model of person-organization relationships has been proposed by Chris Argyris.[22] This model, called the **basic incongruity thesis**, consists of three parts: what individuals want from organizations, what organizations want from individuals, and how these two potentially conflicting sets of desires are harmonized.

Argyris begins by examining how healthy individuals change as they mature. On the basis of previous work, Argyris suggests that as people grow to maturity, seven basic changes in needs and interests occur:

1. People develop from a state of passivity as infants to a state of increasing activity as adults.
2. People develop from a state of dependence upon others to a state of relative independence.
3. People develop from having only a few ways of behaving to having many diverse ways of behaving.
4. People develop from having shallow, casual, and erratic interests to having fewer, but deeper, interests.
5. People develop from having a short time perspective (i.e., behavior is determined by present events) to having a longer time perspective (behavior is determined by a combination of past, present, and future events).
6. People develop from subordinate to superordinate positions (from child to parent or from trainee to manager).
7. People develop from a low understanding or awareness of themselves to a greater understanding of and control over themselves as adults.

Although Argyris acknowledges that these developments may differ among individuals, the general tendencies from childhood to adulthood are believed to be fairly common.

Next, Argyris turns his attention to the defining characteristics of traditional work organizations. In particular, he argues that in the pursuit of efficiency and effectiveness, organizations create work situations aimed more at getting the job done than at satisfying employees' personal goals. Examples include increased task specialization, unity of command, a rules orientation, and other things aimed at turning out a standardized product with standardized people. In the pursuit of this standardization, Argyris argues, organizations often create work situations with the following characteristics:

1. Employees are allowed minimal control over their work; control is often shifted to machines.
2. They are expected to be passive, dependent, and subordinate.
3. They are allowed only a short-term horizon in their work.
4. They are placed on repetitive jobs that require only minimal skills and abilities.
5. On the basis of the first four items, people are expected to produce under conditions leading to psychological failure.

Hence, Argyris argues persuasively that many jobs in our technological society are structured in such a way that they conflict with the basic growth needs of a healthy personality. This conflict is represented in **Exhibit 2.3**. The magnitude of this conflict between personality and organization is a function of several factors. The strongest conflict can be expected under conditions where employees are very mature, organization are highly structured and rules and procedures are formalized, and jobs are fragmented and mechanized. Hence, we would expect the strongest conflict to be at the lower levels of the organization, among blue-collar and clerical workers. Managers tend to have jobs that are less mechanized and tend to be less subject to formalized rules and procedures.

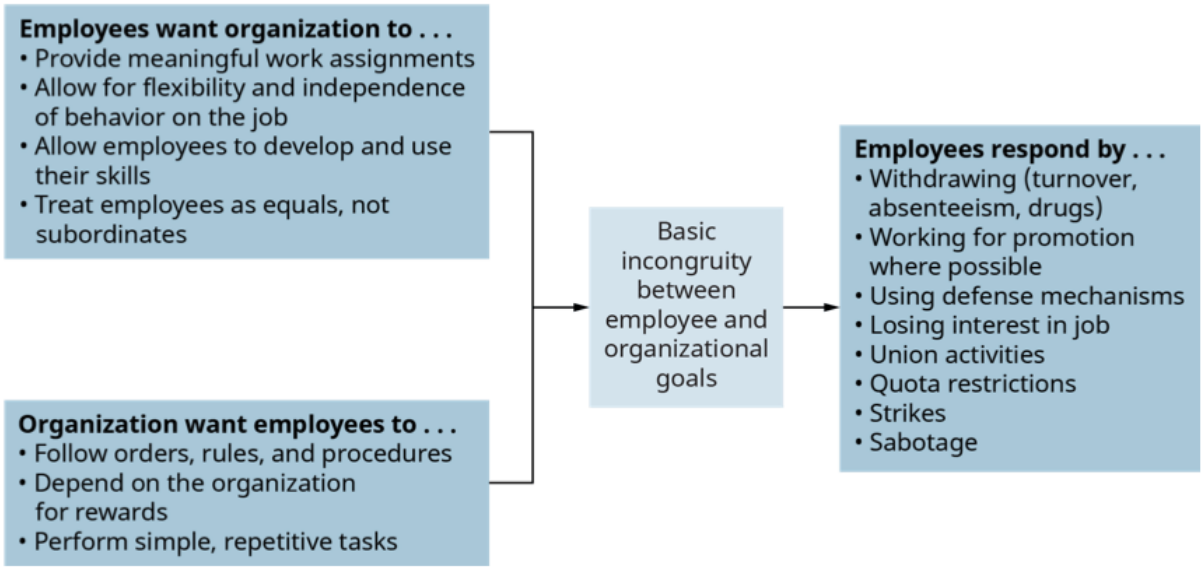


Exhibit 2.3 Basic Conflict Between Employees and Organizations

Where strong conflicts between personalities and organizations exist, or, more precisely, where strong conflicts exist between what employees and organizations want from each other, employees are faced with difficult choices. They may choose to leave the organization or to work hard to climb the ladder into the upper echelons of management. They may defend their self-concepts and adapt through the use of defense mechanisms. Disassociating themselves psychologically from the organization (e.g., losing interest in their work, lowering their work standards, etc.) and concentrating instead on the material rewards available from the organization is another possible response. Or they may find allies in their fellow workers and, in concert, may further adapt *as a group* by such activities as quota restrictions, unionizing efforts, strikes, and sabotage.

Unfortunately, although such activities may help employees feel that they are getting back at the organization, they do not alleviate the basic situation that is causing the problem. To do this, one has to examine the nature of the job and the work climate. Personality represents a powerful force in the determination of work behavior and must be recognized before meaningful change can be implemented by managers to improve the effectiveness of their organizations.

managing change

Integrating Employee and Organizational Goals at Kayak

In many ways the above scenario paints a bleak portrait of the relationship of many workers to their employers. However, it should be noted that many companies are trying to change this relationship and create a partnership between employees and company in which the goals of both are realized. In doing so, however, these companies are careful to select and hire only those employees who have the potential to fit in with the company's unique culture. A case in point is Kayak, an Internet-based travel company in Stamford, Connecticut. The company strives to create customer satisfaction, starting with their own culture and employees within the walls of their building. Cofounder and former CTO Paul English's goal was to bring a constant stream of "new-new ideas" and surround himself with "childlike creative people" to liven up the space and be able to promote inspiration.

Kayak doesn't hire based on technical skills; their philosophy is to hire an employee on the basis of being the smartest person that somebody knows. Employees are constantly pushed to put their ideas to the test, and the company emphasizes a work-life balance that puts their employees first, which in turn makes for a productive work environment.

Kayak's ability to make fast-paced decisions comes from the empowerment of their employees to try out their ideas. Current CTO Giorgos Zacharia takes pride in the way they are able to keep order and drive deadlines. "Anyone on any team can come up with the idea, prototype it, and then we see what the user thinks about it. If it works, great! But there's no grand design; it's very organic and we see that as a strength," says Zacharia.

By encouraging and rewarding risk-taking, Kayak is able to make fast decisions, fail fast, and then turn around and come up with something more innovative that will be better than the last idea. Overall, the company hopes to offer its employees a work environment that allows for considerable personal growth and need-satisfaction. In short, the company aims to reduce the possibility of a basic incongruity developing between employee and organizational goals.

Sources: Hawkes, Jocelyn, "KAYAK on Creating a Culture of Innovation," *Fast Company*, April 4, 2012. (https://www.fastcompany.com/1827003/...ure-innovation); Hickey, Matt, "How KAYAK

Converts Employee Well-Being Into Customer satisfaction," *Forbes*, October 4, 2015. www.forbes.com/sites/matthic...ll-being-into- customer-satisfaction/#6c97f519b7a4.

Personality and Employee Selection

Recent years have seen an increased interest in the use of preemployment screening tests. Several key assumptions underlie the use of personality tests as one method of selecting potential employees: (1) individuals have different personalities and traits, (2) these differences affect their behavior and performance, and (3) different job have different requirements. Consequently, tests can be used to select individuals who match the overall company as well as match particular types of people to specific jobs. However, managers must be careful in their use of these selection instruments. Legally all selection tests must meet the guidelines for nondiscrimination set forth in the Equal Employment Opportunity Commission's Uniform Guidelines on Employee Selection Procedures. Specifically, in 1971 the Supreme Court ruled (Griggs v. Duke Power Company) that "good intent or the absence of discriminatory intent does not redeem . . . testing mechanisms that operate as built-in 'head-winds' for minority groups and are unrelated to measuring job capability." This ruling led to two important cases in which discrimination might apply to selection practices. First, "disparate treatment" involves the intentional discrimination against an individual based on race, color, gender, religion, or national origin. Second, "disparate impact" involves the adverse effect of selection practices (as well as other practices) on minorities regardless of whether these practices were intended to have an adverse impact or not. Consequently, although personality tests can be an important means of selecting potential employees as well as matching them to appropriate jobs, care must be taken to demonstrate that the characteristics measured actually predict job performance.

If you are considering a personality test as a part of the employee selection process, consider this recommendation. Picture yourself on the witness stand. You've just been asked about your selection process. Can you reasonably explain how this personality test is reliable, accurate, and predicts performance of a future employee? Remember that the opposition will have gone through that test, examining every possible failure. Proceed with personality tests for employment decisions with extreme caution.

concept check

1. What are some things that managers can do to foster organizational harmony where they get the best results from all employees?

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22 C. Argyris, "Personality and Organization Theory Revisited," *Administrative Science Quarterly,* 1973, *18,* pp. 141–167.

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3.9: Personal Values and Ethics

6. What is the role of ethical behavior in managerial actions?

A factor that has surprised many business leaders is the alarming rise in accusations of unethical or disreputable behavior in today's companies. We hear with increasing regularity of stock market manipulations, disregard of environmental hazards, bribes, and kickbacks. To understand these behaviors, we must examine the role of values and personal ethics in the workplace. We begin with the concept of values.

A *value* may be defined as "an enduring belief that a specific mode of conduct or end-state of existence is personally or socially preferable to an opposite or converse mode of conduct or end-state of existence."[23] In other words, a value represents a judgment by an individual that certain things are "good" or "bad," "important" or "unimportant," and so forth. As such, values serve a useful function in providing guidelines or standards for choosing one's own behavior and for evaluating the behavior of others.

Characteristics of Values

The values people have tend to be relatively stable over time. The reason for this lies in the manner in which values are acquired in the first place. That is, when we first learn a value (usually at a young age), we are taught that such-and-such behavior is *always* good or *always* bad. For instance, we may be taught that lying or stealing is always unacceptable. Few people are taught that such behavior is acceptable in some circumstances but not in others. Hence, this definitive quality of learned values tends to secure them firmly in our belief systems. This is not to say that values do not change over time. As we grow, we are increasingly confronted with new and often conflicting situations. Often, it is necessary for us to weigh the relative merits of each and choose a course of action. Consider, for example, the worker who has a strong belief in hard work but who is pressured by her colleagues not to outperform the group. What would you do in this situation?

Rokeach has identified two fundamental types of values: instrumental and terminal.[24] **Instrumental values** represent those values concerning the way we approach end-states. That is, do we believe in ambition, cleanliness, honesty, or obedience? What factors guide your everyday behavior? **Terminal values**, on the other hand, are those end-state goals that we prize. Included here are such things as a comfortable life, a sense of accomplishment, equality among all people, and so forth. Both sets of values have significant influence on everyday behavior at work.

You can assess your own instrumental and terminal values by completing the self-assessment in the end-of- chapter assignments. Simply rank-order the two lists of values, and then refer to the reference for scoring procedures.

Role of Values and Ethics in Organizations

Personal values represent an important force in organizational behavior for several reasons. In fact, at least three purposes are served by the existence of personal values in organizations: (1) values serve as standards of behavior for determining a correct course of action; (2) values serve as guidelines for decision-making and conflict resolution; and (3) values serve as an influence on employee motivation. Let us consider each of these functions.

Standards of Behavior. First, values help us determine appropriate standards of behavior. They place limits on our behavior both inside and outside the organization. In such situations, we are referring to what is called *ethical behavior*, or **ethics**. Employees at all levels of the organization have to make decisions concerning what to them is right or wrong, proper or improper. For example, would you conceal information about a hazardous product made by your company, or would you feel obliged to tell someone? How would you respond to petty theft on the part of a supervisor or coworker in the office? To some extent, ethical behavior is influenced by societal values. Societal norms tell us it is wrong to engage in certain behaviors. In addition, however, individuals must often determine for themselves what is proper and what is not. This is particularly true when people find themselves in "gray zones"—situations where ethical standards are ambiguous or unclear. In many situations, a particular act may not be illegal. Moreover, one's colleagues and friends may disagree about what is proper. In such circumstances, people have to determine their own standards of behavior.

Guidelines for Decision-Making and Conflict Resolution. In addition, values serve as guidelines for making decisions and for attempting to resolve conflicts. Managers who value personal integrity are less likely to make decisions they know to be injurious

to someone else. Relatedly, values can influence how someone approaches a conflict. For example, if your boss asks your opinion about a report she wrote that you don't like, do you express your opinion candidly or be polite and flatter her?

An interesting development in the area of values and decision-making involves integrity or honesty tests. These tests are designed to measure an individual's level of integrity or honesty based on the notion that honest or dishonest behavior and decisions flow from a person's underlying values. Today over 5,000 firms use these tests, some of which use direct questions and some of which use camouflaged questions. Although the reliability of the most common tests seem good, their validity (i.e., the extent to which they can accurately predict dishonest behavior) is more open to question.[25] Nevertheless, because they do not cost much and are less intrusive than drug or polygraph testing, integrity are increasingly used to screen potential employees.

Influence on Motivation. Values affect employee motivation by determining what rewards or outcomes are sought. Employees are often offered overtime work and the opportunity to make more money at the expense of free time and time with their families. Which would you choose? Would you work harder to get a promotion to a perhaps more stressful job or "lay back" and accept a slower and possibly less rewarding career path? Value questions such as these confront employees and managers every day.

Prominent among work-related values is the concept of the **work ethic**. Simply put, the work ethic refers to the strength of one's commitment and dedication to hard work, both as an end in itself and as a means to future rewards.

concept check

1. What role do managers undertake to ensure an environment where ethics and values are followed?

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23. M. Rokeach, *The Nature of Human Values* (New York: Free Press, 1973), p. 5.

24. Ibid.

25. Paul R. Sackett, Laura R. Burris, and Christine Callahan. 1989. Integrity Testing for Personnel Selection. Personnel Psychology, *42,* 491–529.

26. R. M. Steers, Y. K. Shin, and G. R. Ungson, *The Chaebol: Korea's New Industrial Might* (New York: Harper & Row, 1989), p. 96.

27. L. Smith, "Cracks in the Japanese Work Ethic," *Fortune,* May 14, 1984, pp. 162–168; K. Van Wolferen, *The Enigma of Japanese Power* (New York: Knopf, 1989).

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3.10: Cultural Differences

7. How do you manage and do business with people from different cultures?

The final topic we will discuss in this chapter is the role of culture and cultural diversity in organizational behavior. Cultural diversity can be analyzed in many ways. For instance, we can compare cultural diversity *within* one country or company, or we can compare cultures *across* units. That is, we can look inside a particular North American firm and see employees who are Asian, black, Latino, American Indian, white, and so forth. Clearly, these individuals have different cultural backgrounds, frames of reference, traditions, and so forth. Or we can look more globally and compare a typical American firm with a typical Mexican, Italian, or Chinese firm and again see significant differences in culture.

We can also analyze cultural diversity by looking at different patterns of behavior. For instance, Americans often wonder why Japanese or Korean businesspeople always bow when they meet; this seems strange to some. Likewise, many Asians wonder why Americans always shake hands, a similarly strange behavior. Americans often complain that Japanese executives say "yes" when they actually mean something else, while Japanese executives claim many Americans promise things they know they cannot deliver. Many of these differences result from a lack of understanding concerning the various cultures and how they affect behavior both inside and outside the workplace. As the marketplace and economies of the world merge ever closer, it is increasingly important that we come to understand more about cultural variations as they affect our world.

What Is Culture?

Simply put, **culture** may be defined as "the collective programming of the mind which distinguishes the members of one human group from another; the interactive aggregate of common characteristics that influences a human group's response to its environment."[28] More to the point, culture is the "collective mental programming of a people."[29] It is the unique characteristics of a people. As such, culture is:

- Something that is shared by all or most of the members of a society
- Something that older members of a society attempt to pass along to younger members
- Something that shapes our view of the world

The concept of culture represents an easy way to understand a people, albeit on a superficial level. Thus, we refer to the Chinese culture or the American culture. This is not to say that every member within a culture behaves in exactly the same way. On the contrary, every culture has diversity, but members of a certain culture tend to exhibit similar behavioral patterns that reflect where and how they grew up. A knowledge of a culture's patterns should help us deal with its members.

Culture affects the workplace because it affects what we do and how we behave. As shown in **Exhibit 2.4**, cultural variations influence our values, which in turn affect attitudes and, ultimately, behaviors. For instance, a culture that is characterized by hard work (e.g., the Korean culture discussed above) would exhibit a value or ethic of hard work. This work ethic would be reflected in positive attitudes toward work and the workplace; people would feel that hard work is satisfying and beneficial—they might feel committed to their employer and they might feel shame if they do not work long hours. This, in turn, would lead to actual high levels of work. This behavior, then, would serve to reinforce the culture and its value, and so on.

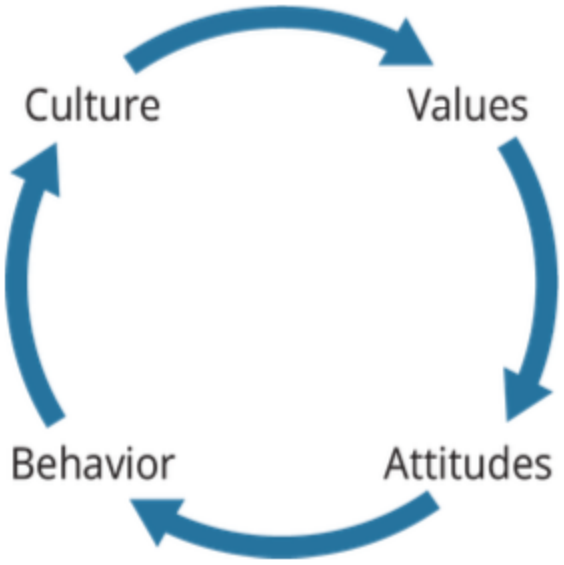


Exhibit 2.4 Relationship of Culture to Values, Attitudes, and Behavior

Dimensions of Culture

There are several ways to distinguish different cultures from one another. Kluckhohn and Strodtbeck have identified six dimensions that are helpful in understanding such differences.[31] These are as follows:

1. *How people view humanity*. Are people basically good, or are they evil? Can most people be trusted or not? Are most people honest? What is the true nature of humankind?
2. *How people see nature*. What is the proper relationship between people and the environment? Should people be in harmony with nature, or should they attempt to control or harness nature?
3. *How people approach interpersonal relationships*. Should one stress individualism or membership in a group? Is the person more or less important than the group? What is the "pecking order" in a society? Is it based on seniority or on wealth and power?
4. *How people view activity and achievement*. Which is a more worthy goal: activity (getting somewhere) or simply being (staying where one is)?
5. *How people view time*. Should one focus on the past, the present, or the future? Some cultures are said to be living in the past, whereas others are looking to the future.
6. *How people view space*. How should physical space be used in our lives? Should we live communally or separately? Should important people be physically separated from others? Should important meetings be held privately or in public?

To see how this works, examine **Exhibit 2.7**, which differentiates four countries (Mexico, Germany, Japan, and the United States) along these six dimensions. Although the actual place of each country on these scales may be argued, the exhibit does serve to highlight several trends that managers should be aware of as they approach their work. For example, although managers in all four countries may share similar views on the nature of people (good versus bad), significant differences are noted on such dimensions as people's relation to nature and interpersonal relations. This, in turn, can affect how managers in these countries approach contract negotiations, the acquisition of new technologies, and the management of employees.

Dimensions such as these help us frame any discussion about how people differ. We can say, for example, that most Americans are individualistic, activity-oriented, and present/future-oriented. We can further say that they value privacy and want to control their environment. In another culture, perhaps the mode is past-oriented, reflective, group-oriented, and unconcerned with achievement. In Japan we hear that "the nail that sticks out gets hammered down"—a comment reflecting a belief in homogeneity within the culture and the importance of the group. In the United States, by contrast, we hear "Look out for Number One" and "A man's home is his castle"—comments reflecting a belief in the supremacy of the individual over the group. Neither culture is "right" or "better." Instead, each culture must be recognized as a force within individuals that motivates their behaviors within the workplace. However, even within the U.S. workforce, we must keep in mind that there are subcultures that can influence behavior. For example, recent work has shown that the Hispanic culture within the United States places a high value on groups compared to individuals and as a consequence takes a more collective approach to decision-making.32 As we progress through this discussion, we shall continually build upon these differences as we attempt to understand behavior in the workplace.

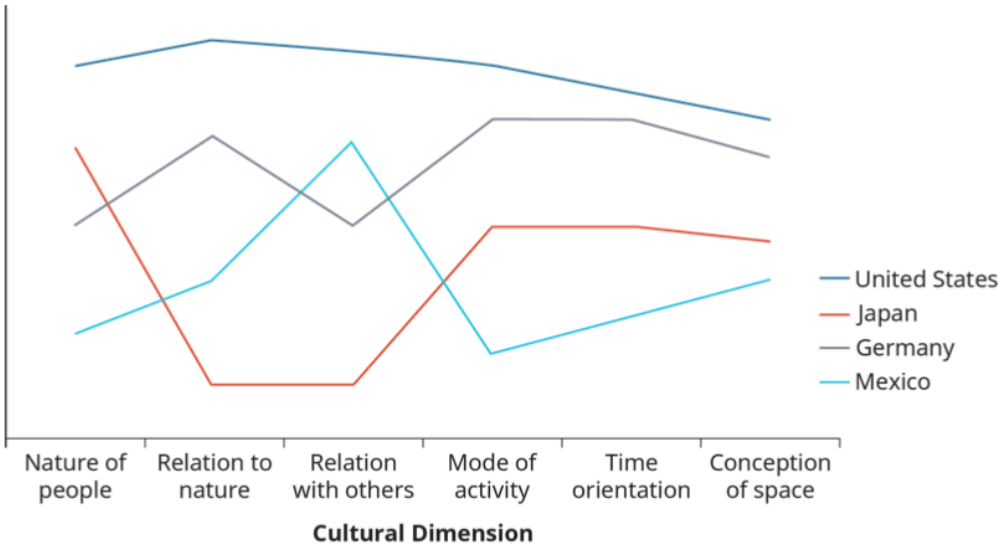


Exhibit 2.7 Cultural Differences among Managers in Four Countries

concept check

1. What role do managers play to ensure that the culture of individuals are valued and appreciated and contribute to a successful work environment?

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28. G. Hofstede, *Culture's Consequence,* (Beverly Hills, Calif.: Sage, 1980), p. 25.

29. Ibid.

30. A. Laurent, "The Cultural Diversity of Western Conceptions of Management," *International Studies of Management and Organization,* XII, 1–2, Spring-Summer 1983, pp. 75–96.

31. F. Kluckhohn and F. Strodtbeck, *Variations in Value Orientations* (Evanston, III.: Row, Peterson, 1961).

32. T. Cox, et al., "Effects of Ethnic Group Cultural Differences on Cooperative and Competitive Behavior on a Group Task," Academy of Management J., *34*, pp. 827–847; and S. Gruman, cited in N. Adler, *International Dimensions of Organizational Behavior* (Boston: PWS/Kent, 1986), pp. 13–14.

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Exhibit 2.5 (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)

Exhibit 2.6 Kluckhohn and Strodtbeck identified six dimensions that are helpful in understanding such differences. Japan is a populous country that requires workers to take public transportation to and from work. *How does the Japanese geography affect Japanese culture?* (Credit: elminium/ flickr/ Attribution 2.0 Generic (CC BY 2.0))

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Authoritarianism Refers to an individual's orientation toward authority.

Basic incongruity thesis Consists of three parts: what individuals want from organizations, what organizations want from individuals, and how these two potentially conflicting sets of desires are harmonized.

Cognitive complexity Represents a person's capacity to acquire and sort through various pieces of information from the environment and organize them in such a way that they make sense.

Culture The collective programming of the mind that distinguishes the members of one human group from another; the interactive aggregate of common characteristics that influences a human group's response to its environment.

Dependability Individuals who are seen as self-reliant, responsible, and consistent, are viewed as dependable.

Dogmatism Refers to a particular cognitive style that is characterized by closed-mindedness and inflexibility.

Ethics Values that help us determine appropriate standards of behavior and place limits on our behavior both inside and outside the organization.

Extroversion Refers to people who direct more of their attention to other people, objects, and events.

Instrumental values Represent those values concerning the way we approach end-states and whether individuals believe in ambition, cleanliness, honesty, or obedience.

Introversion Refers to people who focus their energies inwardly and have a greater sensitivity to abstract feelings.

Locus of control Refers to the tendency among individuals to attribute the events affecting their lives either to their own actions or to external forces; it is a measure of how much you think you control your own destiny.

Mental abilities An individual's intellectual capabilities and are closely linked to how a person makes decisions and processes information. Included here are such factors as verbal comprehension, inductive reasoning, and memory.

Personal values Represent an important force in organizational behavior for several reasons.

Personality A stable set of characteristics and tendencies that determine those communalities and differences in the psychological behavior (thoughts, feelings, and actions) of people that have continuity in time and that may not be easily understood as the sole result of the social and biological pressures of the moment.

Physical abilities Basic functional abilities such as strength, and psychomotor abilities such as manual dexterity, eye-hand coordination, and manipulation skills.

Psychomotor abilities Examples are manual dexterity, eye-hand coordination, and manipulation skills.

Self-esteem One's opinion or belief about one's self and self-worth.

Terminal values End-state goals that we prize.

Work ethic Refers to the strength of one's commitment and dedication to hard work, both as an end in itself and as a means to future rewards.

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3.12: Summary of Learning Outcomes

2.1 Individual and Cultural Factors in Employee Performance

1. How do managers and organizations appropriately select individuals for particular jobs?
Because people enter organizations with preset dispositions, it is important to be able to analyze important individual characteristics, effectively select individuals, and appropriately match them to their jobs. However, this must be done carefully in light of both ethical and legal issues that face managers today.

2.2 Employee Abilities and Skills

2. How do people with different abilities, skills, and personalities build effective work teams?

Ability refers to one's capacity to respond, whereas motivation refers to one's desire to respond. Abilities can be divided into mental abilities and physical abilities. Personality represents a stable set of characteristics and tendencies that determines the psychological behavior of people.

Personality development is influenced by several factors, including physiological, cultural, family and group, role, and situational determinants.

2.3 Personality: An Introduction

3. How do managers and employees deal effectively with individual differences in the workplace? Self-esteem represents opinions and beliefs concerning one's self and one's self-worth.

Locus of control is a tendency for people to attribute the events affecting their lives either to their own actions (referred to as internal locus of control) or to external forces (referred to as external locus of control).

2.4 Personality and Work Behavior

4. How can organizations foster a work environment that allows employees an opportunity to develop and grow?

Authoritarianism represents an individual's orientation toward authority and is characterized by an overriding conviction that it is appropriate for there to be clear status and power differences between people.

2.5 Personality and Organization: A Basic Conflict?

5. How do managers know how to get the best from each employee?
Dogmatism refers to a cognitive style characterized by closed-mindedness and inflexibility.

The basic incongruity thesis asserts that individuals and organizations exist in a constant state of conflict because each has different goals and expectations from the other. Employees want organizations to provide more autonomy and meaningful work, while organizations want employees to be more predictable, stable, and dependable.

2.6 Personal Values and Ethics

6. What is the role of ethical behavior in managerial actions?

A value is an enduring belief that one specific mode of conduct or end-state is preferable to others. Instrumental values are beliefs concerning the most appropriate ways to pursue end-states, whereas terminal values are beliefs concerning the most desirable end-states themselves.

Ethics are important to individuals because they serve as (1) standards of behavior for determining a correct course of action, (2) guidelines for decision-making and conflict resolution, and (3) influences on employee motivation. The work ethic refers to someone's belief that hard work and commitment to a task are both ends in themselves and means to future rewards.

2.7 Cultural Differences

7. How do you manage and do business with people from different cultures?

Culture refers to the collective mental programming of a group or people that distinguishes them from others. Culture (1) is shared by the members of the group, (2) is passed on from older members to younger members, and (3) shapes our view of the world. Six dimensions of culture can be identified: (1) how people see themselves, (2) how people see nature, (3) how people approach interpersonal relationships, (4) how people view activity and achievement, (5) how people view time, and (6) how people view space.

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3.13: Management Skills Application Exercises

1. What Is Your Locus of Control?

Instructions: This instrument lists several pairs of statements concerning the possible causes of behavior. For each pair, select the letter (*A* or *B*) that better describes your own beliefs. Remember: there are no right or wrong answers. To view the scoring key, go to **Appendix B**.

1. A. In the long run, the bad things that happen to us are balanced by the good ones. B. Most misfortunes are the result of lack of ability, ignorance, laziness, or all three.
2. A. I have often found that what is going to happen will happen.
   B. Trusting to fate has never turned out as well for me as making a decision to take a definite course of action.
3. A. Many of the unhappy things in people's lives are partly due to bad luck.
   B. People's misfortunes result from the mistakes they make.
4. A. Without the right breaks, one cannot be an effective leader.
   B. Capable people who fail to become leaders have not taken advantage of their opportunities.
5. A. Many times, I feel I have little influence over the things that happen to me.
   B. It is impossible for me to believe that chance or luck plays an important role in my life.
6. A. Most people don't realize the extent to which their lives are controlled by accidental happenings.
   B. There really is no such thing as "luck."
7. A. Unfortunately, an individual's worth often passes unrecognized no matter how hard she tries.
   B. In the long run, people get the respect they deserve.

Source: Adapted from Julian B. Rotter, "Generalized Expectancies for Internal Versus External Control of Reinforcement." *Psychological Monographs, 80* (Whole No. 609, 1966), pp. 11–12.

2. Which Values Are Most Important to You?

Instructions: People are influenced by a wide variety of personal values. In fact, it has been argued that values represent a major influence on how we process information, how we feel about issues, and how we behave. In this exercise, you are given an opportunity to consider your own personal values. Below are listed two sets of statements. The first list presents several instrumental values, while the second list presents several terminal values. For each list you are asked to rank the statements according to how important each is to you personally. In the list of instrumental values, place a "1" next to the value that is most important to you, a "2" next to the second most important, and so forth. Clearly, you will have to make some difficult decisions concerning your priorities. When you have completed the list for instrumental values, follow the same procedure for the terminal values. Please remember that this is not a test—there are no right or wrong answers—so be completely honest with yourself. To view the scoring key, go to **Appendix B**.

Instrumental Values

____ Assertiveness; standing up for yourself
____ Being helpful or caring toward others
____ Dependability; being counted upon by others
____ Education and intellectual pursuits
____ Hard work and achievement

_____ Obedience; following the wishes of others
_____ Open-mindedness; receptivity to new ideas
_____ Self-sufficiency; independence
_____ Truthfulness; honesty
_____ Being well-mannered and courteous toward others

Terminal Values

_____ Happiness; satisfaction in life _____ Knowledge and wisdom
_____ Peace and harmony in the world _____ Pride in accomplishment

_____ Prosperity; wealth
_____ Lasting friendships
_____ Recognition from peers
_____ Salvation; finding eternal life _____ Security; freedom from threat _____ Self-esteem; self-respect

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3.14: Managerial Decision Exercises

1. You work for a large multinational corporation with offices around the globe. One of your colleagues has been offered an assignment overseas to either the Japanese, South Korean, or German offices for a long- term assignment (three to seven years). She has asked your advice on the opportunity because she is concerned about the failure some others have encountered. Often, they want to return home before their assignment is complete, or they decide to quit. She is also concerned about building relationships as a manager with the local employees. Your friend is very skilled technically and you know that she could be successful in the positions being offered. You wonder whether her apprehension has to do with her personality, and whether that might have an impact on her success for this role.

a. Identify the personality traits you think might be relevant to being successful in a global assignment in either Japan, South Korea, or Germany.
b. Develop a personality test aimed at measuring these dimensions.
c. Do you think that your friend will fill out this questionnaire honestly? If not, how would you ensure that the results you get would be honest and truly reflect her personality?
d. How would you validate such a test? Describe the steps you would take.

2. It's your final semester in college and you're going through several interviews with recruiters on campus. Among the opportunities that you are interviewing for is an entry-level position as a data analyst with a large accounting firm. You have been told during the initial interview that the firm uses a personality assessment as part of their selection process. You feel that this job requires someone who is very high in introversion since it involves a lot of individual work involving analysis of data on the one hand, but that in potential future roles on an audit team, one would need a high level of extroversion dealing with colleagues on the team and with clients. You have a high level of technical ability and can concentrate on tasks for long periods and also feel that you are sociable, but perhaps not as much as some other students in other disciplines. The opportunity is terrific, it is a great stepping-stone to career advancement, and your faculty adviser is very supportive. Refer to the personality test in the Managerial Skills Application Exercises question 2 as an example of the personality test that will be given. How are you going to respond when completing the personality test? Are you going to answer the questions truthfully?

a. What are the advantages and disadvantages of completing the questions honestly?
b. What are the advantages and disadvantages of completing the questions in a way you think the company is looking for?

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3.15: Critical Thinking Case

Making a Diverse Workplace the Top Priority

Johnson & Johnson is a leader in multinational medical devices as well as pharmaceutical and consumer packaged goods. Founded in 1886, the company has been through generations of cultural differences and is consistently listed among the Fortune 500. Johnson & Johnson is a household name for millions with many of their products lining the shelves of medicine cabinets around the globe. In 2017, Johnson & Johnson took the number two spot on the Thomson Reuters Diversity & Inclusion Index.

At such a multinational company, with over 130,000 employees worldwide, the forefront of the focus on their internal workforce is diversity. At the forefront of their mission statement, this is clearly stated: "Make diversity and inclusion how we work every day." Having a mission statement is wonderful, but how does Johnson & Johnson live up to these standards day in and day out?

Chief Diversity & Inclusion Officer Wanda Bryant Hope works tirelessly to inject the company with the very founding principles that built the company 130 years ago. She is one of 46 percent of employees worldwide that are women, and is delivering solutions that serve all of the patients and companies that work with Johnson & Johnson.

One initiative that sets Johnson & Johnson apart in the diversity category is their programs and initiatives such as the Scientist Mentoring and Diversity Program (SMDP), which is a yearlong mentorship program pairing ethnically diverse students with industry leaders.

Additionally, the company commits to alignment with Human Rights Campaign Equality Index benchmarks, as well as supporting the armed forces and wounded soldiers. These benefits include transgender-inclusive health insurance coverage and paid time off after military leave for soldiers to acclimate back to life at home.

These commitments make Johnson & Johnson one of the best cases for a company that is making great strides in a tough cultural climate to bridge the gaps and make all of their employees, customers, and clients feel included and a part of the bigger whole.

Questions:

1. What diversity challenges do you think Johnson & Johnson management and employees face due to their presence as worldwide organization?
2. What other considerations should the company take in order to increase their impact of diversity and inclusion in the workplace?
3. Johnson & Johnson prides themselves on bridging the gender equality gap. What are some challenges or concerns to consider in the future with their hiring practices?

Sources: Johnson & Johnson website accessed August 1, 2018, https://www.jnj.com/about-jnj/diversity; Johnson & Johnson website accessed August 1, 2018, http://www.careers.jnj.com/careers/w...sity-inclusion.

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4: LEARNING AND REINFORCEMENT



Exhibit 4.1 (JD Kirk/ flickr/ Attribution 2.0 Generic (CC BY 2.0))

Learning Outcomes

After reading this chapter, you should be able to answer these questions:

1. How do organizations offer appropriate rewards in a timely fashion?
2. What are the best practices that organizations utilize to train employees in new job skills?
3. How do managers and organizations reduce undesirable employee behavior while reinforcing desirable behavior?
4. How can employees be trained to assume more responsibility for self-improvement and job performance with the goal of creating a work environment characterized by continual self-learning and employee development?

4.1: Basic Models of Learning

4.2: Reinforcement and Behavioral Change

4.3: Behavior Modification in Organizations

4.4: Behavioral Self-Management

4.5: Glossary

4.6: Summary of Learning Objectives

4.7: Chapter Review Questions

4.8: Managerial Skills Application Exercise

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4.10: Critical Thinking Case

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4.1: Basic Models of Learning

exploring managerial careers

The Google Way to a Culture of Continued Learning

Google is great at many things—attracting top talent, maintaining employee satisfaction, and encouraging creativity, to name a few.

According to the Association of Training and Development (ATD), companies that offer comprehensive training programs have 218 percent higher income per employee than companies without formalized training. Not only that, but companies that have required programs for their employees see a much higher profit margin than those that don't. Investing in people and promoting a self-learning environment is the right plan for companies that are looking to keep employees' behavior in check, train or new skills, and increase employee development.

Spending millions of dollars is not necessary to create a culture that promotes learning.

Google follows the simple principles that gives their employees purpose and a career path. They provide information that is relevant and important to their employees. They know that in order to get this information to stick, it must be pertinent and presented at the right time, and in the right format. They also archive important information, which empowers employees to access this information at any and all times. Instead of providing gateways that impede learning, they open the doors.

Secondly, they share "dumb questions." This may seem like a silly tactic, but encouraging employees to share their questions and opinions allows for sharing of information and learning on all levels. Google also employs the values of celebrated failure, which allows for the teams to learn from their mistakes and their failures. Then they can move on to the next project with newly found valuable information to get better each time.

Lastly, formalized plans for continued learning are employed for "informal and continuous learning" to occur. Examples of these events can be allowing employees to pursue their own interests, utilizing coaching and support tools, and then training being requested at various times. With these tactics, the cultivation of learning can be expressed throughout the company. Google is at the forefront of this pursuit, but other companies can learn from their methods to get ahead and get their employees on track as well.

Questions:

1. What considerations should Google take into account when creating formalized training for their employees?
2. Name three reasons why training and continued learning can be important for a company's success.
3. Why is encouraging and celebrating failure an important thing for a company to promote?

A major responsibility of managers is to evaluate and reward their subordinates. If managers are to maximize the impact of available (and often limited) rewards, a thorough knowledge of reinforcement techniques is essential. We shall devote this chapter to developing a detailed understanding of learning processes in organizations. We begin by looking at basic models of learning.

Sources: Ault, Nicole, "Don't Trust Anyone Over 21," *The Wall Street Journal*, August 22, 2018, www.wsj.com/articles/dont-trust-anyone- over-21-1534977740?mod=searchresults&page=1&pos=1; and Gutierrez, Karla, "Mind-blowing Statistics that Prove the Value of Employee Training and Development, Shift, August 22, 2017, https://www.shiftelearning.com/blog/...nd-development.

1. How do organizations offer appropriate rewards in a timely fashion?

Learning may be defined, for our purposes, as a relatively permanent change in behavior that occurs as a result of experience. That is, a person is said to have learned something when she consistently exhibits a new behavior over time. Several aspects of this definition are noteworthy.1 First, learning involves a change in an attitude or behavior. This change does not necessarily have

to be an improvement, however, and can include such things as learning bad habits or forming prejudices. In order for learning to occur, the change that takes place must be relatively permanent. So changes in behavior that result from fatigue or temporary adaptation to a unique situation would not be considered examples of learning. Next, learning typically involves some form of practice or experience. For example, the change that results from physical maturation, as when a baby develops the physical strength to walk, is in itself not considered learning. Third, this practice or experience must be reinforced over time for learning to take place. Where reinforcement does not follow practice or experience, the behavior will eventually diminish and disappear ("extinction"). Finally, learning is an inferred process; we cannot observe learning directly. Instead, we must infer the existence of learning from observing changes in overt behavior.

We can best understand the learning process by looking at four stages in the development of research on learning (see **Exhibit 4.2**). Scientific interest in learning dates from the early experiments of Pavlov and others around the turn of the century. The focus of this research was on stimulus-response relationships and the environmental determinants of observable behaviors. This was followed by the discovery of the law of effect, experiments in operant conditioning, and, finally, the formulation of social learning theory.

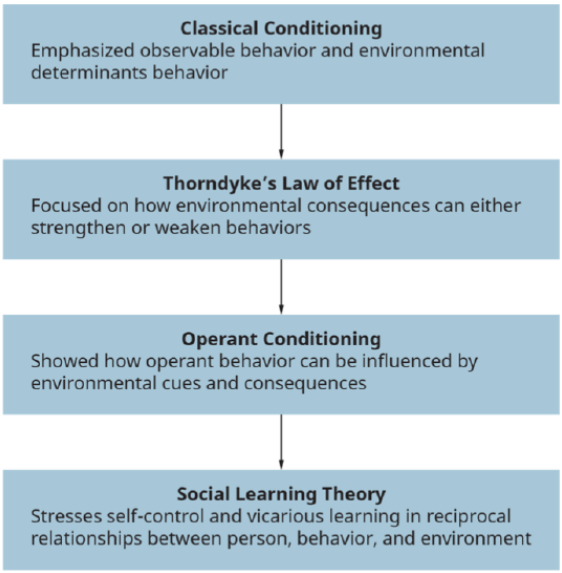


Exhibit 4.2 The Development of Modern Behavioral Learning Theory

Classical Conditioning

Classical conditioning is the process whereby a stimulus-response (S-R) bond is developed between a conditioned stimulus and a **conditioned response** through the repeated linking of a conditioned stimulus with an unconditioned stimulus. This process is shown in **Exhibit 4.3**. The classic example of Pavlov's experiments illustrates the process. Pavlov was initially interested in the digestive processes of dogs but noticed that the dogs started to salivate at the first signal of approaching food. On the basis of this discovery, he shifted his attention to the question of whether animals could be trained to draw a causal relationship between previously unconnected factors. Specifically, using the dogs as subjects, he examined the extent to which the dogs could learn to associate the ringing of a bell with the act of salivation. The experiment began with unlearned, or *unconditioned*, stimulus-response relationships. When a dog was presented with meat (unconditioned stimulus), the dog salivated (unconditioned response). No learning was necessary here, as this relationship represented a natural physiological process.

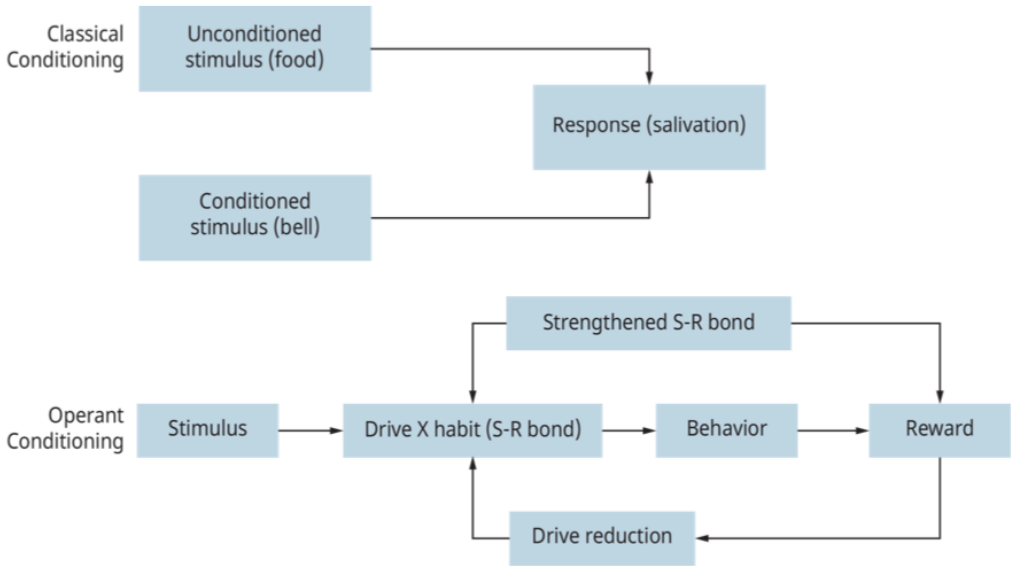


Exhibit 4.3 Classical versus Operant Conditioning

Next, Pavlov paired the unconditioned stimulus (meat) with a neutral one (the ringing of a bell). Normally, the ringing of the bell by itself would not be expected to elicit salivation. However, over time, a learned linkage developed for the dog between the bell and meat, ultimately resulting in an S-R bond between the conditioned stimulus (the bell) and the response (salivation) without the presence of the unconditioned stimulus (the meat). Evidence emerged that learning had occurred and that this learning resulted from conditioning the dogs to associate two normally unrelated objects, the bell and the meat.

Although Pavlov's experiments are widely cited as evidence of the existence of classical conditioning, it is necessary from the perspective of organizational behavior to ask how this process relates to people at work. Ivancevich, Szilagyi, and Wallace provide one such work-related example of classical conditioning:

An illustration of classical conditioning in a work setting would be an airplane pilot learning how to use a newly installed warning system. In this case the behavior to be learned is to respond to a warning light that indicates that the plane has dropped below a critical altitude on an assigned glide path. The proper response is to increase the plane's altitude. The pilot already knows how to appropriately respond to the trainer's warning to increase altitude (in this case we would say the trainer's warning is an unconditioned stimulus and the corrective action of increasing altitude is an **unconditioned response**). The training session consists of the trainer warning the pilot to increase altitude every time the warning light goes on. Through repeated pairings of the warning light with the trainer's warning, the pilot eventually learns to adjust the plane's altitude in response to the warning light even though the trainer is not present. Again, the unit of learning is a new S-R connection, or habit.[2]

Although classical conditioning clearly has applications to work situations, particularly in the area of training and development, it has been criticized as explaining only a limited part of total human learning. Psychologist B. F. Skinner argues that classical conditioning focuses on respondent, or reflexive, behaviors; that is, it concentrates on explaining largely involuntary responses that result from stimuli.[3] More complex learning cannot be explained solely by classical conditioning. As an alternative explanation, Skinner and others have proposed the operant conditioning model of learning.

Operant Conditioning

The major focus of **operant conditioning** is on the effects of reinforcements, or rewards, on desired behaviors. One of the first psychologists to examine such processes was J. B. Watson, a contemporary of Pavlov, who argued that behavior is largely influenced by the rewards one receives as a result of actions.[4] This notion is best summarized in Thorndike's **law of effect**. This law states that of several responses made to the same situation, those that are accompanied or closely followed by satisfaction (reinforcement) will be more likely to occur; those that are accompanied or closely followed by discomfort (punishment) will be less likely to occur.[5]

In other words, it posits that behavior that leads to positive or pleasurable outcomes tends to be repeated, whereas behavior that leads to negative outcomes or punishment tends to be avoided. In this manner, individuals learn appropriate, acceptable

responses to their environment. If we repeatedly dock the pay of an employee who is habitually tardy, we would expect that employee to learn to arrive early enough to receive a full day's pay.

A basic operant model of learning is presented in **Exhibit 4.2**. There are three important concepts of this model:

Drive. A **drive** is an internal state of disequilibrium; it is a felt need. It is generally believed that drive increases with the strength of deprivation. A drive, or desire, to learn must be present for learning to take place. For example, not currently being able to afford the house you want is likely to lead to a drive for more money to buy your desired house. Living in a run-down shack is likely to increase this drive compared to living in a nice apartment.

Habit. A **habit** is the experienced bond or connection between stimulus and response. For example, if a person learns over time that eating satisfies hunger, a strong stimulus-response (hunger-eating) bond will develop. Habits thus determine the behaviors, or courses of action, we choose.

Reinforcement or reward. This represents the feedback individuals receive as a result of action. For example, if as a salesperson you are given a bonus for greater sales and plan to use the money to buy the house you have always wanted, this will reinforce the behaviors that you believed led to greater sales, such as smiling at customers, repeating their name during the presentation, and so on.

A stimulus activates an individual's motivation through its impact on drive and habit. The stronger the drive and habit (S-R bond), the stronger the motivation to behave in a certain way. As a result of this behavior, two things happen. First, the individual receives feedback that reduces the original drive. Second, the individual strengthens his or her belief in the veracity of the S-R bond to the extent that it proved successful. That is, if one's response to the stimulus satisfied one's drive or need, the individual would come to believe more strongly in the appropriateness of the particular S-R connection and would respond in the same way under similar circumstances.

An example will clarify this point. Several recent attempts to train chronically unemployed workers have used a daily pay system instead of weekly or monthly systems. The primary reason for this is that the workers, who do not have a history of working, can more quickly see the relationship between coming to work and receiving pay. An S-R bond develops more quickly because of the frequency of the reinforcement, or reward.

Operant versus Classical Conditioning

Operant conditioning can be distinguished from classical conditioning in at least two ways.[6] First, the two approaches differ in what is believed to cause changes in behavior. In classical conditioning, changes in behavior are thought to arise through changes in stimuli—that is, a transfer from an unconditioned stimulus to a conditioned stimulus. In operant conditioning, on the other hand, changes in behavior are thought to result from the *consequences* of previous behavior. When behavior has not been rewarded or has been punished, we would not expect it to be repeated.

Second, the two approaches differ in the role and frequency of rewards. In classical conditioning, the unconditioned stimulus, acting as a sort of reward, is administered during every trial. In contrast, in operant conditioning the reward results only when individuals choose the correct response. That is, in operant conditioning, individuals must correctly operate on their environment before a reward is received. The response is instrumental in obtaining the desired reward.

Social Learning Theory

The last model of learning we should examine is noted psychologist Albert Bandura's social learning theory. **Social learning theory** is defined as the process of molding behavior through the reciprocal interaction of a person's cognitions, behavior, and environment.[7] This is done through a process that Bandura calls **reciprocal determinism**. This concept implies that people control their own environment (for example, by quitting one's job) as much as the environment controls people (for example, being laid off). Thus, learning is seen as a more active, interactive process in which the learner has at least some control.

Social learning theory shares many of the same roots as operant conditioning. Like Skinner, Bandura argues that behavior is at least in part controlled by environmental cues and consequences, and Bandura uses observable behavior (as opposed to attitudes, feelings, etc.) as the primary unit of analysis. However, unlike operant conditioning, social learning theory posits that cognitive or mental processes affect our response to the environmental cues.

Social learning theory has four central elements: attention, retention, reproduction, and incentives. Before someone can learn something, they must notice or pay attention to the thing that is to be learned. For example, you probably would not learn much as a student in any class unless you paid attention to information conveyed by the text or instructor. Retention is the process by which what you have noticed is encoded into your memory. Reproduction involves the translation of what was recorded in your mind into overt actions or behaviors. Obviously, the higher the level of attention and the greater the retention, the better the reproduction of what was learned. Finally, incentives can influence all three processes. For example, if you are rewarded (say, praised) for paying attention, you will pay more attention. If you are rewarded for remembering what you studied (say, good grades), you will retain more. If you are rewarded for reproducing what you learned (say, a promotion for effectively motivating your subordinates), you will produce that behavior more.

Central to this theory is the concept of vicarious learning. **Vicarious learning** is learning that takes place through the imitation of other role models. That is, we observe and analyze what another person does and the resulting consequences. As a result, we learn without having to experience the phenomenon firsthand. Thus, if we see a fellow employee being disciplined or fired for being disruptive in the workplace, we might learn not to be disruptive ourselves. If we see that gifts are usually given with the right hand in the Middle East, we might give gifts in that manner ourselves.

A model of social learning processes is shown in **Exhibit 4.4**. As can be seen, three factors—the person, the environment, and the behavior—interact through such processes as vicarious learning, symbolic representations, and self-control to cause actual learned behaviors.

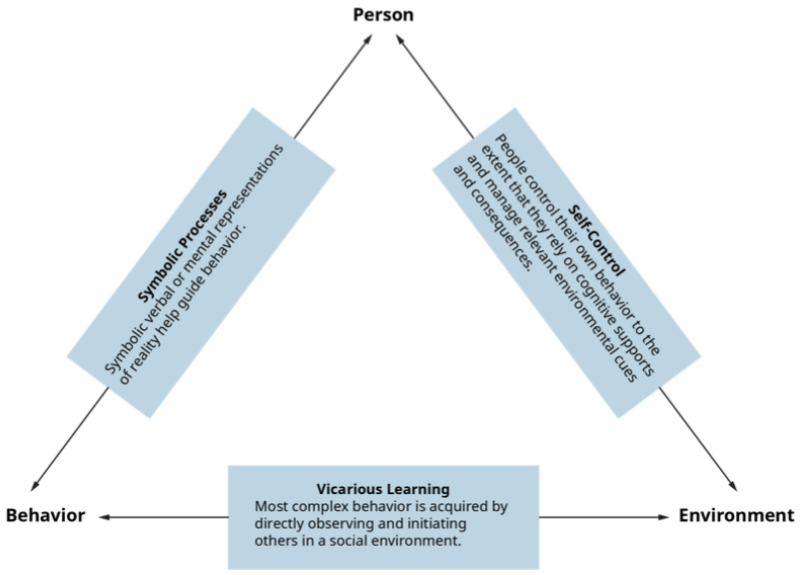


Exhibit 4.4 A Basic Model of Social Learning

Major Influences on Learning. On the basis of this work, it is possible by way of summary to identify several general factors that can enhance our learning processes. An individual's desire to learn, background knowledge of a subject, and the length of the learning period are some of the components of a learning environment. Filley, House, and Kerr identify five major influences on learning effectiveness.[8]

Drawn largely from behavioral science and psychology literature, substantial research indicates that learning effectiveness is increased considerably when individuals have high *motivation to learn*. We sometimes encounter students who work day and night to complete a term paper that is of interest to them, whereas writing an uninteresting term paper may be postponed until the last possible minute. Maximum transfer of knowledge is achieved when a student or employee is motivated to learn by a high need to know.

Considerable evidence also demonstrates that we can facilitate learning by providing individuals with feedback on their performance. A *knowledge of results* serves a gyroscopic function, showing individuals where they are correct or incorrect and furnishing them with the perspective to improve. Feedback also serves as an important positive reinforcer that can enhance an individual's willingness or desire to learn. Students who are told by their professor how they performed on an exam and what they could do to improve next time are likely to study harder.

In many cases, *prior learning* can increase the ability to learn new materials or tasks by providing needed background or

foundation materials. In math, multiplication is easier to learn if addition has been mastered. These beneficial effects of prior learning on present learning tend to be greatest when the prior tasks and the present tasks exhibit similar stimulus-response connections. For instance, most of the astronauts selected for the space program have had years of previous experience flying airplanes. It is assumed that their prior experience and developed skill will facilitate learning to fly the highly technical, though somewhat similar, vehicles.

Another influence on learning concerns whether the materials to be learned are presented in their entirety or in parts—*whole versus part learning*.[9] Available evidence suggests that when a task consists of several distinct and unrelated duties, part learning is more effective. Each task should be learned separately. However, when a task consists of several integrated and related parts (such as learning the components of a small machine), whole learning is more appropriate, because it ensures that major relationship among parts, as well as proper sequencing of parts, is not overlooked or underemphasized.



Exhibit 4.5 Stop sign in Quebec

The final major influence on learning highlights the advantages and disadvantages of concentrated as opposed to distributed training sessions. Research suggests that *distribution of practice*—short learning periods at set intervals—is more effective for learning motor skills than for learning verbal or cognitive skills. Distributed practice also seems to facilitate learning of very difficult, voluminous, or tedious material. It should be noted, however, that concentrated practice appears to work well where insight is required for task completion. Apparently, concentrated effort over short durations provides a move synergistic approach to problem-solving.

Although there is general agreement that these influences are important (and are under the control of management in many cases), they cannot substitute for the lack of an adequate reinforcement system. In fact, reinforcement is widely recognized as the key to effective learning. If managers are concerned with eliciting desired behaviors from their subordinates, a knowledge of reinforcement techniques is essential.

expanding around the globe

Learning to Be Effective Overseas

General Motors has learned by experience that it pays not to have managers learn only by experience how to function effectively while working in foreign countries. Managing expatriate assignments in difficult locations was brought to life by the experiences of Richard Pennington, General Motors' head of global mobility for the EMEA (Europe, Middle East, and Africa) region. He knows from experience some of the things that tend to go well, as well as some of those that don't, and has learned lessons from moving employees to places like Uzbekistan. This became important when the company took on a new engine manufacturing operation in the capital, Tashkent, as well as an existing manufacturing plant in Andijan. The objectives were the same as for most global mobility projects: to get the right people to the right place at the right time for the right cost. The general approach was Action—Plan—Do—Check. Pennington urged potential relocation candidates not to be overreliant

on the Internet and, if possible, to go and see for themselves. “Nothing beats going to a location—particularly a harsh location—yourself,” he says. Pennington also emphasizes the importance of selecting suppliers on the ground carefully, even if you already have a network of existing suppliers. Strong relationships in the host location are of paramount importance. In difficult locations, it is particularly important that the local HR, finance, and legal staff work with you proactively, as making payments at the right time can be critical. Equally, cultural training and language providers are essential.

These training programs involve a wide variety of teaching methods. Factual information may be conveyed through lectures or printed material. More subtle information is learned through role plays, case studies, and simulations.

The research on cross-cultural training suggests that the more involved participants are in the training, the more they learn, and that the more they practice or simulate new behaviors that they need to master in the foreign environment, the more effective they will be in actual situations.

The results for GM have been impressive. Most companies that do not provide cross-cultural training for their employees sent on international assignments experience failure rates of about 25 percent, and each failure or early return costs the company on average $150,000. GM has a failure rate of less than 1 percent. Also, in GM’s case, the training has been extended to the manager’s family and has helped reluctant spouses and children more readily accept, if not embrace, the foreign assignment.

Sources: F. Furnie, “International assignments: Managing change and complexity,” *Relocate Global*, September 23, 2015, www.relocatemagazine.com/art...l-assignments- managing-change-and-complexity; J. Lublin. “Companies Use Cross-Cultural Training to Help Their Employees Adjust Abroad.” *Wall Street Journal,* August 4, 2004 p. B1.

concept check

- How can learning theory be used to change behaviors?
- Define classical conditioning, and differentiate it from operant conditioning.
- What is social learning theory?

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Exhibit 4.2 The Development of Modern Behavioral Learning Theory (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)

Exhibit 4.3 Classical versus Operant Conditioning (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)

Exhibit 4.4 A Basic Model of Social Learning *Source:* Adapted from “A Social Learning Approach to Behavioral Management: Radical Behaviorists ‘Mellowing Out,’ ” by Robert Kreitner et al. *Organizational Dynamics*. (Attribution: Copyright Rice University, OpenStax, under CC BY- NC-SA 4.0 license)

Exhibit 4.5 Stop sign in Quebec Would your prior learning lead you to come to a full stop while driving in Quebec, just north of New York State? (Credit: Joe Schlabotnik/ flickr/ Attribution 2.0 Generic (CC BY 2.0))

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4.2: Reinforcement and Behavioral Change

2. What are the best practices that organizations utilize to train employees in new job skills?

A central feature of most approaches to learning is the concept of reinforcement. This concept dates from Thorndike's law of effect, which, as mentioned earlier, states that behavior that is positively reinforced tends to be repeated, whereas behavior that is not reinforced will tend not to be repeated. Hence, **reinforcement** can be defined as anything that causes a certain behavior to be repeated or inhibited.

Reinforcement versus Motivation

It is important to differentiate reinforcement from the concept of employee motivation. Motivation, as described in the next chapter, represents a primary psychological process that is largely cognitive in nature. Thus, motivation is largely internal—it is *experienced* by the employee, and we can see only subsequent manifestations of it in actual behavior. Reinforcement, on the other hand, is typically observable and most often externally administered. A supervisor may reinforce what he or she considers desirable behavior without knowing anything about the underlying motives that prompted it. For example, a supervisor who has a habit of saying "That's interesting" whenever she is presented with a new idea may be reinforcing innovation on the part of the subordinates without the supervisor really knowing why this result is achieved. The distinction between theories of motivation and reinforcement should be kept in mind when we examine behavior modification and behavioral self-management later in this chapter.

Strategies for Behavioral Change

From a managerial standpoint, several strategies for behavioral change are available to facilitate learning in organizational settings. At least four different types should be noted: (1) positive reinforcement; (2) avoidance learning, or negative reinforcement; (3) extinction; and (4) punishment. Each type plays a different role in both the manner in which and extent to which learning occurs. Each will be considered separately here.

Positive Reinforcement. Positive reinforcement consists of presenting someone with an attractive outcome following a desired behavior. As noted by Skinner, "A positive reinforcer is a stimulus which, when added to a situation, strengthens the probability of an operant response."[11] A simple example of positive reinforcement is supervisory praise for subordinates when they perform well in a certain situation. That is, a supervisor may praise an employee for being on time consistently (see **Exhibit 4.6**). This behavior-praise pattern may encourage the subordinate to be on time in the future in the hope of receiving additional praise.

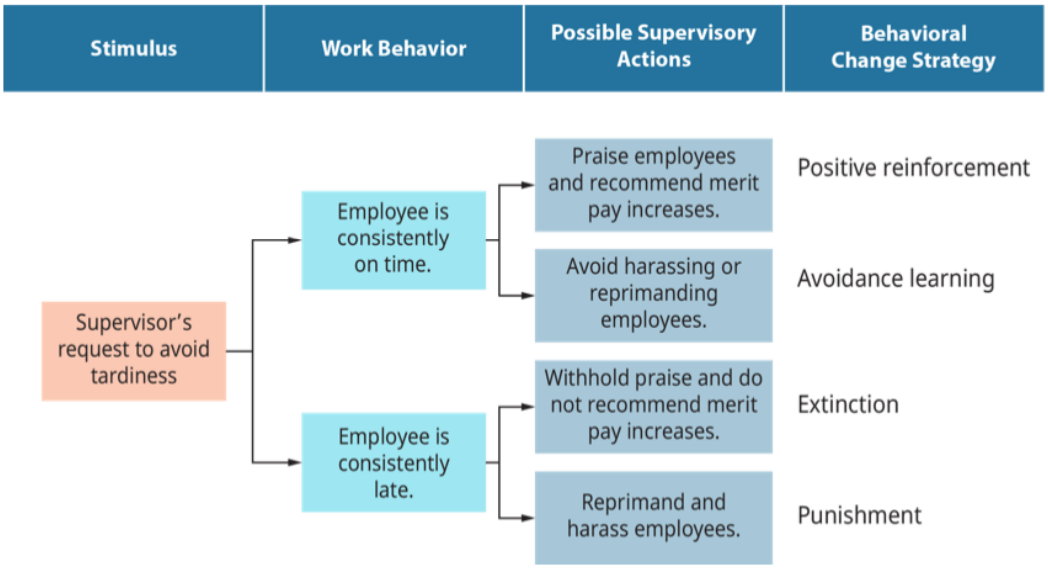


Exhibit 4.6 Strategies for Behavioral Change

In order for a positive reinforcement to be effective in facilitating the repetition of desired behavior, several conditions must be met. First, the reinforcer itself (praise) must be valued by the employee. It would prove ineffective in shaping behavior if employees were indifferent to it. Second, the reinforcer must be strongly tied to the desired behavior. Receipt of the reinforcer by the employee must be directly contingent upon performing the desired behavior. “Rewards must result from performance, and the greater the degree of performance by an employee, the greater should be his reward.”[12] It is important to keep in mind here that “desired behavior” represents behavior defined by the supervisor, not the employee. Thus, for praise to be a reinforcer, not only must it be valued by the employee, but it must directly follow the desired behavior and should be more intense as the behavior is closer to the ideal the supervisor has in mind. Praise thrown out at random is unlikely to reinforce the desired behavior. Third, there must be ample occasion for the reinforcer to be administered following desired behavior. If the reinforcer is tied to certain behavior that seldom occurs, then individuals will seldom be reinforced and will probably not associate this behavior with a reward. For example, if praise is only provided for truly exceptional performance, then it is unlikely to have a powerful impact on the desired behavior. It is important that the performance-reward contingencies be structured so that they are easily attainable.

Avoidance Learning. A second method of reinforcement is **avoidance learning**, or negative reinforcement. Avoidance learning refers to seeking to avoid an unpleasant condition or outcome by following a desired behavior. Employees learn to avoid unpleasant situations by behaving in certain ways. If an employee correctly performs a task or is continually prompt in coming to work (see **Exhibit 4.6**), the supervisor may refrain from harassing, reprimanding, or otherwise embarrassing the employee. Presumably, the employee learns over time that engaging in correct behavior diminishes admonition from the supervisor. In order to maintain this condition, the employee continues to behave as desired.

Extinction. The principle of **extinction** suggests that undesired behavior will decline as a result of a lack of positive reinforcement. If the perpetually tardy employee in the example in **Exhibit 4.6** consistently fails to receive supervisory praise and is not recommended for a pay raise, we would expect this nonreinforcement to lead to an “extinction” of the tardiness. The employee may realize, albeit subtly, that being late is not leading to desired outcomes, and she may try coming to work on time.

Punishment. Finally, a fourth strategy for behavior change used by managers and supervisors is punishment. **Punishment** is the administration of unpleasant or adverse outcomes as a result of undesired behavior. An example of the application of punishment is for a supervisor to publicly reprimand or fine an employee who is habitually tardy (see **Exhibit 4.6**). Presumably, the employee would refrain from being tardy in the future in order to avoid such an undesirable outcome. The most frequently used punishments (along with the most frequently used rewards) are shown in **Table 4.1**.

Frequently Used Rewards and Punishments	
Rewards	Punishments
Pay raise	Oral reprimands
Bonus	Written reprimands
Promotion	Ostracism
Praise and recognition	Criticism from superiors
Awards	Suspension
Self-recognition	Demotion
Sense of accomplishment	Reduced authority
Increased responsibility	Undesired transfer
Time off	Termination

Table 4.1

The use of punishment is indeed one of the most controversial issues of behavior change strategies. Although punishment can have positive work outcomes—especially if it is administered in an impersonal way and as soon as possible after the transgression—negative repercussions can also result when employees either resent the action or feel they are being treated unfairly. These negative outcomes from punishment are shown in **Exhibit 4.7**. Thus, although punishment represents a potent force in corrective learning, its use must be carefully considered and implemented. In general, for punishment to be effective the punishment should “fit the crime” in severity, should be given in private, and should be explained to the employee.

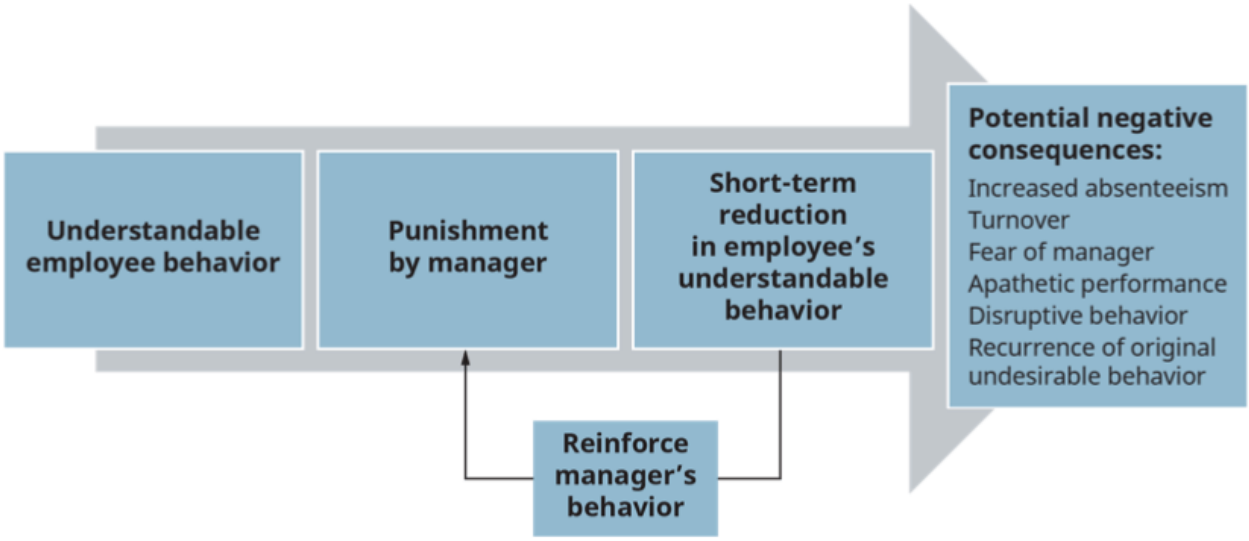


Exhibit 4.7 Potential Negative Consequences of Punishment

ethics in practice

Detracting a Workplace Bully

Studies showcase that nearly 50 percent of employees in the U.S. workforce face bullying at one point in time. All types of bullying, not just discrimination or harassment, are important to consider.

Angela Anderson was working for a law school administration council and experienced bullying firsthand. Often her manager would yell at her in front of other coworkers, and it was clear to Angela that she was not well-liked. Unfortunately it was not just Angela who felt the wrath of this manager, who often handled interactions with other employees the same way. Many of the employees, including Angela, attempted to appease their bullying manager, but nothing would help. One day Angela was threatened by her manager, and before Angela could reach the HR department, she was fired. This example is an extreme case, but being able to take recourse against unwanted and disruptive employee behavior is an important action for any workplace manager.

Questions:

1. What steps can you take to ensure that your company can detract from employees' bullying behavior?
2. What actions should an employee take if they are experiencing unwanted behaviors from another employee or manager?
3. What other departments should be involved when developing a plan and policies for how to handle unacceptable workplace behavior?

Sources: Acceptable and Unacceptable Behaviours, *University of Cambridge* website, accessed January 15, 2019, www.hr.admin.cam.ac.uk/polic...ance-managers- and-staff/guidance-managers/acceptable-and; Hedges, Kristi, How to Change Your Employee's Behavior," *Forbes*, March, 4, 2015, www.forbes.com/sites/work-in.../03/04/how-to- change-your-employees-behavior/#c32ad4b6732a; and Kane, Sally, Workplace Bullying: True Stories, Statistics and Tips, *The Balance Careers*, January 29, 2019, https://www.thebalancecareers.com/bu...tories-2164317.

In summary, positive reinforcement and avoidance learning focus on bringing about the *desired* response from the employee. With positive reinforcement the employee behaves in a certain way in order to gain desired rewards, whereas with avoidance learning the employee behaves in order to avoid certain unpleasant outcomes. In both cases, however, the behavior desired by the supervisor is enhanced. In contrast, extinction and punishment focus on supervisory attempts to reduce the incidence of *undesired* behavior. That is, extinction and punishment are typically used to get someone to stop doing something the supervisor doesn't like. It does not necessarily follow that the individual will begin acting in the most desired, or correct, manner.

Often students have difficulty seeing the distinction between avoidance and extinction or in understanding how either could have

a significant impact on behavior. Two factors are important to keep in mind. The first we will simply call the “history effect.” Not being harassed could reinforce an employee’s prompt arrival at work if in the past the employee had been harassed for being late. Arriving on time and thereby avoiding the past harassment would reinforce arriving on time. This same dynamic would hold true for extinction. If the employee had been praised in the past for arriving on time, then arrived late and was not praised, this would serve to weaken the tendency to arrive late. The second factor we will call the “social effect.” For example, if you see others harassed when they arrive late and then you are not harassed when you arrive on time, this could reinforce your arriving at work on time. Again, this same dynamic would hold true for extinction. If you had observed others being praised for arriving on time, then not receiving praise when you arrived late would serve to weaken the tendency to arrive late.

From a managerial perspective, questions arise about which strategy of behavioral change is most effective. Advocates of behavioral change strategies, such as Skinner, answer that positive reinforcement combined with extinction is the most suitable way to bring about desired behavior. There are several reasons for this focus on the positive approach to reinforcement. First, although punishment can inhibit or eliminate undesired behavior, it often does not provide information to the individual about how or in which direction to change. Also, the application of punishment may cause the individual to become alienated from the work situation, thereby reducing the chances that useful change can be effected. Similarly, avoidance learning tends to emphasize the negative; that is, people are taught to stay clear of certain behaviors, such as tardiness, for fear of repercussions. In contrast, it is felt that combining positive reinforcement with the use of extinction has the fewest undesirable side effects and allows individuals to receive the rewards they desire. A positive approach to reinforcement is believed by some to be the most effective tool management has to bring about favorable changes in organizations.

Schedules of Reinforcement

Having examined four distinct strategies for behavioral change, we now turn to an examination of the various ways, or *schedules*, of administering these techniques. As noted by Costello and Zalkind, “The speed with which learning takes place and also how lasting its effects will be is determined by the timing of reinforcement.”13 Thus, a knowledge of the types of schedules of reinforcement is essential to managers if they are to know how to choose rewards that will have maximum impact on employee performance. Although there are a variety of ways in which rewards can be administered, most approaches can be categorized into two groups: continuous and partial (or intermittent) reinforcement schedules. A **continuous reinforcement** schedule rewards desired behavior every time it occurs. For example, a manager could praise (or pay) employees every time they perform properly. With the time and resource constraints most managers work under, this is often difficult, if not impossible. So, most managerial reward strategies operate on a partial schedule. A **partial reinforcement** schedule rewards desired behavior at specific intervals, not every time desired behavior is exhibited. Compared to continuous schedules, partial reinforcement schedules lead to slower learning but stronger retention. Thus, learning is generally more permanent. Four kinds of partial reinforcement schedules can be identified: (1) fixed interval, (2) fixed ratio, (3) variable interval, and (4) variable ratio (see **Table 4.2**).

Schedules of Partial Reinforcement				
Schedule of Reinforcement	Nature of Reinforcement	Effects on Behavior When Applied	Effects on Behavior When Terminated	Example
Fixed interval	Reward on fixed time basis	Leads to average and irregular performance	Quick extinction of behavior	Weekly paycheck
Fixed ratio	Reward consistently tied to output	Leads quickly to very high and stable performance	Quick extinction of behavior	Piece-rate pay system
Variable interval	Reward given at variable intervals around some average time	Leads to moderately high and stable performance	Slow extinction of behavior	Monthly performance appraisal and reward at random times each month
Variable ratio	Reward given at variable output levels around some average output	Leads to very high performance	Slow extinction of behavior	Sales bonus tied to selling *X* accounts, but *X* constantly changes around some mean

Table 4.2

Fixed-Interval Schedule. A fixed-interval reinforcement schedule rewards individuals at specified intervals for their performance, as with a biweekly paycheck. If employees perform even minimally, they are paid. This technique generally does

not result in high or sustained levels of performance because employees know that marginal performance usually leads to the same level of reward as high performance. Thus, there is little incentive for high effort and performance. Also, when rewards are withheld or suspended, extinction of desired behavior occurs quickly. Many of the recent job redesign efforts in organizations were prompted by recognition of the need for alternate strategies of motivation rather than paying people on fixed-interval schedules.

Fixed-Ratio Schedule. The second fixed schedule is the fixed-ratio schedule. Here the reward is administered only upon the completion of a given number of desired responses. In other words, rewards are tied to performance in a ratio of rewards to results. A common example of the fixed-ratio schedule is a piece-rate pay system, whereby employees are paid for each unit of output they produce. Under this system, performance rapidly reaches high levels. In fact, according to Hamner, "The response level here is significantly higher than that obtained under any of the interval (time-based) schedules."[14] On the negative side, however, performance declines sharply when the rewards are withheld, as with fixed-interval schedules.

Variable-Interval Schedule. Using variable reinforcement schedules, both variable-interval and variable-ratio reinforcements are administered at random times that cannot be predicted by the employee. The employee is generally not aware of when the next evaluation and reward period will be. Under a variable-interval schedule, rewards are administered at intervals of time that are based on an average. For example, an employee may know that *on the average* her performance is evaluated and rewarded about once a month, but she does not know when this event will occur. She does know, however, that it will occur sometime during the interval of a month. Under this schedule, effort and performance will generally be high and fairly stable over time because employees never know when the evaluation will take place.

Variable-Ratio Schedule. Finally, a variable-ratio schedule is one in which rewards are administered only after an employee has performed the desired behavior a number of times, with the number changing from the administration of one reward to the next but averaging over time to a certain *ratio* of number of performances to rewards. For example, a manager may determine that a salesperson will receive a bonus for every 15th new account sold. However, instead of administering the bonus every 15th sale (as in a fixed-interval schedule), the manager may vary the number of sales that is necessary for the bonus, from perhaps 10 sales for the first bonus to 20 for the second. On the average, however, the 15:1 ratio prevails. If the employee understands the parameters, then the "safe" level of sales, or the level of sales most likely to result in a bonus, is in excess of 15. Consequently, the variable-ratio schedule typically leads to high and stable performance. Moreover, extinction of desired behavior is slow.

Which of these four schedules of reinforcement is superior? In a review of several studies comparing the various techniques, Hamner concludes:

The necessity for arranging appropriate reinforcement contingencies is dramatically illustrated by several studies in which rewards were shifted from a response-contingent (ratio) to a time-contingent (interval) basis. During the period in which rewards were made conditional upon occurrence of the desired behavior, the appropriate response patterns were exhibited at a consistently high level. When the same rewards were given based on time and independent of the worker's behavior, there was a marked drop in the desired behavior. The reinstatements of the performance-contingent reward schedule promptly restored the high level of responsiveness.

In other words, the performance-contingent (or ratio) reward schedules generally lead to better performance than the time-contingent (or interval) schedules, regardless of whether such schedules are fixed or variable. We will return to this point in a subsequent chapter on performance appraisal and reward systems.

Two additional approaches to learning are found in the work of David Kolb and Mel Silberman. Kolb's experiential learning style theory is typically represented by a four-stage learning cycle in which the learner 'touches all the bases'. The Four stages are achieved when a person progresses through a cycle of four stages: of (1) having a concrete experience followed by (2) observation of and reflection on that experience which leads to (3) the formation of abstract concepts (analysis) and generalizations (conclusions) which are then (4) used to test hypothesis in future situations, resulting in new experiences. Silberman in his book *Active Training*, identified eight qualities of an effective and active learning experience. The eight qualities are: a moderate level of content; a balance between affective, behavioral, and cognitive learning, a variety of learning approaches, opportunities for group participation, encouraging participants to share their expertise, recycling concepts and skills learned earlier, advocating real-life problem solving, and allowing time for re-entry.[15]

managerial leadership

Shaping a Salesperson's Behavior

Sharon Johnson worked for a publishing company based in Nashville, Tennessee, that sold a line of children's books directly to the public through a door-to-door sales force. Sharon had been a very successful salesperson and was promoted first to district and then to regional sales manager after just four years with the company. Sales bonuses were fixed, and a fixed-dollar bonus was tied to every $1,000 in sales over a specific minimum quota. However, there was a wide variety of rewards, from praise to gift certificates, that were left to Sharon's discretion.

Sharon knew from her organizational behavior class that giving out praise to those who liked it and gifts to those who preferred them was an important means of reinforcing desired behavior, and she had been quite successful in implementing this principle. She also knew that if you reinforced a behavior that was "on the right track" to the ideal behavior you wanted out of a salesperson, eventually you could shape their behavior, almost without their realizing it.

Sharon had one particular salesperson, Lyle, that she thought had great potential, yet his weekly sales were somewhat inconsistent and often lower than she thought possible. When Lyle was questioned about his performance, he indicated that sometimes he felt that the families he approached could not afford the books he was selling and so he did not think it was right to push the sale too hard. Although Sharon argued that it was not Lyle's place to decide for others what they could or could not afford, Lyle still felt uncomfortable about utilizing his normal sales approach with these families.

Sharon believed that through subtle reinforcement of certain behaviors she could shape Lyle's behavior and that over time he would increasingly use his typical sales approach with the families he thought could not afford the books. For example, she knew that in the cases of families Lyle thought could not afford the books, he spent only 3.5 minutes in the house compared to 12.7 minutes in homes of families he judged able to afford the books. Sharon believed that if she praised Lyle when the average time he spent in each family's home was quite similar that Lyle would increase the time he spent in the homes of families he judged unable to afford the books. She believed that the longer he spent in these homes, the more likely Lyle was to utilize his typical sales approach. This was just one of several ways Sharon thought she could shape Lyle's behavior without trying to change his mind about pushing books onto people he thought could not afford them.

Sharon saw no ethical issues in this case until she told a friend about it and the friend questioned whether it was ethical to utilize learning and reinforcement techniques to change people's behavior "against their will" even if they did not realize that this was happening.

Source: This ethical challenge is based on a true but disguised case observed by author J. Stewart Black.

concept check

- What is reinforcement, and how can it be applied to motivation?
- What are the four strategies to use for behavioral change?
- What is the significance of schedules in changing behavior?

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11. B. F. Skinner, *Science and Human Behavior* (New York: Macmillan, 1953), p. 73.

12. W. C. Hamner, "Reinforcement Theory," in H. L. Tosi and W. C. Hamner, eds., *Organizational Behavior and Management: A Contingency Approach* (Chicago: St. Clair, 1977), p. 98.

13. T. W. Costello and S. S. Zalkind, *Psychology in Administration: A Research Orientation* (Englewood Cliffs, N. J.: Prentice-Hall, 1963), p. 193.

14. Hamner, op. cit., p. 105.

15. David Kolb, *Experiential Learning*, 2nd Edition, (Pearson FT Press: New York, 2015) and Mel Silberman, Elaine Beich and Carol Auerbach, *Active Training*, (Wiley: New York, 2016).

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Table 4.2 (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)

Exhibit 4.6 Strategies for Behavioral Change (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)

Exhibit 4.7 Potential Negative Consequences of Punishment (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)

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4.3: Behavior Modification in Organizations

3. How do managers and organizations reduce undesirable employee behavior while reinforcing desirable behavior?

When the above principles and techniques are applied to the workplace, we generally see one of two approaches: **behavior modification** or **behavioral self-management**. Both approaches rest firmly on the principles of learning described above. Because both of these techniques have wide followings in corporations, we shall review them here. First, we look at the positive and negative sides of behavior modification.

Behavior modification is the use of operant conditioning principles to shape human behavior to conform to desired standards defined by superiors. In recent years, behavior modification has been applied in a wide variety of organizations. In most cases, positive results are claimed. There is interest in the technique as a management tool to improve performance and reduce costs.

Because of its emphasis on shaping behavior, it is more appropriate to think of behavior modification as a technique for motivating employees rather than as a theory of work motivation. It does not attempt to provide a comprehensive model of the various personal and job-related variables that contribute to motivation. Instead, its managerial thrust is how to motivate, and it is probably this emphasis that has led to its current popularity among some managers. Even so, we should be cautioned against the unquestioned acceptance of any technique until we understand the assumptions underlying the model. If the underlying assumptions of a model appear to be uncertain or inappropriate in a particular situation or organization, its use is clearly questionable.

expanding around the globe

In Japan's Hell Camp

There is a saying in Japan that "the nail that sticks up gets hammered down." This means that in corporate Japan employees are supposed to act together and move in unison. Individuality is not encouraged. Although Japanese companies use many techniques to train their employees to work hard and overcome adversity as a group, one rather notable approach that is used by many companies is known as Hell Camp.

The purpose of Hell Camp is to develop employees so they can "concentrate under difficulty."

Representing something of a blend of Outward Bound and assertiveness training, Hell Camp is designed to toughen employees by putting them through numerous humiliating exercises (e.g., making them shout their company song outside the local train station). If they pass each exercise (for example, if they shout loud enough and with sufficient emotion), they are allowed to remove one of several "badges of shame." Criteria for removing a badge are left vague, so, in essence, the program uses a variable-ratio reinforcement system. The employee never quite knows when the trainer will say she has succeeded; therefore, the most likely level of performance that will result in the removal of shame badges is that at the higher end of the spectrum of performance. If the employee succeeds during the week-long program in removing all of the badges and shows her sincerity and commitment, she graduates. If not, she must repeat the program.

Far from the trust-building exercises and fun runs of modern corporate retreats, Japan's executive Hell Camps were run with the discipline and intensity of military basic training. The goal was to whip into shape underperforming middle-management types, as well as give them the assertiveness the Japanese felt they lacked in dealing with Western competitors.

It is estimated that over 50,000 Japanese managers have gone through the program. Companies like it because they see it as a way to keep managers from getting soft. As one executive notes, "Companies have been getting very soft, very weak in their way of demanding excellence." It is thought that the harassment received during Hell Camp and the reinforcement following satisfactory task accomplishment instill character, and Japanese companies show no sign of losing interest in the program.

Sources: Richarz, Allan, " The Intense Corporate 'Hell Camps' of 1980s Japan," Atlas Obscura, May 30, 2017, https://www.atlasobscura.com/article...camp-japan-80s; Phallon, R., "Hell Camp," Forbes, June 18, 1984; Neill, Michael and Lustig, David, " A 13-Day Japanese Boot Camp Shows U.S. Executives How to Succeed in Business Through Suffering," People, May 30, 1988, people.com/archive/a-13-day- japanese-boot-camp-shows-u-s-executives-how-to-succeed-in-business-through-suffering-vol-29-no-21/.

Assumptions of Behavior Modification

The foundation of behavior modification as a technique of management rests on three ideas.[16] First, advocates of behavior modification believe that individuals are basically passive and reactive (instead of proactive). They tend to respond to stimuli in their environment rather than assuming personal responsibility in initiating behavior. This assertion is in direct contrast to cognitive theories of motivation (such as expectancy/valence theory), which hold that individuals make conscious decisions about their present and future behaviors and take an active role in shaping their environment.

Second, advocates of behavior modification focus on observable and measurable behavior instead of on unobservable needs, attitudes, goals, or motivational levels. In contrast, cognitive theories focus on both observable and unobservable factors as they relate to motivation. Social learning theory, in particular, argues that individuals can change their behavior simply by observing others and noticing the punishments or rewards that the observed behaviors produce.

Third, behavior modification stresses that permanent changes can be brought about only as a result of reinforcement. Behaviors that are positively reinforced will be repeated (that is, learned), whereas behaviors not so reinforced will diminish (according to the law of effect, discussed earlier).

Designing a Behavior Modification Program

If behavior modification techniques are to work, their application must be well-designed and systematically applied. Systematic attempts to implement these programs typically go through five phases (see **Exhibit 4.8**).

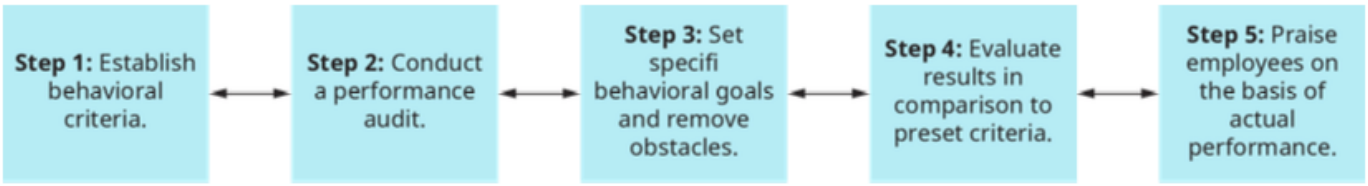


Exhibit 4.8 Steps in Implementing a Behavior Modification Program

Establishing Clear Behavioral Criteria. First, management attempts to define and clearly specify the behavioral aspects of acceptable performance. Management must be able to designate what constitutes acceptable behavior in terms that employees can understand, and this specification must be in objective, measurable terms. Examples of **behavioral criteria** include good attendance, promptness in arriving for work, and completing tasks on schedule. Sometimes it is difficult to determine suitable objective indicators of successful performance. For instance, as a training director of a major airline asked, "How do you quantify what a flight attendant does?" Even so, there are many situations and work behaviors that do lend themselves to clear specification.

Conducting a Performance Audit. Once acceptable behavioral criteria have been specified, a **performance audit** can be done. Because management is concerned about the extent to which employees are successfully meeting the behavioral criteria, the audit is aimed at pinpointing trouble spots where desired behaviors are not being carried out. For instance, a review of attendance records of various department may reveal a department in which absenteeism or tardiness is unusually high. Action can then be taken to focus on the problem area. In short, the performance audit aims to identify discrepancies between what management sees as desired or acceptable behavior and actual behavior.

Setting Specific Behavioral Goals. Third, specific behavioral goals must be set for each employee. Failure to specify concrete behavioral goals is a primary reason for the failure of many behavior modification programs. Examples of such goals are decreasing absenteeism or tardiness, reducing product defects on an assembly line, and meeting production schedules. The goals should be both realistic (that is, reasonably achievable by the employees) and acceptable to the employee. Otherwise, the

goals lack relevance, and resulting effort will diminish.

Evaluating Results. Next, employees and supervisors keep track of the employee's performance record as compared to the preset behavioral criteria and goals. Discrepancies are noted and discussed. For example, the record could provide employees with continuous feedback concerning the extent to which they are on target in meeting their defect reduction goals.

Administering Feedback and Rewards. Finally, on the basis of the assessment of the employee's performance record, the supervisor administers feedback and, where warranted, praise. For example, praise could strengthen the employees' efforts to reduce defects (positive reinforcement). The withholding of praise for defect levels deemed less than adequate or below established goals could cause employees to stop behavior that was contributing to defects or work harder to reduce defects (extinction).

Central to this phase of the process is the notion of **shaping**. Shaping is the process of improving performance incrementally, step by step. Suppose that an employee is absent 30 percent of the time during one month. To improve attendance, we would set a goal of being absent only 5 percent of the time. After implementing the above procedure, we find that absenteeism falls to 20 percent in the second month. Although this is not at goal level, it is clearly an improvement and, as such, is rewarded. The next month, absenteeism falls to 15 percent, and, again, we reward the incremental improvement. Hence, by this incremental approach, the employee gets ever closer to the desired level of behavior. In other words, we have "shaped" her behavior.

Behavior Modification in Practice

There are many ways to see how the principles of behavior modification can be applied in organizational settings. Perhaps one of the best examples can be found in a classic study carried out by Luthans and Kreitner.[17] These researchers carried out a field experiment in a medium-sized light manufacturing plant. Two separate groups of supervisors were used in the study. In one group (the experimental group—see **Appendix A**), the supervisors were trained in the techniques of behavior modification. This program was called "behavioral contingency management," or BCM. Included here were ten 90-minute lectures conducted over 10 weeks on behavioral change strategies. The second group of supervisors (the control group) received no such training. Following this, the trained supervisors were asked to implement what they had learned among their groups; obviously, the control group supervisors were given no such instructions.

After 10 weeks, group performance was examined for all groups. Two types of data were collected. First, the researchers were interested in any possible behavioral changes among the various workers in the experimental groups (compared to the control groups) as a result of the behavior modification efforts. Significantly, the following changes were noted for these groups in areas that were targeted for change: (1) the frequency of complaints among group members declined, (2) the scrap rates declined, (3) group quality indicators increased, and (4) the frequency of individual performance problems declined. No such changes were recorded for the control groups not exposed to behavior modification. The second measure taken focused on the overall performance rates for the various groups. This was calculated as a measure of direct labor effectiveness for each group. Again, overall group performance—that is, labor effectiveness ratings—improved significantly in the experimental groups but remained unchanged in the control groups. This can be seen in **Exhibit 4.9**. The researchers concluded that the introduction of the behavioral modification program led to substantive improvements in factory performance.

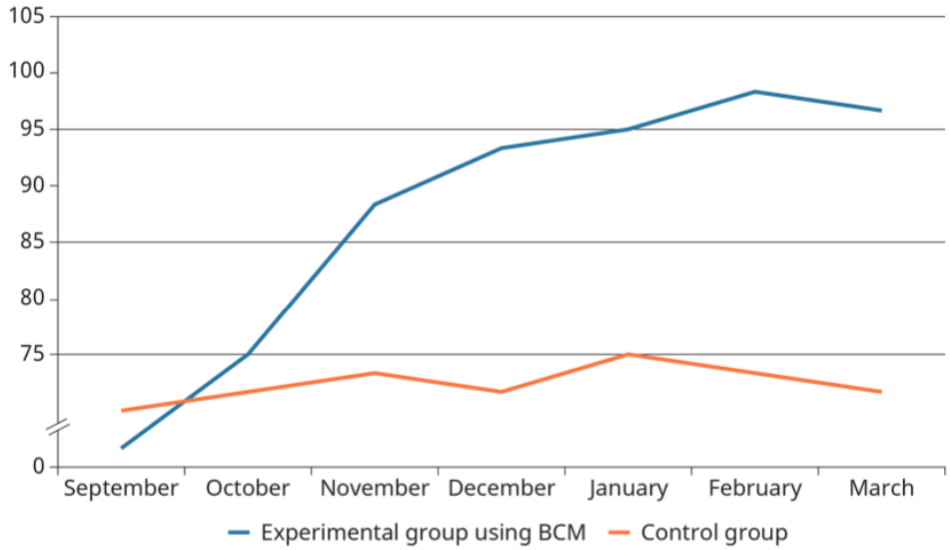


Exhibit 4.9 Intergroup Comparison of Performance using BCM

concept check

- What is behavior modification?
- What is a performance audit, and what are the components?

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16. B. F. Skinner, *Beyond Freedom and Dignity* (New York: Knopf, 1971).

17. F. Luthans and R. Kreitner, *Organizational Behavior Modification and Beyond* (Glenview, III.: Scott, Foresman, 1985), pp. 150–159.

Exhibit 4.8 Steps in Implementing a Behavior Modification Program (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)

Exhibit 4.9 Intergroup Comparison of Performance using BCM (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)

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4.4: Behavioral Self-Management

4. How can employees be trained to assume more responsibility for self-improvement and job performance with the goal of creating a work environment characterized by continual self-learning and employee development?

The second managerial technique for shaping learned behavior in the workplace is *behavioral self-management* (or BSM). Behavioral self-management is the process of modifying one's own behavior by systematically managing cues, cognitive processes, and contingent consequences.18 BSM is an approach to learning and behavioral change that relies on the individual to take the initiative in controlling the change process. The emphasis here is on "behavior" (because our focus is on changing behaviors), not attitudes, values, or personality. Although similar to behavior modification, BSM differs in one important respect: there is a heavy emphasis on cognitive processes, reflecting the influence of Bandura's social learning theory.

The Self-Regulation Process

Underlying BSM is a firm belief that individuals are capable of self-control; if they want to change their behavior (whether it is to come to work on time, quit smoking, lose weight, etc.), it is possible through a process called **self-regulation**, as depicted in **Exhibit 4.10**.[19] According to the model, people tend to go about their day's activities fairly routinely until something unusual or unexpected occurs. At this point, the individual initiates the self-regulation process by entering into **self-monitoring** (Stage 1). In this stage, the individual tries to identify the problem. For example, if your supervisor told you that your choice of clothing was unsuitable for the office, you would more than likely focus your attention on your clothes.



Exhibit 4.10 Kanfer's Model of Self-Regulation

Next, in Stage 2, or *self-evaluation*, you would consider what you should be wearing. Here, you would compare what you have on to acceptable standards that you learned from colleagues, other relevant role models, and advertising, for example. Finally, after evaluating the situation and taking corrective action if necessary, you would assure yourself that the disruptive influence had passed and everything was now fine. This phase (Stage 3) is called **self-reinforcement**. You are now able to return to your normal routine. This self-regulation process forms the foundation for BSM.

Self-Management in Practice

When we combine the above self-regulation model with social learning theory (discussed earlier), we can see how the self-management process works. As shown in **Exhibit 4.11**, four interactive factors must be considered. These are *situational cues, the person, behaviors,* and *consequences*.20 (Note that the arrows in this diagram go in both directions to reflect the two-way process among these four factors.)

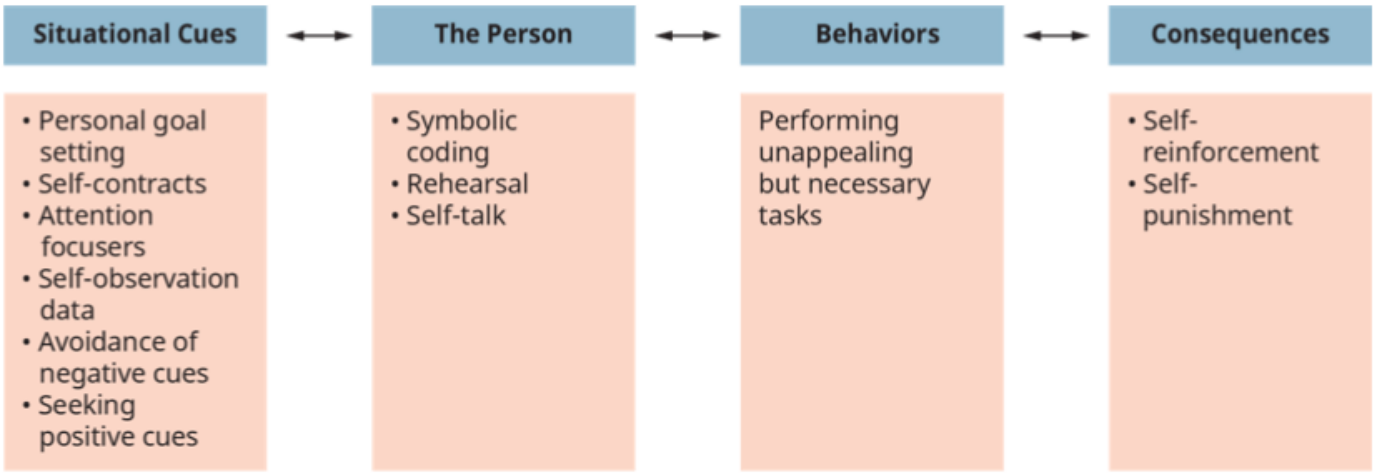


Exhibit 4.11 A Social Learning Theory Model of Self-Management

Situational Cues. In attempting to change any behavior, people respond to the cues surrounding them. One reason it is so hard for some people to give up smoking is the constant barrage of advertisements on billboards, in magazines, and so forth. There are too many cues reminding people to smoke. However, situational cues can be turned to our advantage when using BSM. That is, through the use of six kinds of cue (shown in **Exhibit 4.11**, column 1), people can set forth a series of positive reminders and goals concerning the desired behaviors. These reminders serve to focus our attention on what we are trying to accomplish. Hence, a person who is trying to quit smoking would (1) avoid any contact with smokers or smoking ads, (2) seek information on the hazards of smoking, (3) set a personal goal of quitting, and (4) keep track of cigarette consumption. These activities are aimed at providing the right situational cues to guide behavior.

Cognitive Supports. Next, the person makes use of three types of cognitive support to assist with the self- management process. Cognitive supports represent psychological (as opposed to environmental) cues. Three such supports can be identified:

1. *Symbolic Coding*. First, people may use **symbolic coding**, whereby they try to associate verbal or visual stimuli with the problem. For example, we may create a picture in our mind of a smoker who is coughing and obviously sick. Thus, every time we think of cigarettes, we would associate it with illness.
2. *Rehearsal*. Second, people may mentally rehearse the solution to the problem. For example, we may imagine how we would behave in a social situation without cigarettes. By doing so, we develop a self- image of how it would be under the desired condition.
3. *Self-Talk*. Finally, people can give themselves "pep talks" to continue their positive behavior. We know from behavioral research that people who take a negative view of things ("I can't do this") tend to fail more than people who take a more positive view ("Yes, I can do this"). Thus, through **self-talk**, we can help convince ourselves that the desired outcome is indeed possible.

Behavioral Dilemmas. Obviously, self-management is used almost exclusively to get people to do things that may be unappealing; we need little incentive to do things that are fun. Hence, we use self-management to get individuals to stop procrastinating on a job, attend to a job that may lack challenge, assert themselves, and so forth. These are the "**behavioral dilemmas**" referred to in the model (**Exhibit 4.11**). In short, the challenge is to get people to substitute what have been called low-probability behaviors (e.g., adhering to a schedule or forgoing the immediate gratification from one cigarette) for high-probability behaviors (e.g., procrastinating or contracting lung cancer). In the long run, it is better for the individual—and her career—to shift behaviors, because failure to do so may lead to punishment or worse. As a result, people often use self-management to change their short-term dysfunctional behaviors into long-range beneficial ones. This short-term versus long- term conflict is referred to as a behavioral dilemma.

Self-Reinforcement. Finally, the individual can provide **self-reinforcement**. People can, in effect, pat themselves on the back and recognize that they accomplished what they set out to do. According to Bandura, self-reinforcement requires three conditions if it is to be effective: (1) clear performance standards must be set to establish both the quantity and quality of the targeted behavior, (2) the person must have control over the desired reinforcers, and (3) the reinforcers must be administered only on a conditional basis—that is, failure to meet the performance standard must lead to denial of the reward.[21] Thus, through a process of working to change one's environment and taking charge of one's own behavior, self-management techniques allow individuals to improve their behavior in a way that can help them and those around them.

Reducing Absenteeism through Self-Management

In a recent study, efforts were made to reduce employee absenteeism using some of the techniques found in behavioral self-management. The employees were unionized state government workers with a history of absenteeism. Self-management training was given to these workers. Training was carried out over eight one-hour sessions for each group, along with eight 30-minute one-on-one sessions with each participant.

Included in these sessions were efforts to (1) teach the participants how to describe problem behaviors (e.g., disagreements with coworkers) that led to absences, (2) identify the causes creating and maintaining the behaviors, and (3) develop coping strategies. Participants set both short-term and long-term goals with respect to modifying their behaviors. In addition, they were shown how to record their own absences in reports including their frequency and the reasons for and consequences of them. Finally, participants identified potential reinforcers and punishments that could be self-administered contingent upon goal attainment or failure.

When, after nine months, the study was concluded, results showed that the self-management approach had led to a significant reduction in absences (compared to a control group). The researchers concluded that such an approach has important applications to a wide array of behavioral problems in the workplace.[22]

concept check

- Understand Kanfer's behavioral self-management process.
- What are things you can do to instill self-management techniques for yourself?
- What behavioral self-management techniques can you use as a manager?

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19. F. H. Kanfer and A. P. Goldstein, *Helping People Change: A Textbook of Methods* (New York: Pergamon Press, 1980).

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21. A. Bandura, "Self-Reinforcement: Theoretical and Methodological Considerations," *Behaviorism,* Fall 1976, pp. 135–155; Luthans and Kreitner, *Organizational Behavior Modification and Beyond.*

22. G. Latham and C. Fayne, "Self-Management Training for Increasing Job Attendance," *Journal of Applied Psychology,* 1989, pp. 411–416.

Exhibit 4.10 Kanfer's Model of Self-Regulation (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)

Exhibit 4.11 A Social Learning Theory Model of Self-Management (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)

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Avoidance learning Refers to seeking to avoid an unpleasant condition or outcome by following a desired behavior.

Behavior modification The use of operant conditioning principles to shape human behavior to conform to desired standards defined by superiors.

Behavioral criteria Defining what constitutes acceptable behavior in terms that employees can understand in objective, measurable terms.

Behavioral dilemmas The process of getting people to substitute what have been called low-probability behaviors for high-probability behaviors.

Behavioral self-management The use of operant conditioning principles to shape your own behavior to conform to desired standards defined by superiors.

Classical conditioning The process whereby a stimulus-response bond is developed between a conditioned stimulus and a conditioned response through the repeated linking of a conditioned stimulus with an unconditioned stimulus.

Conditioned response The process of conditioning through the repeated linking of a conditioned stimulus with an unconditioned stimulus.

Continuous reinforcement Rewards desired behavior every time it occurs.

Drive An internal state of disequilibrium; it is a felt need. It is generally believed that drive increases with the strength of deprivation.

Extinction The principle that suggests that undesired behavior will decline as a result of a lack of positive reinforcement.

Habit The experienced bond or connection between stimulus and response.

Law of effect States that of several responses made to the same situation, those that are accompanied or closely followed by satisfaction (reinforcement) will be more likely to occur; those that are accompanied or closely followed by discomfort (punishment) will be less likely to occur.

Operant conditioning Measures the effects of reinforcements, or rewards, on desired behaviors.

Partial reinforcement Rewards desired behavior at specific intervals, not every time desired behavior is exhibited.

Performance audit Aims to identify discrepancies between what management sees as desired or acceptable behavior and actual behavior.

Positive reinforcement Consists of presenting someone with an attractive outcome following a desired behavior.

Punishment The administration of unpleasant or adverse outcomes as a result of undesired behavior.

Reciprocal determinism This concept implies that people control their own environment as much as the environment controls people.

Reinforcement Anything that causes a certain behavior to be repeated or inhibited.

Self-regulation The belief that individuals are capable of self-control if they want to change their behavior.

Self-reinforcement The stage in Kanfer's model where, by evaluating the situation and taking corrective action if necessary, one would assure themselves that the disruptive influence had passed and everything was now fine.

Self-talk The process of convincing ourselves that the desired outcome is indeed possible.

Shaping The process of improving performance incrementally, step by step.

Social learning theory The process of molding behavior through the reciprocal interaction of a person's cognitions, behavior,

and environment.

Symbolic coding When people try to associate verbal or visual stimuli with the problem.

Unconditioned response From classical conditioning, a response to an unconditioned stimulus that is naturally evoked by that stimulus.

Vicarious learning Learning that takes place through the imitation of other role models.

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4.6: Summary of Learning Objectives

4.1 Basic Models of Learning

1. How do organizations offer appropriate rewards in a timely fashion?

People learn through both direct experience and vicarious experience. What is retained and produced as behavior is a function of the positive and negative consequences either directly experience by individuals or observed as the result of the actions of others. Often, managers and trainers underestimate the power of vicarious learning. Also, keep in mind that reinforcement that has some variability in its application (variable ratio or interval) has the strongest and longest-lasting impact on desired learned behaviors.

Learning is a relatively permanent change in behavior that occurs as a result of experience.

Thorndike's law of effect notes that behavior that is rewarded is likely to be repeated, whereas behavior that is punished is unlikely to be repeated. Operant conditioning can be distinguished from classical conditioning in two ways: (1) it asserts that changes in behavior result from the consequences of previous behaviors instead of changes in stimuli, and (2) it asserts that desired behaviors result only when rewards are tied to correct responses instead of when unconditioned stimuli are administered after every trial.

Social learning is the process of altering behavior through the reciprocal interaction of a person's cognitions, previous behavior, and environment. This is done through a process of reciprocal determinism.

Vicarious learning is learning that takes place through observation and imitation of others.

Learning is influenced by (1) a motivation to learn, (2) knowledge of results, (3) prior learning, (4) the extent to which the task to be learned is presented as a whole or in parts, and (5) distribution of practice.

4.2 Reinforcement and Behavioral Change

2. What are the best practices that organizations utilize to train employees in new job skills?

Reinforcement causes a certain behavior to be repeated or inhibited. Positive reinforcement is the practice of presenting someone with an attractive outcome following a desired behavior.

Avoidance learning occurs when someone attempts to avoid an unpleasant condition or outcome by behaving in a way desired by others.

Punishment is the administration of an unpleasant or adverse outcome following an undesired behavior. Reinforcement schedules may be continuous or partial. Among the partial reinforcement schedules are (1) fixed interval, (2) fixed ratio, (3) variable interval, and (4) variable ratio.

4.3 Behavior Modification in Organizations

3. How do managers and organizations reduce undesirable employee behavior while reinforcing desirable behavior?

Behavior modification is the use of operant principles to shape human behavior to conform to desired standards as defined by superiors. A behavior modification program follows five steps: (1) establish clear objectives, (2) conduct a performance audit, (3) set specific goals and remove obstacles, (4) evaluate results against preset criteria, and (5) administer feedback and praise where warranted.

4.4 Behavioral Self-Management

4. How can employees be trained to assume more responsibility for self-improvement and job performance with the goal of creating a work environment characterized by continual self-learning and employee development?

Behavioral self-management is the process of modifying one's own behavior by systematically managing cues, cognitions, and

contingent consequences. BSM makes use of the self-regulation process.

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4.7: Chapter Review Questions

1. Define learning. Why is an understanding of learning important for managers?
2. Compare and contrast operant conditioning with classical conditioning. Provide examples of each.
3. What is social learning theory? Describe how this process works.
4. What implications of social learning theory for management can you identify?
5. Identify four strategies for reinforcement, and provide an example of each.
6. Describe the four different schedules of reinforcement, and show how their use by managers can vary.
7. How might you design a simple behavior modification program for a group of employees? Explain.
8. What are some problems in trying to implement a behavioral self-management program? How can managers attempt to overcome these problems?

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4.8: Managerial Skills Application Exercise

1. In order to better understand how behavioral self-management programs operate, you might want to complete this self-assessment and design your own self-management program. This exercise allows you to see firsthand how these programs can be applied to a wide array of problems. It also highlights the advantages and drawbacks of such programs. Refer to **Appendix B** when you are finished in order to evaluate your results.

Designing Your Own Behavioral Self-Management Program

Instructions: Think of a personal problem that you would like to overcome. This problem could be to stop smoking, improve your grades, stop a certain habit, and so forth. With this problem in mind, design your own behavioral self-management program using the procedures and principles previously outlined in this chapter. After you have designed and started the program, monitor your performance over time and see how effective you are both in following the program and in meeting your objectives. In light of your experience, how do you feel about the potential of behavioral self-management programs in the industrial setting? (See **Appendix B**.)

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4.9: Managerial Decision Exercise

1. You manage the human resources department for a mid-sized retailer. Part of the operations consists of a call center with 100 employees spread over three shifts operating 24 hours a day, seven days a week. There is a main group with 20 people reporting to a shift supervisor on the main daytime shift from 8 a.m. to 4 p.m. There are regularly scheduled times for breaks and lunch. Recently senior management reported to you that they were concerned regarding tardiness of some employees. While the customer relationship management reports signal that there are no service issues, senior managers are concerned that they are overstaffed. You feel that the daytime shift is the most experienced group, and you do not want to lose some of the best employees through termination. You also do not have any budget money to use for incentive payments aimed at reducing tardiness. What ideas from operant conditioning, behavior modification, and social learning theory would you use to reduce the problems of tardiness?

2. Organizations are facing changes in their business environment because of globalization of markets and competition, growth of immediate digital information and communications, growth of the service-based economy, and changes in rules affecting corporate governance and trade relationships. Assume the role of a CEO who needs to change their corporate culture and their standards of operation. The organizational structures in your industry have trended from tall, hierarchical bureaucracies to flat, decentralized operations that encourage innovation. Changes like this do not happen automatically. What theories and techniques would you use to change your organization's culture?

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4.10: Critical Thinking Case

Walt Disney World

When it comes to presenting world-class customer experiences, Walt Disney World is at the top of the list. It's literally called the Most Magical Place on Earth. However, it isn't just their customers who are receiving rewards for visiting—their cast members and crew are getting rewarded big-time as well.

Incentives go above and beyond a 401(k) program, and they can go a long way in retaining employees and increasing employee satisfaction as well. Disney has over 180 employee recognition programs to give their employees a sense of accomplishment, recognition, and appreciation.

There are over 70,000 cast members at Walt Disney World, each of whom receives extensive training to make sure that they make the customer experience a world-class enjoyment. According to Mike Fox, author of *Hidden Secrets & Stories of Walt Disney World*, "it always impresses me, especially at the cast member level, the training that goes into helping these folks to provide a superior experience and to see it on stage and see it executed."

Walt Disney exemplifies many ways of recognition, lots of them being physical in-park recognitions. These include names in windows on Main Street tributes, featuring Disney's best "imagineers" that helped create some of the park's greatest rides and innovations. One of the most unique is the Lifetime Fred award, which recognizes employees who exhibit the core company values of friendliness and dependability. It is these varying types of recognition that make Walt Disney's rewards program so robust and versatile and keep employees engaged and willing to work hard to achieve more.

Questions:

1. What key factors are important to consider when creating a rewards program?
2. Why is timing a key component of a rewards program?
3. What can be problematic about the wrong type of reward or the wrong frequency of the reward fo employees?

Sources: Rhatigan, Chris, "These 4 Companies Totally Get Employee Recognition," *TINY pulse*, July 21, 2015, https://www.tinypulse.com/blog/these...ee-recognition; "Rewarding Your Employees: 15 Examples of Successful Incentives in The Corporate World," *Robinson Resource Group*, June 30, 2013, http://www.rrgexec.com/rewarding-you...ntives-in-the- corporate-world/; Kober, Jeff, "Reward & Recognition at Walt Disney World," World Class Benchmarking,October 17, 2016, http://worldclassbenchmarking.com/re...-world-resort/; Cain, Áine, "15 insider facts about working at Walt Disney World only cast members know," *Business Insider*, May 1, 2018, https://www.businessinsider.com/walt...if-the-guests- can-see-you-youre-technically-onstage-5.

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5: PERCEPTION AND JOB ATTITUDES



After reading this chapter, you should be able to answer these questions:

1. How do differences in perception affect employee behavior and performance?
2. How can managers and organizations minimize the negative impact of stereotypes and other barriers to accurate social perception in interpersonal relations?
3. How do people attribute credit and blame for organizational events?
4. How can a work environment characterized by positive work attitudes be created and maintained?
5. How can managers and organizations develop a committed workforce?

5.1: The Perceptual Process

5.2: Barriers to Accurate Social Perception

5.3: Attributions - Interpreting the Causes of Behavior

5.4: Work-Related Attitudes

5.5: Glossary

5.6: Summary of Learning Outcomes

5.7: Chapter Review Questions

5.8: Management Skills Application Exercises

5.9: Managerial Decision Exercises

5.10: Critical Thinking Case

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5.1: The Perceptual Process

exploring perceptions affect workplace harmony

Personal Perceptions Affect Workplace Harmony

Conflict was a feeling that James and Chaz were familiar with in their workplace. It was just a matter of time before their differences bubbled up to form a real hardship on themselves as well as their management teams.

Chaz is anxious to get ahead, really focused on how fast he can accelerate his career. In order to showcase his tenacity, he stays extra hours and often takes on extra assignments from upper management and doesn't seem to mind. James, on the other hand, is content in his position and believes that if he does his regular job, he will be seen a stable part of the team and will be rewarded for his everyday efforts. James views Chaz's behavior as "kissing up" and resents Chaz for his extra efforts because it may make his own work look bad. James doesn't give a thought to the personal reasons why Chaz may be acting that way, and instead ends up treating Chaz poorly, with a short temper every time they have to work together.

Chaz talks to his manager, Jerry, about the way that he is being treated by James. He explains that he has been having some personal troubles at home, his wife is expecting, and they are trying to save for the new addition to their family. Chaz is feeling pressure to work hard and showcase his talents in order to get a raise. He also expresses his feelings against James, mainly that he shouldn't be scrutinized for going above and beyond when his colleagues may just decide to do the minimum requirements. Jerry understands, and he appreciates Chaz coming to him with his concerns. They talk about ways to measure Chaz's extra efforts and plan a conversation during their annual review period to discuss his raise again. Jerry also suggests that Chaz talk with James to alleviate some of the negative behavior he is experiencing. He feels that if James understood the reasons behind Chaz's actions, he may be less jealous and feel less threatened by him.

Questions:

1. How can an individual's perceptions be a challenge in the workplace?
2. What can James do in the future to address Chaz in a different manner and better understand his actions?
3. What do you think Jerry could have done differently to help his employees overcome their differences and work more efficiently together?

1. How do differences in perception affect employee behavior and performance?

By **perception**, we mean the process by which one screen, selects, organizes, and interprets stimuli to give them meaning.[1] It is a process of making sense out of the environment in order to make an appropriate behavioral response. Perception does not necessarily lead to an accurate portrait of the environment, but rather to a unique portrait, influenced by the needs, desires, values, and disposition of the perceiver. As described by Kretch and associates.[2] an individual's perception of a given situation is not a photographic representation of the physical world; it is a partial, personal construction in which certain objects, selected by the individual for a major role, are perceived in an individual manner. Every perceiver is, as it were, to some degree a nonrepresentational artist, painting a picture of the world that expresses an individual view of reality.

The multitude of objects that vie for attention are first selected or screened by individuals. This process is called **perceptual selectivity**. Certain of these objects catch our attention, while others do not. Once individuals notice a particular object, they then attempt to make sense out of it by organizing or categorizing it according to their unique frame of reference and their needs. This second process is termed **perceptual organization**. When meaning has been attached to an object, individuals are in a position to determine an appropriate response or reaction to it. Hence, if we clearly recognize and understand we are in danger from a falling rock or a car, we can quickly move out of the way.

Because of the importance of perceptual selectivity for understanding the perception of work situations, we will examine this concept in some detail before considering the topic of social perception.

Perceptual Selectivity: Seeing What We See

As noted above, **perceptual selectivity** refers to the process by which individuals select objects in the environment for attention.

Without this ability to focus on one or a few stimuli instead of the hundreds constantly surrounding us, we would be unable to process all the information necessary to initiate behavior. In essence, perceptual selectivity works as follows (see **Exhibit 3.2**). The individual is first exposed to an object or stimulus—a loud noise, a new car, a tall building, another person, and so on. Next, the individual focuses attention on this one object or stimulus, as opposed to others, and concentrates his efforts on understanding or comprehending the stimulus. For example, while conducting a factory tour, two managers came across a piece of machinery. One manager's attention focused on the stopped machine; the other manager focused on the worker who was trying to fix it. Both managers simultaneously asked the worker a question. The first manager asked why the machine was stopped, and the second manager asked if the employee thought that he could fix it. Both managers were presented with the same situation, but they noticed different aspects. This example illustrates that once attention has been directed, individuals are more likely to retain an image of the object or stimulus in their memory and to select an appropriate response to the stimulus. These various influences on selective attention can be divided into external influences and internal (personal) influences (see **Exhibit 3.3**).

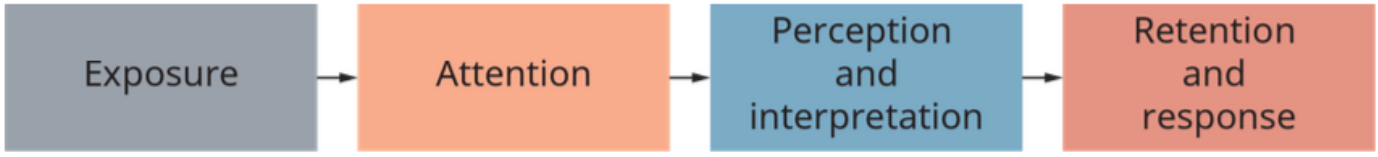


Exhibit 3.2 The Process of Perceptual Selectivity

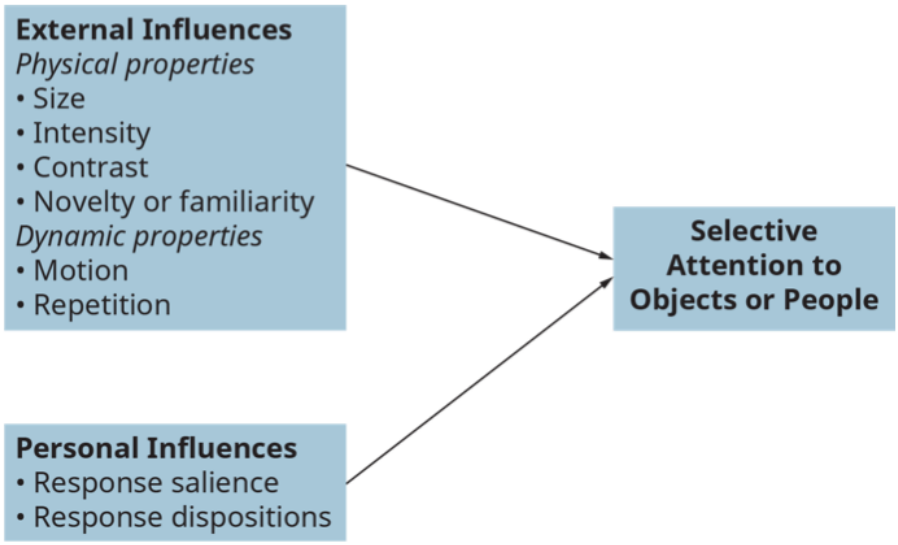


Exhibit 3.3 Major Influences on Selective Attention

External Influences on Selective Attention

External influences consist of the characteristics of the observed object or person that activate the senses. Most external influences affect selective attention because of either their physical properties or their dynamic properties.

Physical Properties. The physical properties of the objects themselves often affect which objects receive attention by the perceiver. Emphasis here is on the unique, different, and out of the ordinary. A particularly important physical property is *size*. Generally, larger objects receive more attention than smaller ones. Advertising companies use the largest signs and billboards allowed to capture the perceiver's attention. However, when most of the surrounding objects are large, a small object against a field of large objects may receive more attention. In either case, size represents an important variable in perception. Moreover, brighter, louder, and more colorful objects tend to attract more attention than objects of less *intensity*. For example, when a factory foreman yells an order at his subordinates, it will probably receive more notice (although it may not receive the desired response) from workers. It must be remembered here, however, that intensity heightens attention only when compared to other comparable stimuli. If the foreman always yells, employees may stop paying much attention to the yelling. Objects that *contrast* strongly with the background against which they are observed tend to receive more attention than less-contrasting objects. An example of the contrast principle can be seen in the use of plant and highway safety signs. A terse message such as "Danger" is lettered in black against a yellow or orange background. A final physical characteristic that can heighten perceptual awareness is the *novelty* or *unfamiliarity* of the object. Specifically, the unique or unexpected seen in a familiar setting (an executive of a

conservative company who comes to work in Bermuda shorts) or the familiar seen in an incongruous setting (someone in church holding a can of beer) will receive attention.

Dynamic Properties. The second set of external influences on selective attention are those that either change over time or derive their uniqueness from the order in which they are presented. The most obvious dynamic property is *motion*. We tend to pay attention to objects that move against a relatively static background. This principle has long been recognized by advertisers, who often use signs with moving lights or moving objects to attract attention. In an organizational setting, a clear example is a rate-buster, who shows up his colleagues by working substantially faster, attracting more attention.

Another principle basic to advertising is *repetition* of a message or image. Work instructions that are repeated tend to be received better, particularly when they concern a dull or boring task on which it is difficult to concentrate. This process is particularly effective in the area of plant safety. Most industrial accidents occur because of careless mistakes during monotonous activities. Repeating safety rules and procedures can often help keep workers alert to the possibilities of accidents.

Personal Influences on Selective Attention

In addition to a variety of external factors, several important personal factors are also capable of influencing the extent to which an individual pays attention to a particular stimulus or object in the environment. The two most important personal influences on perceptual readiness are **response salience** and **response disposition**.

Response Salience. This is a tendency to focus on objects that relate to our *immediate* needs or wants. Response salience in the work environment is easily identified. A worker who is tired from many hours of work may be acutely sensitive to the number of hours or minutes until quitting time. Employees negotiating a new contract may know to the penny the hourly wage of workers doing similar jobs across town. Managers with a high need to achieve may be sensitive to opportunities for work achievement, success, and promotion. Finally, female managers may be more sensitive than many male managers to condescending male attitudes toward women. Response salience, in turn, can distort our view of our surroundings. For example, as Ruch notes:

"Time spent on monotonous work is usually overestimated. Time spent in interesting work is usually underestimated. . . . Judgment of time is related to feelings of success or failure. Subjects who are experiencing failure judge a given interval as longer than do subjects who are experiencing success. A given interval of time is also estimated as longer by subjects trying to get through a task in order to reach a desired goal than by subjects working without such motivation."[3]

Response Disposition. Whereas response salience deals with immediate needs and concerns, **response disposition** is the tendency to recognize familiar objects more quickly than unfamiliar ones. The notion of response disposition carries with it a clear recognition of the importance of past learning on what we perceive in the present. For instance, in one study, a group of individuals was presented with a set of playing cards with the colors and symbols reversed—that is, hearts and diamonds were printed in black, and spades and clubs in red. Surprisingly, when subjects were presented with these cards for brief time periods, individuals consistently described the cards as they expected them to be (red hearts and diamonds, black spades and clubs) instead of as they really were. They were predisposed to see things as they always had been in the past.[4]

Thus, the basic perceptual process is in reality a fairly complicated one. Several factors, including our own personal makeup and the environment, influence how we interpret and respond to the events we focus on. Although the process itself may seem somewhat complicated, it in fact represents a shorthand to guide us in our everyday behavior. That is, without perceptual selectivity we would be immobilized by the millions of stimuli competing for our attention and action. The perceptual process allows us to focus our attention on the more salient events or objects and, in addition, allows us to categorize such events or objects so that they fit into our own conceptual map of the environment.

expanding around the globe

Which Car Would You Buy?

When General Motors teamed up with Toyota to form California-based New United Motor Manufacturing Inc. (NUMMI), they had a great idea. NUMMI would manufacture not only the popular Toyota Corolla but would also make a GM car called the Geo Prizm. Both cars would be essentially identical except for minor styling differences. Economies of scale and high quality

would benefit the sales of both cars. Unfortunately, General Motors forgot one thing. The North American consumer holds a higher opinion of Japanese-built cars than American-made ones. As a result, from the start of the joint venture, Corollas have sold rapidly, while sales of Geo Prizms have languished.

With hindsight, it is easy to explain what happened in terms of perceptual differences. That is, the typical consumer simply perceived the Corolla to be of higher quality (and perhaps higher status) and bought accordingly. Not only was the Prizm seen more skeptically by consumers, but General Motors' insistence on a whole new name for the product left many buyers unfamiliar with just what they were buying. Perception was that main reason for lagging sales; however, the paint job on the Prizm was viewed as being among the worst ever. As a result, General Motors lost $80 million on the Prizm in its first year of sales. Meanwhile, demand for the Corolla exceeded supply.

The final irony here is that no two cars could be any more alike than the Prizm and the Corolla. They are built on the same assembly line by the same workers to the same design specifications. They are, in fact, the same car. The only difference is in how the consumers perceive the two cars—and these perceptions obviously are radically different.

Over time, however, perceptions did change. While there was nothing unique about the Prizm, the vehicle managed to sell pretty well for the automaker and carried on well into the 2000s. The Prizm was also the base for the Pontiac Vibe, which was based on the Corolla platform as well, and this is one of the few collaborations that worked really well.

Sources: C. Eitreim, "10 Odd Automotive Brand Collaborations (And 15 That Worked)," *Car Culture*, January 19, 2019; R. Hof, "This Team-Up Has It All—Except Sales," *Business Week,* August 14, 1989, p. 35; C. Eitreim, "15 GM Cars With The Worst Factory Paint Jobs (And 5 That'll Last Forever)," *Motor Hub*, November 8, 2018.

Social Perception in Organizations

Up to this point, we have focused on an examination of basic perceptual processes—how we see objects or attend to stimuli. Based on this discussion, we are now ready to examine a special case of the perceptual process—**social perception** as it relates to the workplace. Social perception consists of those processes by which we perceive other people.[5] Particular emphasis in the study of social perception is placed on how we interpret other people, how we categorize them, and how we form impressions of them.

Clearly, social perception is far more complex than the perception of inanimate objects such as tables, chairs, signs, and buildings. This is true for at least two reasons. First, people are obviously far more complex and dynamic than tables and chairs. More-careful attention must be paid in perceiving them so as not to miss important details. Second, an accurate perception of others is usually far more important to us personally than are our perceptions of inanimate objects. The consequences of misperceiving people are great. Failure to accurately perceive the location of a desk in a large room may mean we bump into it by mistake. Failure to perceive accurately the hierarchical status of someone and how the person cares about this status difference might lead you to inappropriately address the person by their first name or use slang in their presence and thereby significantly hurt your chances for promotion if that person is involved in such decisions. Consequently, social perception in the work situation deserves special attention.

We will concentrate now on the three major influences on social perception: the characteristics of (1) the person being perceived, (2) the particular situation, and (3) the perceiver. When taken together, these influences are the dimensions of the environment in which we view other people. It is important for students of management to understand the way in which they interact (see **Exhibit 3.4**).

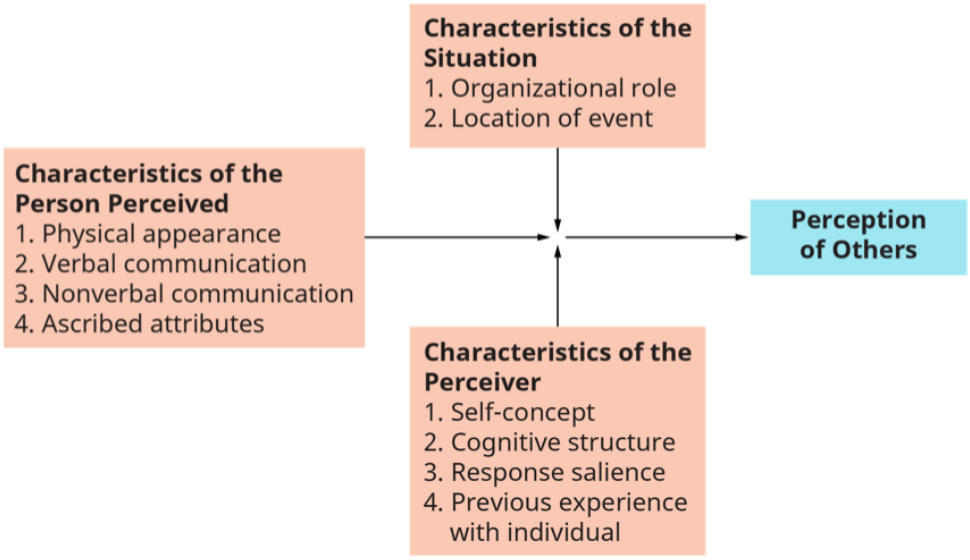


Exhibit 3.4 Major Influences on Social Perception in Organizations

The way in which we are evaluated in social situations is greatly influenced by our own unique sets of personal characteristics. That is, our dress, talk, and gestures determine the kind of impressions people form of us. In particular, four categories of personal characteristics can be identified: (1) physical appearance, (2) verbal communication, (3) nonverbal communication, and (4) ascribed attributes.

Physical Appearance. A variety of physical attributes influence our overall image. These include many of the obvious demographic characteristics such as age, sex, race, height, and weight. A study by Mason found that most people agree on the physical attributes of a leader (i.e., what leaders *should* look like), even though these attributes were not found to be consistently held by actual leaders. However, when we see a person who appears to be assertive, goal-oriented, confident, and articulate, we infer that this person is a natural leader. Another example of the powerful influence of physical appearance on perception is clothing. People dressed in business suits are generally thought to be professionals, whereas people dressed in work clothes are assumed to be lower-level employees.

Verbal and Nonverbal Communication. What we say to others—as well as how we say it—can influence the impressions others form of us. Several aspects of verbal communication can be noted. First, the *precision* with which one uses language can influence impressions about cultural sophistication or education. An *accent* provides clues about a person's geographic and social background. The *tone of voice* used provides clues about a speaker's state of mind. Finally, the *topics* people choose to converse about provide clues about them.

Impressions are also influenced by nonverbal communication—how people behave. For instance, facial expressions often serve as clues in forming impressions of others. People who consistently smile are often thought to have positive attitudes.[7] A whole field of study that has recently emerged is **body language**, the way in which people express their inner feelings subconsciously through physical actions: sitting up straight versus being relaxed, looking people straight in the eye versus looking away from people. These forms of expressive behavior provide information to the perceiver concerning how approachable others are, how self-confident they are, or how sociable they are.

Ascribed Attributes. Finally, we often ascribe certain attributes to a person before or at the beginning of an encounter; these attributes can influence how we perceive that person. Three ascribed attributes are status, occupation, and personal characteristics. We ascribe *status* to someone when we are told that he or she is an executive, holds the greatest sales record, or has in some way achieved unusual fame or wealth. Research has consistently shown that people attribute different motives to people they believe to be high or low in status, even when these people behave in an identical fashion.[8] For instance, high-status people are seen as having greater control over their behavior and as being more self-confident and competent; they are given greater influence in group decisions than low-status people. Moreover, high-status people are generally better liked than low-status people. *Occupations* also play an important part in how we perceive people. Describing people as salespersons, accountants, teamsters, or research scientists conjures up distinct pictures of these various people before any firsthand encounters. In fact, these pictures may even determine whether there can be an encounter.

Characteristics of the Situation

The second major influence on how we perceive others is the situation in which the perceptual process occurs. Two situational influences can be identified: (1) the organization and the employee's place in it, and (2) the location of the event.

Organizational Role. An employee's place in the organizational hierarchy can also influence his perceptions. A classic study of managers by Dearborn and Simon emphasizes this point. In this study, executives from various departments (accounting, sales, production) were asked to read a detailed and factual case about a steel company.[9] Next, each executive was asked to identify the major problem a new president of the company should address. The findings showed clearly that the executives' perceptions of the most important problems in the company were influenced by the departments in which they worked. Sales executives saw sales as the biggest problem, whereas production executives cited production issues. Industrial relations and public relations executives identified human relations as the primary problem in need of attention.

In addition to perceptual differences emerging horizontally across departments, such differences can also be found when we move vertically up or down the hierarchy. The most obvious difference here is seen between managers and unions, where the former see profits, production, and sales as vital areas of concern for the company whereas the latter place much greater emphasis on wages, working conditions, and job security. Indeed, our views of managers and workers are clearly influenced by the group to which we belong. The positions we occupy in organizations can easily color how we view our work world and those in it. Consider the results of a classical study of perceptual differences between superiors and subordinates.[10] Both groups were asked how often the supervisor gave various forms of feedback to the employees. The results, shown in **Table 3.1**, demonstrate striking differences based on one's location in the organizational hierarchy.

Differences in Perception between Supervisors and Subordinates

	Frequency with Which Supervisors Give Various Types of Recognition for Good Performance	
Types of Recognition	As Seen by Supervisors	As Seen by Subordinates
Gives privileges	**52%**	**14%**
Gives more responsibility	**48**	**10**
Gives a pat on the back	**82**	**13**
Gives sincere and thorough praise	**80**	**14**
Trains for better jobs	**64**	**9**
Gives more interesting work	**51**	**5**

Source: Adapted from R. Likert, New Patterns in Management (New York: McGraw Hill, 1961), p. 91.

Table 3.1

Location of Event. Finally, how we interpret events is also influenced by where the event occurs. Behaviors that may be appropriate at home, such as taking off one's shoes, may be inappropriate in the office. Acceptable customs vary from country to country. For instance, assertiveness may be a desirable trait for a sales representative in the United States, but it may be seen as being brash or coarse in Japan or China. Hence, the context in which the perceptual activity takes place is important.

Characteristics of the Perceiver

The third major influence on social perception is the personality and viewpoint of the perceiver. Several characteristics unique to our personalities can affect how we see others. These include (1) self-concept, (2) cognitive structure, (3) response salience, and (4) previous experience with the individual.[11]

Self-Concept. Our self-concept represents a major influence on how we perceive others. This influence is manifested in several ways. First, when we understand ourselves (i.e., can accurately describe our own personal characteristics), we are better able to perceive others accurately. Second, when we accept ourselves (i.e., have a positive self-image), we are more likely to see favorable

characteristics in others. Studies have shown that if we accept ourselves as we are, we broaden our view of others and are more likely to view people uncritically. Conversely, less secure people often find faults in others. Third, our own personal characteristics influence the characteristics we notice in others. For instance, people with authoritarian tendencies tend to view others in terms of power, whereas secure people tend to see others as warm rather than cold.[12] From a management standpoint, these findings emphasize how important it is for administrators to understand themselves; they also provide justification for the human relations training programs that are popular in many organizations today.

Cognitive Structure. Our cognitive structures also influence how we view people. People describe each other differently. Some use physical characteristics such as tall or short, whereas others use central descriptions such as deceitful, forceful, or meek. Still others have more complex cognitive structures and use multiple traits in their descriptions of others; hence, a person may be described as being aggressive, honest, friendly, *and* hardworking. (See the discussion in Individual and Cultural Differences on cognitive complexity.) Ostensibly, the greater our cognitive complexity—our ability to differentiate between people using multiple criteria—the more accurate our perception of others. People who tend to make more complex assessments of others also tend to be more positive in their appraisals.13 Research in this area highlights the importance of selective managers who exhibit high degrees of cognitive complexity. These individuals should form more accurate perceptions of the strengths and weaknesses of their subordinates and should be able to capitalize on their strengths while ignoring or working to overcome their weaknesses.

Response Salience. This refers to our sensitivity to objects in the environment as influenced by our particular needs or desires. Response salience can play an important role in social perception because we tend to see what we *want* to see. A company personnel manager who has a bias against women, minorities, or handicapped persons would tend to be adversely sensitive to them during an employment interview. This focus may cause the manager to look for other potentially negative traits in the candidate to confirm his biases. The influence of positive arbitrary biases is called the **halo effect**, whereas the influence of negative biases is often called the *horn effect*. Another personnel manager without these biases would be much less inclined to be influenced by these characteristics when viewing prospective job candidates.

Previous Experience with the Individual. Our previous experiences with others often will influence the way in which we view their current behavior. When an employee has consistently received poor performance evaluations, a marked improvement in performance may go unnoticed because the supervisor continues to think of the individual as a poor performer. Similarly, employees who begin their careers with several successes develop a reputation as fast-track individuals and may continue to rise in the organization long after their performance has leveled off or even declined. The impact of previous experience on present perceptions should be respected and studied by students of management. For instance, when a previously poor performer earnestly tries to perform better, it is important for this improvement to be recognized early and properly rewarded. Otherwise, employees may give up, feeling that nothing they do will make any difference.

Together, these factors determine the impressions we form of others (see **Exhibit 3.4**). With these impressions, we make conscious and unconscious decisions about how we intend to behave toward people. Our behavior toward others, in turn, influences the way they regard us. Consequently, the importance of understanding the perceptual process, as well as factors that contribute to it, is apparent for managers. A better understanding of ourselves and careful attention to others leads to more accurate perceptions and more appropriate actions.

concept check

1. How can you understand what makes up an individual's personality?

2. How does the content of the situation affect the perception of the perceiver?

3. What are the characteristics that the perceiver can have on interpreting personality?

---

1. M. W. Levine and J. M. Shefner, *Fundamentals of Selection and Perception* (Reading, Mass.: Addison-Wesley, 1981).

2. D. Kretch, R. S. Crutchfield, and E. L. Ballachey, *Individual in Society* (New York: McGraw-Hill, 1962).

3. F. L. Ruch, *Psychology and life* (Glenview: Scott, Foresman, 1983).

4. J. S. Bruner and L. Postman, "On the Perception of Incongruity: A Paradigm," *Journal of Personality*, 1949, 18, pp. 206–223.

5. S. T. Fiske and S. E. Taylor, *Social Cognition* (Reading, Mass.: Addison-Wesley, 1984).

6. D. J. Mason, “Judgements of Leadership Based on Physiognomic Cues,” *Journal of Abnormal and Social Psychology*, 1957, *54,* pp. 273–274.

7. P. F. Secord, “The Role of Facial Features in Interpersonal Perception,” in R. Tagiuri and L. Petrullo, eds., *Person Perception and Interpersonal Behavior* (Palo Alto: Stanford University Press, 1958), pp. 300–315.

8. J. W. Thibaut and H. W. Riecker, “Authoritarianism, Status, and the Communication of Aggression,” *Human Relations*, 1955, *8,* pp. 95–120.

9. D. C. Dearborn and H. A. Simon, “Selective Perception: A Note on Departmental Identification of Executives,” *Sociometry,* 1958, *21*, p. 142.

10. R. Likert, *New Patterns of Management* (New York: McGraw-Hill, 1961).

11. Levine and Shefner, op. cit.

12. Ibid.

13. K. J. Frauenfelder, “A Cognitive Determinant of Favorability of Impression,” *Journal of Social Psychology,* 1974, 94, pp. 71–81.

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Exhibit 3.2 The Process of Perceptual Selectivity (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)

Exhibit 3.3 Major Influences on Selective Attention (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)

Exhibit 3.4 Major Influences on Social Perception in Organizations (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)

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5.2: Barriers to Accurate Social Perception

2. How can managers and organizations minimize the negative impact of stereotypes and other barriers to accurate social perception in interpersonal relations?

In the perceptual process, several barriers can be identified that inhibit the accuracy of our perception. These barriers are (1) stereotyping, (2) selective perception, and (3) perceptual defense. Each of these will be briefly considered as it relates to social perception in work situations (see **Table 3.2**).

Barriers to Accurate Perception of Others	
Barrier	**Definition**
Stereotyping	A tendency to assign attributes to people solely on the basis of their class or category
Selective perception	A process by which we systematically screen out or discredit information we don't wish to hear and focus instead on more salient information
Perceptual defense	A tendency to distort or ignore information that is either personally threatening or culturally unacceptable

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Stereotyping

One of the most common barriers in perceiving others at work is **stereotyping**. A stereotype is a widely held generalization about a group of people. Stereotyping is a process in which attributes are assigned to people solely on the basis of their class or category. It is particularly likely to occur when one meets new people, since very little is known about them at that time. On the basis of a few prominent characteristics such as sex, race, or age, we tend to place people into a few general categories. We ascribe a series of traits to them based upon the attributes of the category in which we have put them. We assume that older people are old-fashioned, conservative, obstinate, and perhaps senile. We view professors as absentminded, impractical, idealistic, or eccentric.

One explanation for the existence of stereotypes has been suggested by Jain, Triandis, and Weick.[14] They argue that stereotypes may be to some extent based upon fact. People tend to compare other groups with their own group, accentuating minor differences between groups to form a stereotype. For example, older people as a group may indeed be more conservative or more old-fashioned. These traits then become emphasized and attributed to particular older individuals.

At least three types of stereotype can be found in organizations: those dealing with age, race, and gender. Age stereotypes can be found throughout organizations. A recent study by[15] found that there are still clear stereotypes of older employees. They are thought to be (1) more resistant to organizational change, (2) less creative, (3) less likely to take calculated risks, (4) lower in physical capacity, (5) less interested in learning new techniques, and (6) less capable of learning new techniques. When asked to make personnel decisions concerning older people, the business students generally followed several trends. First, they gave older people lower consideration in promotion decisions. Older people also received less attention and fewer resources for training and development. Finally, older people tended to be transferred to other departments instead of confronted by their superiors when a problem with their performance emerged.

Similar problems arise for people from different racial or cultural backgrounds and for gender. A particular problem in many companies today is that of attitudes toward women as managers or executives. Although succeeding in a managerial position is always difficult, the job is all the harder if your coworkers, superiors, or subordinates are not supportive.

Selective Perception

Selective perception is the process by which we systematically screen out information we don't wish to hear, focusing instead on more salient information. Saliency here is obviously a function of our own experiences, needs, and orientations. The example of the Dearborn and Simon[16] study of managers described earlier provides an excellent glimpse of selective perception. Production managers focused on production problems to the exclusion of other problems. Accountants, personnel specialists, and sales managers were similarly exclusive. Everyone saw his own specialty as more important in the company than other specialties.

Another example of selective perception in groups and organizations is provided by Miner.[17] Miner summarizes a series of experiments dealing with groups competing on problem-solving exercises. Consistently, the groups tended to evaluate their own solutions as better than the solutions proposed by others. Such findings resemble a syndrome found in many research organizations. There is a frequent tendency for scientists to view ideas or products originating outside their organization or department as inferior and to judge other researchers as less competent and creative than themselves. This is often referred to as the "Not-Invented-Here" syndrome. Similar patterns of behavior can be found among managers, service workers, and secretaries.

Perceptual Defense

A final barrier to social perception is **perceptual defense**.[18] Perceptual defense is founded on three related principles:

1. Emotionally disturbing or threatening stimuli have a higher recognition threshold than neutral stimuli.
2. Such stimuli are likely to elicit substitute perceptions that are radically altered so as to prevent recognition of the presented stimuli.
3. These critical stimuli arouse emotional reactions even though the stimuli are not recognized.

In other words, through perceptual defense we tend to distort or ignore information that is either personally threatening or culturally unacceptable. Because emotionally disturbing stimuli have a higher recognition threshold, people are less likely to fully confront or acknowledge the threat. Instead, they may see entirely different or even erroneous stimuli that are safer. Even so, the presence of the critical stimulus often leads to heightened emotions despite the lack of recognition. For instance, suppose that during a contract negotiation for an assembly plant, word leaked out that because of declining profits, the plant might have to close down permanently. Anxious workers might ignore this message and instead choose to believe the company management is only starting false rumors to increase their leverage during wage negotiations. Even if the leverage claim is accepted by the workers as truth, strong emotional reactions against the company can be expected.

One effect of perceptual defense is to save us from squarely facing events that we either do not wish to handle or may be incapable of handling. We dissipate our emotions by directing our attention to other (substitute) objects and hope the original event that distressed us will eventually disappear.

Perceptual defense is especially pronounced when people are presented with a situation that contradicts their long-held beliefs and attitudes. In a classic study of perceptual defense among college students, Haire and Grunes presented the students with descriptions of factory workers. Included in these descriptions was the word *intelligent*. Because the word was contrary to the students' beliefs concerning factory workers, they chose to reject the description by using perceptual defenses.[19] Four such defense mechanisms can be identified.[20]

1. *Denial*. A few of the subjects denied the existence of intelligence in factory workers.
2. *Modification and distortion*. This was one of the most frequent forms of defense. The pattern was to explain away the perceptual conflict by joining intelligence with some other characteristics—for instance, "He is intelligent but doesn't possess initiative to rise above his group."
3. *Change in perception*. Many students changed their perception of the worker because of the intelligence characteristic. Most of the change, however, was very subtle—for example, "cracks jokes" became "witty."
4. *Recognition, but refusal to change*. A very few students explicitly recognized the conflict between their perception of the worker and the characteristic that was confronting them. For example, one subject stated, "The trait seems to be conflicting . . . most factory workers I have heard about aren't too intelligent."

Perceptual defense makes any situation in which conflict is likely to be present more difficult. It creates blind spots, causing us to fail to hear and see events as they really are. The challenge for managers is to reduce or minimize the perception of threat in a situation so these defenses are not immediately called into play. This can be accomplished by reassuring people that things that

are important to them will not be tampered with, or by accentuating the positive.

concept check

1. What are the barriers that can inhibit the accuracy of our perception?
2. What are the cultural factors that can influence perception?
3. What is perceptual defense, and what are examples of the mechanisms that can be identified?

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14. R. Jain, H. C. Triandis, and C. W. Weick, *Managing Research, Development and Innovation: Managing the Unmanageable, 3rd Edition* (New York: Wiley, 2010).

15. C. von Hippel, et al, "Age-based stereotype threat and work outcomes: Stress appraisals and ruminations as mediators," *Psychology and Aging,* February 2019, pp. 68-84.

16. Dearborn and Simon, op. cit.

17. J. B. Miner, *Organizational Behavior 2: Essentials Theories of Process and Structure* (Routledge, 2015).

18. Levine and Shefner, op. cit.

19. M. Haire and W. Grunes, "Perceptual Defenses: Processes Protecting an Organized Perception of Another's Personality," *Human Relations,* 1950, *3*, pp. 403–412.

20. Ibid., p. 409.

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5.3: Attributions - Interpreting the Causes of Behavior

3. How do people attribute credit and blame for organizational events?

A major influence on how people behave is the way they interpret the events around them. People who feel they have control over what happens to them are more likely to accept responsibility for their actions than those who feel control of events is out of their hands. The cognitive process by which people interpret the reasons or causes for their behavior is described by **attribution theory.**[21] Specifically, "attribution theory concerns the process by which an individual interprets events as being caused by a particular part of a relatively stable environment."[22]

Attribution theory is based largely on the work of Fritz Heider. Heider argues that behavior is determined by a combination of internal forces (e.g., abilities or effort) and external forces (e.g., task difficulty or luck). Following the cognitive approach of Lewin and Tolman, he emphasizes that it is *perceived* determinants, rather than actual ones, that influence behavior. Hence, if employees perceive that their success is a function of their own abilities and efforts, they can be expected to behave differently than they would if they believed job success was due to chance.

The Attribution Process

The underlying assumption of attribution theory is that people are motivated to understand their environment and the causes of particular events. If individuals can understand these causes, they will then be in a better position to influence or control the sequence of future events. This process is diagrammed in **Exhibit 3.5**. Specifically, attribution theory suggests that particular behavioral events (e.g., the receipt of a promotion) are analyzed by individuals to determine their causes. This process may lead to the conclusion that the promotion resulted from the individual's own effort or, alternatively, from some other cause, such as luck. Based on such cognitive interpretations of events, individuals revise their cognitive structures and rethink their assumptions about causal relationships. For instance, an individual may infer that performance does indeed lead to promotion. Based on this new structure, the individual makes choices about future behavior. In some cases, the individual may decide to continue exerting high levels of effort in the hope that it will lead to further promotions. On the other hand, if an individual concludes that the promotion resulted primarily from chance and was largely unrelated to performance, a different cognitive structure might be created, and there might be little reason to continue exerting high levels of effort. In other words, the way in which we perceive and interpret events around us significantly affects our future behaviors.

Internal and External Causes of Behavior

Building upon the work of Heider, Harold Kelley attempted to identify the major antecedents of internal and external attributions.23 He examined how people determine-or, rather, how they actually perceive-whether the behavior of another person results from internal or external causes. Internal causes included ability and effort, whereas external causes include luck and task ease or difficulty.24 Kelley's conclusion, illustrated in **Exhibit 3.6**, is that people actually focus on three factors when making causal attributions:

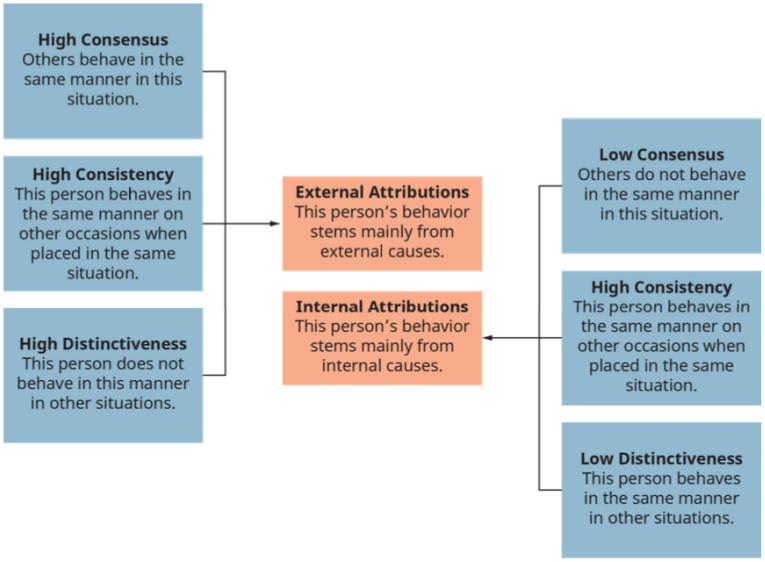


Exhibit 3.6 Causes of Internal and External Attributions

1. **Consensus.** The extent to which you believe that the person being observed is behaving in a manner that is consistent with the behavior of his or her peers. High consensus exists when the person's actions reflect or are similar to the actions of the group; low consensus exists when the person's actions do not.
2. **Consistency.** The extent to which you believe that the person being observed behaves consistently—in a similar fashion—when confronted on other occasions with the same or similar situations. High consistency exists when the person repeatedly acts in the same way when faced with similar stimuli.
3. **Distinctiveness.** The extent to which you believe that the person being observed would behave consistently when faced with different situations. Low distinctiveness exists when the person acts in a similar manner in response to different stimuli; high distinctiveness exists when the person varies his or her response to different situations.

How do these three factors interact to influence whether one's attributions are internal or external? According to the exhibit, under conditions of high consensus, high consistency, and high distinctiveness, we would expect the observer to make external attributions about the causes of behavior. That is, the person would attribute the behavior of the observed (say, winning a golf tournament) to good fortune or some other external event. On the other hand, when consensus is low, consistency is high, and distinctiveness is low, we would expect the observer to attribute the observed behavior (winning the golf tournament) to internal causes (the winner's skill).

In other words, we tend to attribute the reasons behind the success or failure of others to either internal or external causes according to how we interpret the underlying forces associated with the others' behavior. Consider the example of the first female sales manager in a firm to be promoted to an executive rank. How do you explain her promotion—luck and connections or ability and performance? To find out, follow the model. If she, as a sales representative, had sold more than her (male) counterparts (low consensus in behavior), consistently sold the primary product line in different sales territories (high consistency), and was also able to sell different product lines (low distinctiveness), we would more than likely attribute her promotion to her own abilities. On the other hand, if her male counterparts were also good sales representatives (high consensus) and her sales record on secondary products was inconsistent (high distinctiveness), people would probably attribute her promotion to luck or connections, regardless of her sales performance on the primary product line (high consistency).

Attributional Bias

One final point should be made with respect to the attributional process. In making attributions concerning the causes of behavior, people tend to make certain errors of interpretation. Two such errors, or **attribution biases**, should be noted here. The first is called the **fundamental attribution error**. This error is a tendency to *underestimate* the effects of external or situational causes of behavior and to *overestimate* the effects of internal or personal causes. Hence, when a major problem occurs within a certain department, we tend to blame people rather than events or situations.

The second error in attribution processes is generally called the **self-serving bias**. There is a tendency, not surprisingly, for individuals to attribute success on an event or project to their own actions while attributing failure to others. Hence, we often

hear sales representatives saying, "*I* made the sale," but "*They* stole the sale from me" rather than "I lost it." These two biases in interpreting how we see the events around us help us understand why employees looking at the same event often see substantially different things.

concept check

1. What is attribution theory? Describe the attribution process.

2. What are the internal and external causes of attribution?

---

21. H. H. Kelley, "The Process of Causal Attributions," *American Psychologist*, February 1973, pp. 107–128; F. Forsterling, "Attributional Retraining: A Review," *Psychological Bulletin,* November 1985, pp. 495–512; B. Weiner, *Human Motivation* (New York: Holt, Rinehart and Winston, 1980).

22. Kelley, op. cit., p. 193.

23. Ibid.

24. Ibid.

Exhibit 3.6 Causes of Internal and External Attributions Adapted from Nyla Branscombe and Robert A. Baron. *Social Psychology*. Fourteenth Edition, 2016, Pearson. (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)

Exhibit 3.7 Golf What internal and external attributions can you make about this golfer who is celebrating a hole in one? (Notice the untied shoe.) (Credit: John Fink/ flickr/ Attribution 2.0 Generic (CC BY 2.0))

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5.4: Work-Related Attitudes

5. How can managers and organizations develop a committed workforce?

When we apply the concept of attitudes to work settings, we have to specify which attitude we are concerned with. Although a variety of work-related attitudes can be identified, the one receiving the most attention is job satisfaction. As this is one of the most widely studied concepts in organizational behavior, we will examine it here in some detail.

Job Involvement and Organizational Commitment

First, however, we should introduce two job attitudes that should also be recognized: job involvement and organizational commitment. **Job involvement** refers to the extent to which a person is interested in and committed to assigned tasks. This is not to say that the person is "happy" (or satisfied) with the job, only that he feels a certain responsibility toward ensuring that the job itself is done correctly and with a high standard of competence. Here the focus of the attitude is the job itself.[30]

Organizational commitment, on the other hand, represents the relative strength of an individual's identification with and involvement in an organization.31 Commitment can be characterized by three factors: (1) a strong belief in and acceptance of the organization's goals and values, (2) a willingness to exert considerable effort on behalf of the organization, and (3) a strong desire to maintain membership in the organization. When viewed this way, commitment represents something beyond mere passive loyalty to the company. Instead, it involves an active relationship with the organization in which individuals are willing to give something of themselves in order to help the company succeed and prosper. A careful reading of the research on keys to the success of many Japanese firms will highlight the importance played by a committed work force. Now we turn to the third work attitude of job satisfaction.

Job Satisfaction

Job satisfaction may be defined as "a pleasurable or positive emotional state resulting from the appraisal of one's job or job experience.32 It results from the perception that an employee's job actually provides what he values in the work situation.

Several characteristics of the concept of job satisfaction follow from this definition. First, satisfaction is an emotional response to a job situation. It can be fully understood only by introspection. As with any attitude, we cannot observe satisfaction; we must infer its existence and quality either from an employee's behavior or verbal statements.

Second, job satisfaction is perhaps best understood in terms of discrepancy. Several writers have pointed to the concept of job satisfaction as being a result of how much a person wants or expects from the job compared to how much he actually receives.[33] People come to work with varying levels of job expectations. These expectations may vary not only in quality (different people may value different things in a job), but also in intensity. On the basis of work experiences, people receive outcomes (rewards) from the job. These include not only extrinsic rewards, such as pay and promotion, but also a variety of intrinsic rewards, such as satisfying coworker relations and meaningful work. To the extent that the outcomes received by an employee meet or exceed expectations, we would expect the employee to be satisfied with the job and wish to remain. On those occasions when outcomes actually surpass expectations, we would expect employees to reevaluate their expectations and probably raise them to meet available outcomes. However, when outcomes do not meet expectations, employees are dissatisfied and may prefer to seek alternative sources of satisfaction, either by changing jobs or by placing greater value on other life activities, such as outside recreation.

Dimensions of Job Satisfaction. It has been argued that job satisfaction actually represents several related attitudes. So, when we speak of satisfaction, we must specify "satisfaction with what?" Research has suggested that five job dimensions represent the most salient characteristics of a job about which people have affective responses. These five are:

1. **Work itself.** The extent to which tasks performed by employees are interesting and provide opportunities for learning and for accepting responsibility.
2. **Pay.** The amount of pay received, the perceived equity of the pay, and the method of payment.
3. **Promotional opportunities.** The availability of realistic opportunities for advancement.
4. **Supervision.** The technical and managerial abilities of supervisors; the extent to which supervisors demonstrate consideration for and interest in employees.

5. **Coworkers.** The extent to which coworkers are friendly, technically competent, and supportive.

Although other dimensions of job satisfaction have been identified, these five dimensions are used most often when assessing various aspects of job attitudes in organizations.

Measurement of Job Satisfaction. Probably the most common attitude surveys in organizations today focus on job satisfaction. Satisfaction is considered by many managers to be an important indicator of organizational effectiveness, and therefore it is regularly monitored to assess employee feelings toward the organization. By far the most common means of assessing satisfaction is the rating scale. Rating scales represent direct verbal self-reports concerning employee feelings; they have been widely used in companies since the 1930s. Several job satisfaction scales exist. One of the most popular is the Minnesota Satisfaction Questionnaire (MSQ). This instrument uses a Likert-response format to generate satisfaction scores on 26 scales, including satisfaction with compensation, promotion opportunities, coworkers, recognition, and so forth. You can assess your scoring on a short version of this instrument in the assessment section of this chapter.

The MSQ and similar rating scales have several advantages for evaluating levels of job satisfaction. First, they are relatively short and simple and can be completed by large numbers of employees quickly. Second, because of the generalized wording of the various terms, the instruments can be administered to a wide range of employees in various jobs. It is not necessary to alter the questionnaire for each job classification. Finally, extensive normative data (or norms) are available. These norms include summaries of the scores of thousands of people who have completed the instruments. Hence, it is possible for employers in other organizations to determine relative standings.

However, although rating scales have many virtues compared to other techniques, at least two drawbacks must be recognized. First, as with any self-report inventory, it is assumed that respondents are both willing and able to describe their feelings accurately. As noted by several researchers,[34] people often consciously or unconsciously distort information that they feel is damaging and enhance information that they feel is beneficial. For example, it is possible that employees who think their supervisors may see the results of their questionnaire may report overly favorable job attitudes.

A second problem with rating scales is the underlying assumption that questionnaire items mean the same thing to all people. There may, in fact, not be a common interpretation across individuals. Even so, rating scales have proved to be helpful in assessing satisfaction in various aspects of the job situation. Managers can use the results to identify potential problem areas and to generate discussions and action plans of how to correct aspects of jobs or the organization that are causing unacceptable levels of dissatisfaction.

customer satisfaction and quality

How Satisfied Are Employees?

If you've ever flown on Southwest Airlines, you can tell something is different just from the first interaction with their employees. From the flight attendants, to the pilot's announcements, and even to their customer service representatives, they have a cheerful disposition, and contrary to popular belief, this isn't an act.

In 2017, Southwest Airlines announced that it would be sharing their $586 million in profits with its 54,000 employees, given them a bonus of approximately 13.2 percent on average. This doesn't account for the extra $351 million that they contributed to the employee's 401(k) plans either. This is just one of the many ways that Southwest has given back to their employees in a day and age when minimum wage for even qualified candidates seems like a fight.

Southwest CEO Gary Kelly reflects that "Our people-first approach, which has guided our company since it was founded, means our company does well, our people do really, really well. Our people work incredibly hard and deserve to share in Southwest's success." With this attitude, it is no wonder the employees on and off your flight are showing their satisfaction in their everyday attitudes. The year 2017 was the 43rd year that Southwest shared its profits with their people. While compensation ranks among one of the most attributed traits of a company to help with employee satisfaction, it goes much deeper than that to keep motivation high.

At Southwest, they rank employees first and customers second. They create a culture of fun and inclusive core values that help to give their employees a sense of community and belonging. When their employees are motivated and take pride in what they do, they are able to give their best to their customers every day, which accounts for their highly ranked customer satisfaction results on surveys each year.

Sources: Dahl, Darren, “Why do Southwest Employees Always Seem so Happy,” *Forbes*, July, 28, 2017, www.forbes.com/sites/darrend...loyees-always- seem-so-happy/#3cba8dbc59b0; Martin, Emmie, “A major airline says there's something it values more than its customers, and there's a good reason why,” *Business Insider*, July 29, 2015, https://www.businessinsider.com/sout...s-first-2015-7; Ramdas, Shreesha, “The Southwest Way to Employee Satisfaction: Flying High Like the High Flier,” *Customer Think*, May 12, 2018, (http://customerthink.com/the-southwe...like-the-high- flier/.

Questions:

1. Oftentimes it is hard to stay at the top. What considerations should Southwest take to maintain their employee satisfaction and keep improving?
2. Not all companies can share profits. What would you suggest to a new company that is just starting off to help gain high employee satisfaction?

concept check

1. How can organizations foster positive job involvement and instill positive attitudes in their employees?
2. What are the dimensions of job satisfaction?

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Affect Dealing with a person's feelings toward the person or object.

Attitude A predisposition to respond in a favorable or unfavorable way to objects or persons in one's environment.

Attribution biases Covers both the fundamental attribution error and the self-serving bias.

Attribution theory Concerns the process by which an individual interprets events as being caused by a particular part of a relatively stable environment.

Behavioral justification The need to ensure that one's behaviors are consistent with their attitudes toward the event.

Body language The manner in which people express their inner feelings subconsciously through physical actions such as sitting up straight versus being relaxed or looking people straight in the eye versus looking away from people.

Cognitive consistency The need for behavioral justification to ensure that a person's behaviors are consistent with their attitudes toward an event.

Cognitive dissonance Finding one's self acting in a fashion that is inconsistent with their attitudes and experiencing tension and attempting to reduce this tension and return to a state of cognitive consistency.

Dispositional approach Argues that attitudes represent relatively stable predispositions to respond to people or situations around them.

Fundamental attribution error The tendency to *underestimate* the effects of external or situational causes of behavior and to *overestimate* the effects of internal or personal causes.

Halo effect The influence of positive arbitrary biases.

Job involvement Refers to the extent to which a person is interested in and committed to assigned tasks.

Job satisfaction A pleasurable or positive emotional state resulting from the appraisal of one's job or job experience.

Organizational commitment Represents the relative strength of an individual's identification with and involvement in an organization.

Perception The process by which one screens, selects, organizes, and interprets stimuli to give them meaning.

Perceptual defense A defense that perceives emotionally disturbing or threatening stimuli as having a higher recognition threshold than neutral stimuli. Such stimuli are likely to elicit substitute perceptions that are radically altered so as to prevent recognition of the presented stimuli that arouse emotional reactions even though the stimuli are not recognized.

Perceptual organization When meaning has been attached to an object, individuals are in a position to determine an appropriate response or reaction to it.

Perceptual selectivity Refers to the process by which individuals select objects in the environment for attention.

Response disposition The tendency to recognize familiar objects more quickly than unfamiliar ones.

Response salience The tendency to focus on objects that relate to our *immediate* needs or wants.

Selective perception The process by which we systematically screen out information we don't wish to hear, focusing instead on more salient information.

Self-serving bias The tendency for individuals to attribute success on an event or project to their own actions while attributing failure to others.

Situational approach This approach argues that attitudes emerge as a result of the uniqueness of a given situation.

Social perception Consists of those processes by which we perceive other people.

Social-information-processing approach Asserts that attitudes result from “socially constructed realities” as perceived by the individual.

Stereotyping A tendency to assign attributes to people solely on the basis of their class or category.

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5.6: Summary of Learning Outcomes

3.1 The Perceptual Process

1. How do differences in perception affect employee behavior and performance?

One of the key determinants of people's behavior in organizations is how they see and interpret situations and people around them. It is vital for anyone (manager or subordinate) who desires to be more effective to understand the critical aspects of context, object, and perceiver that influence perceptions and interpretations and the relationship between these and subsequent attitudes, intentions, and behaviors. This understanding will not only facilitate the ability to correctly understand and anticipate behaviors, but it will also enhance the ability to change or influence that behavior. Perception is the process by which individuals screen, select, organize, and interpret stimuli in order to give them meaning. Perceptual selectivity is the process by which individuals select certain stimuli for attention instead of others. Selective attention is influenced by both external factors (e.g., physical or dynamic properties of the object) and personal factors (e.g., response salience). Social perception is the process by which we perceive other people. It is influenced by the characteristics of the person perceived, the perceiver, and the situation.

3.2 Barriers to Accurate Social Perception

2. How can managers and organizations minimize the negative impact of stereotypes and other barriers to accurate social perception in interpersonal relations?

Stereotyping is a tendency to assign attributes to people solely on the basis of their class or category. Selective perception is a process by which we systematically screen or discredit information we don't wish to hear and instead focus on more salient information. Perceptual defense is a tendency to distort or ignore information that is either personally threatening or culturally unacceptable.

3.3 Attributions: Interpreting the Causes of Behavior

3. How do people attribute credit and blame for organizational events?

Attribution theory concerns the process by which individuals attempt to make sense of the cause-effect relationships in their life space. Events are seen as being either internally caused (that is, by the individual) or externally caused (that is, by other factors in the environment). In making causal attributions, people tend to focus on three factors: consensus, consistency, and distinctiveness. The fundamental attribution error is a tendency to underestimate the effects of external or situational causes of behavior and overestimate the effects of personal causes.

The self-serving bias is a tendency for people to attribute success on a project to themselves while attributing failure to others.

3.4 Attitudes and Behavior

4. How can a work environment characterized by positive work attitudes be created and maintained?

An attitude can be defined as a predisposition to respond in a favorable or unfavorable way to objects or persons in one's environment. There are two theories concerning the manner in which attitudes are formed. The first, called the dispositional approach, asserts that attitudes are fairly stable tendencies to respond to events in certain ways, much like personality traits. Thus, some people may be happy on almost any job regardless of the nature of the job. The second, called the situational approach, asserts that attitudes result largely from the particular situation in which the individual finds himself. Thus, some jobs may lead to more favorable attitudes than others. The social-information-processing approach to attitudes is a situational model that suggests that attitudes are strongly influenced by the opinions and assessments of coworkers. Cognitive consistency is a tendency to think and act in a predictable manner. Cognitive dissonance occurs when our actions and our attitudes are in conflict. This dissonance will motivate us to attempt to return to a state of cognitive consistency, where attitudes and behaviors are congruent.

3.5 Work-Related Attitudes

5. How can managers and organizations develop a committed workforce?

Job involvement refers to the extent to which an individual is interested in his or her assigned tasks. Organizational commitment refers to the relative strength of an individual's identification with and involvement in a particular organization. Job satisfaction is a pleasurable or positive emotional state resulting from the appraisal of one's job or job experience.

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5.7: Chapter Review Questions

1. Describe how the basic perceptual process works. Why should managers understand this process?
2. How can variations in social perception affect everyday work behavior? Provide an example to illustrate.
3. What can managers do to reduce the incidences of stereotyping in the workplace?
4. How does the attributional process work? Provide an example to show why this process is so important in understanding organizational behavior.
5. How do attributional biases work? What can managers do to reduce such biases?
6. What are the differences between job involvement, organizational commitment, and job satisfaction? Are all three influenced by the same factors?
7. What are the major reasons for job satisfaction? What are the primary consequences of dissatisfaction?
8. Explain.

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5.8: Management Skills Application Exercises

1. In order to understand how response salience works, you may want to complete this self-assessment. Read the passage, and rate it on its comprehensibility. Does it make sense to you? Next, look at the appropriate frame of reference given in **Appendix B**. Now read the passage again, and rate it for its comprehensibility. Does it make more sense now that you have a specific frame of reference?

Can You Understand This Passage?

Instructions: The procedure is actually quite simple. First you arrange things into different groups. Of course, one pile may be sufficient depending on how much there is to do. If you have to go somewhere else due to lack of facilities that is the next step, otherwise you are pretty well set. It is important not to overdo things. That is, it is better to do too few things at once than too many. In the short run this may not seem important, but complications can easily arise. A mistake can be expensive as well. At first the whole procedure will seem complicated. Soon, however, it will become just another facet of life. It is difficult to foresee any end to the necessity for this task in the immediate future, but then one never can tell. After the procedure is completed one arranges the materials into different groups again. Then they can be put into their appropriate places. Eventually they will be used once more and the whole cycle will then have to be repeated. However, that is part of life.

Comprehensive Scale				
Very incomprehensive		Neutral	Very comprehensive	
1	2	3	4	5

Adapted from "Contextual Prerequisites for Understanding: Some Investigations of Comprehension and Recall" by John D. Bransford and Marcia K. Johnson, in *Journal of Verbal Learning and Verbal Behavior,* December 1972, p. 722.

2. **How Do You Feel About Women Executives?**
Instructions: This instrument focuses on your attitudes toward women in executive positions. For each item, circle the number that best represents your feelings concerning women executives in organizations. Be completely honest with yourself in responding. For a scoring key, refer to **Appendix B**.

	Strongly Disagree				Strongly Agree
1. It is high time we had more women in executive positions.	1	2	3	4	5
2. Women make just as good managers as men.	1	2	3	4	5
3. Women often fail to have the same level of technical competence as men.	1	2	3	4	5
4. Women executives should receive the same respect and trust as their male counterparts.	1	2	3	4	5
5. Men tend to be better suited for managerial positions than women.	1	2	3	4	5
6. Women are too emotional to succeed in top-level management.	1	2	3	4	5
7. Women have a hard time supervising the work of male subordinates.	1	2	3	4	5
8. I would prefer not to work for a female manager.	1	2	3	4	5
9. Success as an executive has nothing to do with one's gender.	1	2	3	4	5
10. Many women executives get to the top either because of affirmative action pressure or connections.	1	2	3	4	5

3. Examples of the MSQ for two scales (compensation and recognition) can be seen in this self-assessment. If you wish to complete this sample questionnaire, simply refer to a (paid or unpaid) job that you have had and answer the questionnaire. To score the instrument, refer to **Appendix B**.

Are You Satisfied with Your Job?

Instructions: Answer each of the ten questions by circling the numbers that best describe how satisfied or dissatisfied you are with the particular item. Then sum your results for questions 1–5 and 6–10 separately.

	Very Dissatisfied				Very Satisfied
1. The way I am noticed when I do a good job	1	2	3	4	5
2. The way I get full credit for the work I do	1	2	3	4	5
3. The recognition I get for the work I do	1	2	3	4	5
4. The way they usually tell me when I do my job well	1	2	3	4	5
5. The praise I get for doing a good job	1	2	3	4	5
6. The amount of pay for the work I do	1	2	3	4	5
7. The chance to make as much money as my friends	1	2	3	4	5
8. How my pay compares with that for similar jobs in other companies	1	2	3	4	5
9. My pay and the amount of work I do	1	2	3	4	5
10. How my pay compares with that of other workers	1	2	3	4	5

Adapted from David J. Weiss, Rene V. Dawis, George W. England, and Lloyd H. Lofquist, *Manual for the Minnesota Satisfaction Questionnaire* (Minneapolis: Industrial Relations Center, University of Minnesota).

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5.9: Managerial Decision Exercises

1. You remember from your Organizational Behavior class that several assessments to increase one's self- awareness, like the Minnesota Multiphasic Personality Inventory that you read about in this chapter and is profiled in the Managerial Skill Application Exercises of this chapter, were very beneficial for you as an understanding of your emotional intelligence, values, cognitive style, and ability to cope with change. You have been assigned to a team that will interview both internal and external candidates for a new sales manager position for the California region, which is a position at the same level organizationally as your present position. During the initial orientation meeting, one of the team members—the manager of a distribution center for the organization—says, "I like to use the results of the Myers-Briggs Types Indicator assessment to screen applicants for this position, and since sales managers should be extroverts and should possess sensing, thinking, and judging skills, we should only consider ESTJ types." Your boss, the national sales manager, asks you to write a report on whether the selection process should only consider ESTJ types and to provide it to the team for discussion. Write a report and share it for discussion with a team of students in this class who will assume the role of the hiring interview team.

2. Recall a meeting that you recently had, such as a team presentation of a case analysis. What were your impressions of what happened in the planning of the presentation and how things like the assignment of roles and timetables for subsequent meetings and deliverables unfolded. What were the behaviors of the others at the meeting, and why do you think they acted as they did? Finally, how do you think that others perceived your behavior at the meeting? After you have recorded these recollections, meet with another attendee of that meeting. Ask them these questions, and record what they say happened at that meeting and what they thought of the behavior of the participants, including you. Let them know that this is for your class and you want them to be as honest as possible. As they are answering, record their recollections and do not interrupt or offer possible corrections. Finally, compare your recollections and notes with those of the interviewee and use the knowledge from this chapter to assess the differences and similarities in perception and attribution.

3. As a way to measure job satisfaction, ask someone at a local business the following questions:

a. What is your job title, and what do you do in your own words? How do these match up to tasks, duties, and responsibilities in your job description?
b. Are you satisfied with the work that you do?
c. How satisfied are you with the training and supervision that you receive?
d. How satisfied are you with the people that you work with?
e. Are you happy with your salary?
f. Are you happy with the benefits that are offered as part of the job?
g. Do you see any possibilities for advancement in the organization?
h. What are your general feelings about your employer?
i. Do you have any additional comments regarding how you feel about your job?

Write an assessment of this individual's job satisfaction and what a supervisor and organization could do to improve the level of job satisfaction for their employees.

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5.10: Critical Thinking Case

Stereotypes at Pitney Bowes

Many times, we think of stereotypes or discrimination only being an issue when it comes to things like gender, race, or religion. However, at Pitney Bowes Inc., the toughest stereotype to overcome is age.

Brigitte Van Den Houte starts her day in the normal way; however, she has taken a keen focus on persuading employees in their 20s that they have a future at Pitney Bowes.

For almost 100 years, Pitney Bowes, founded in 1920, has been all about commerce. But as the world turned to technology, the definition of what that meant for the traditional postage-meter equipment company had to change as well.

One of the biggest challenges of this ever-changing technological world is how the generations of employees can step aside from their stereotypes and understand one another to better work effectively.

At Pitney Bowes, their proactive approach puts younger colleagues with older colleagues in a mentoring situation. This is not the typical older mentor to younger mentor setup, however. Every few months, Houte arranges for the younger employees to spend the day with a seasoned executive with the plan of sharing experiences and ideas and offering advice. Houte states, “the old way of working no longer works,” and she’s right.

With over one-third of the workforce aging to 50 or older and millennials (young people aged 22–37) being the largest workforce group, it is imperative to put stereotypes aside and learn to work together. One big mistake for a manager would be to focus on the age difference rather than on what skills each person individually can bring to the table.Stereotypes such as “older individuals don’t know about technology” or “millennials are constantly job hopping and feel entitled” are put aside at Pitney Bowes in order to get the job done. With a more proactive approach, the range of variables within each generation can be utilized in the most effective way possible for an organization.

Questions:

1. What are other ways that a company can utilize a multigenerational team to their advantage?
2. What challenges does a multigenerational team pose for management?
3. What should the company and management team consider when attracting new employees of all
4. generations?

Sources: Hymowitz, Carol, “The Tricky Task of Managing the New, Multigenerational Workplace,” *The Wall Street Journal*, August 12, 2018, https://www.wsj.com/articles/the-tri...s&page=1&pos=9; Ault, Nicole, “ Don’t Trust Anyone Over 21,” *The Wall Street Journal*, August 22, 2018, https://www.wsj.com/articles/dont-tr...s&page=1&pos=1.

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6: PERCEPTION AND DECISION MAKING



Exhibit **6.1** (i_yudai/ flickr/ Attribution 2.0 Generic (CC BY 2.0))

Learning Outcomes

After reading this chapter, you should be able to answer these questions:

1. What are the basic characteristics of managerial decision-making?
2. What are the two systems of decision-making in the brain?
3. What is the difference between programmed and nonprogrammed decisions?
4. What barriers exist that make effective decision-making difficult?
5. How can a manager improve the quality of her individual decision-making?
6. What are the advantages and disadvantages of group decision-making, and how can a manager improve the quality of group decision-making?

6.1: Overview of Managerial Decision-Making

6.2: How the Brain Processes Information to Make Decisions- Reflective and Reactive Systems

6.3: Emotional Intelligence

6.4: Programmed and Nonprogrammed Decisions

6.5: Barriers to Effective Decision-Making

6.6: Improving the Quality of Decision-Making

6.7: Group Decision-Making

6.8: Glossary

6.9: Summary of Learning Outcomes

6.10: Chapter Review Questions

6.11: Management Skills Application Exercises

6.12: Managerial Decision Exercises

6.13: Critical Thinking Case

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6.1: Overview of Managerial Decision-Making

exploring managerial careers

Up, Up, and Away: How Stephanie Korey and Jen Rubio founded their luggage company

Jen Rubio and Stephanie Korey faced a number of important decisions in starting their luggage company, Away—beginning with the decision to start a business! That decision came about after Rubio's luggage broke on a trip. She found it frustrating that all the luggage options were either inexpensive ($100 or less) but low quality, or high quality but incredibly expensive ($400 and above). There was no midrange option. So in 2015 Rubio and her friend Stephanie Korey began researching the luggage industry. They found that much of the reason for the high prices on quality luggage was because of how it was distributed and sold, through specialty retail shops and department stores. If they opted instead for a model in which they sold directly to consumers, they could provide high-quality luggage at more of a midrange ($200-$300) price. After considerable research, the two were convinced that they had an idea worth pursuing. Rubio and Korey settled on the company name "Away," which is intended to invoke the pleasure that comes from traveling.

Both of the founders had prior experience working for a start-up in the e-commerce space (Warby Parker), which helped them with making sound choices. Rubio's background was more in branding and marketing, while Korey's was in operations and supply chain management—so each was able to bring great expertise to various aspects of the business. They raised money initially from friends and family, but within a few months, they sought venture capital funding to ensure that they had enough money to get off to a successful start.

A big decision that Rubio and Korey had to make fairly early in the process of establishing their business was to settle on an initial design for the product. This decision required extensive marketing and consumer research to understand customer needs and wants. They asked hundreds of people what they liked about their existing luggage, and what they found most irritating about their existing luggage. They also contracted with a two-person design team to help create the first prototype. This research and development ultimately led to the design of an attractive hard case that is surprisingly lightweight. It also boasts extremely high-quality wheels (four of them, not two) and high-quality zippers. As a bonus, the carry-on includes a built-in battery for charging phones and other devices.

The two founders also had to choose a partner to manufacture their product. Because their product had a hard, polycarbonate shell, Rubio and Korey discovered that manufacturing in the United States was not a viable option—the vast majority of luggage manufacturers using a polycarbonate shell were based in Asia. They researched a number of possible business partners and asked lots of questions. In addition, they eventually visited all of the factories on their list of options to see what they were actually like. This was an important piece of research because the companies that looked best on paper didn't always turn out to be the best when they visited in person. Rubio and Korey ended up working with a manufacturing partner in China that also produces luggage for many high-end brands, and they have been extremely pleased with the partnership. They continue to devote time to building and maintaining that relationship, which helps to avoid issues and problems that might otherwise come up.

By the end of 2015, Rubio and Korey had developed their first product. Because the luggage was not going to be available in time for the holiday shopping season, they decided to allow customers to preorder the luggage. To drum up interest, the duo engaged in a unique storytelling effort. They interviewed 40 well-respected members of the creative community about their travel experiences and created a hardcover book of travel memoirs called *The Places We Return To*. Not only was the book interesting and engaging, but it also made lots of people in the creative community aware of Away luggage. Starting in November 2015, the travel memoir book was available for free with the purchase of a gift card that could be redeemed in February 2016 for luggage. The book project generated tremendous advance interest in the product, and the 1,200 printed copies sold out. Away generated $12 million in first-year sales.

Stephanie Corey and Jen Rubio faced many important and novel decisions in initially developing and building their business. They have been successful in part because they made those decisions wisely—by relying on shared knowledge, expertise, and lots of research before reaching a decision. They will continue to face many decisions, big and small. They have expanded their product line from one piece of luggage to four, with more luggage—and other travel accessories—in the works for the future. Their company, which is based in New York, has grown to over 60 employees in the first two years. These employees include the two design-team members who were contracted to help create their first prototype; Rubio and Korey

appreciated working with them so much, they offered them full-time positions with Away. Each new hire represents new decisions—decisions about what additional work needs to be done and who they should hire to do it. Each new product also brings additional decisions—but it seems Rubio and Korey have positioned themselves (and their business) well for future successes.

Sources: Kendall Baker, "An Interview With the Co-Founder of Away," *The Hustle*, December 5, 2016, https://thehustle.co/episodes; Bond Street Blog, "Up and Away," *Bond Street*, https://bondstreet.com/blog/jen-rubio-interview/; Josh Constine, "Away nears 100k stylish suitcases sold as it raises $20M," *TechCrunch*, May 19, 2017, https://techcrunch.com/; Adeline Duff, " The T&L Carry-On: Away Travel Co-Founders Jen Rubio and Stephanie Korey," Travel & Leisure, March 9, 2017, http://www.travelandleisure.com/; Burt Helm, "How This Company Launched With Zero Products –and Hit $12 Million in First-Year Sales," *Inc.com*, July/August 2017, https://www.inc.com/; Veronique Hyland, "The Duo Trying to Make Travel More Glamorous," *The Cut*, December 22, 2015, https://www.thecut.com/.

Managers and business owners—like Jen Rubio and Stephanie Korey—make decisions on a daily basis. Some are big, like the decision to start a new business, but most are smaller decisions that go into the regular running of the company and are crucial to its long-term success. Some decisions are predictable, and some are unexpected. In this chapter, we look at important information about decision-making that can help you make better decisions and, ultimately, be a better manager.

1. What are the basic characteristics of managerial decision-making?

Decision-making is the action or process of thinking through possible options and selecting one.

It is important to recognize that managers are continually making decisions and that the quality of their decision-making has an impact—sometimes quite significant—on the effectiveness of the organization and its **stakeholders**. Stakeholders are all the individuals or groups that are affected by an organization (such as customers, employees, shareholders, etc.).

Members of the top management team regularly make decisions that affect the future of the organization and all its stakeholders, such as deciding whether to pursue a new technology or product line. A good decision can enable the organization to thrive and survive long-term, while a poor decision can lead a business into bankruptcy. Managers at lower levels of the organization generally have a smaller impact on the organization's survival, but can still have a tremendous impact on their department and its workers. Consider, for example, a first-line supervisor who is charged with scheduling workers and ordering raw materials for her department. Poor decision-making by lower-level managers is unlikely to drive the entire firm out of existence, but it can lead to many adverse outcomes such as:

- reduced productivity if there are too few workers or insufficient supplies,
- increased expenses if there are too many workers or too many supplies, particularly if the supplies have a limited shelf life or are costly to store, and
- frustration among employees, reduced morale and increased turnover (which can be costly for the organization) if the decisions involve managing and training workers.

Deciding When to Decide

While some decisions are simple, a manager's decisions are often complex ones that involve a range of options and uncertain outcomes. When deciding among various options and uncertain outcomes, managers need to gather information, which leads them to another necessary decision: how much information is needed to make a good decision? Managers frequently make decisions without complete information; indeed, one of the hallmarks of an effective leader is the ability to determine when to hold off on a decision and gather more information, and when to make a decision with the information at hand. Waiting too long to make a decision can be as harmful for the organization as reaching a decision too quickly. Failing to react quickly enough can lead to missed opportunities, yet acting too quickly can lead to organizational resources being poorly allocated to projects with no chance of success. Effective managers must decide when they have gathered enough information and must be prepared to change course if additional information becomes available that makes it clear that the original decision was a poor one. For individuals with fragile egos, changing course can be challenging because admitting to a mistake can be harder than forging ahead with a bad plan. Effective managers recognize that given the complexity of many tasks, some failures are inevitable. They also realize that it's better to minimize a bad decision's impact on the organization and its stakeholders by recognizing it quickly and correcting it.

What's the Right (Correct) Answer?

It's also worth noting that making decisions as a manager is not at all like taking a multiple-choice test: with a multiple-choice test, there is always one right answer. This is rarely the case with management decisions. Sometimes a manager is choosing between multiple good options, and it's not clear which will be the best. Other times there are multiple bad options, and the task is to minimize harm. Often there are individuals in the organization with competing interests, and the manager must make decisions knowing that someone will be upset no matter what decision is reached.

What's the Right (Ethical) Answer?

Sometimes managers are asked to make decisions that go beyond just upsetting someone—they may be asked to make decisions in which harm could be caused to others. These decisions have ethical or moral implications. Ethics and morals refer to our beliefs about what is right vs. wrong, good vs. evil, virtuous vs. corrupt. Implicitly, ethics and morals relate to our interactions with and impact on others—if we never had to interact with another creature, we would not have to think about how our behaviors affected other individuals or groups. All managers, however, make decisions that impact others. It is therefore important to be mindful of whether our decisions have a positive or a negative impact. "Maximizing shareholder wealth" is often used as a rationalization for placing the importance of short-term profits over the needs of others who will be affected by a decision—such as employees, customers, or local citizens (who might be affected, for example, by environmental decisions). Maximizing shareholder wealth is often a short-sighted decision, however, because it can harm the organization's financial viability in the future.[1] Bad publicity, customers boycotting the organization, and government fines are all possible long-term outcomes when managers make choices that cause harm in order to maximize shareholder wealth. More importantly, increasing the wealth of shareholders is not an acceptable reason for causing harm to others.

As you can see from these brief examples, management is not for the faint of heart! It can, however, be incredibly rewarding to be in a position to make decisions that have a positive impact on an organization and its stakeholders. We see a great example of this in the *Sustainability and Responsible Management* box.

SUSTAINABILITY AND RESPONSIBLE MANAGEMENT

Brewing Sustainable Success

The focus of a manager or a business owner is often primarily on doing well (making a profit). Sometimes, though, organizational leaders choose to pursue two big goals at once: doing well and simultaneously doing good (benefiting society in some way). Why? Generally, because they think it's an important thing to do. The business provides an opportunity to pursue another goal that the founders, owners, or managers are also passionate about. In the case of New Belgium Brewing, the company's cofounders, Jeff Lebesch and Kim Jordan were passionate about two things: making great beer and environmental stewardship. So it should come as no surprise that their brewery is dedicated to reducing its environmental footprint. The brewery has created a culture that fosters sustainability in a wide range of ways, such as by giving employees a bicycle on their one-year anniversary as a way to encourage them to ride bicycles to work. The organization is also active in advocacy efforts, such as the "Save the Colorado" (river) campaign, and it works hard to promote responsible decision-making when it comes to environmental issues. In fact, in 1999, following an employee vote, the brewery began to purchase all of its electricity from wind power, even though it was more expensive than electricity from coal-burning power plants (which meant reduced profitability and less money for employee bonuses).

While the brewery still relies primarily on wind power, it also now generates a portion of its electricity onsite—some from rooftop solar panels, and even more from biogas, the methane gas byproduct that is created by microbes in the brewery's water treatment plant. The company cleans the wastewater generated from beer production, and in doing so it generates the biogas, which is captured and used for energy to help run the brewery.

Brewing is water-intensive, so New Belgium works hard to reduce water consumption and to recycle the water that it does use. The company also reduces other types of waste by selling used grain, hops, and yeast to local ranchers for cattle feed. The company, which has been employee-owned since 2013, also works with the local utility through a Smart Meter program to reduce its energy consumption at peak times.

All of these efforts at doing good must come at a cost, right? Actually, research shows that companies that are committed to sustainability have superior financial performance, on average, relative to those that are not. In coming up with creative ways to reduce, reuse, and recycle, employees often also find ways to save money (like using biogas). In addition, organizations that strive to do good are often considered attractive and desirable places to work (especially by people who have similar values) and are also valued by the surrounding communities. As a result, employees in those organizations tend to be extremely committed to them, with high levels of engagement, motivation, and productivity. Indeed, it seems clear that the employees at the New Belgium Brewery are passionate about where they work and what they do. This passion generates value for the organization and proves that it is, in fact, possible to do well while having also made the decision to do good. And in the case of New Belgium Brewery, that means working to protect the environment while also making delicious beer.

Discussion Questions:

1. What challenges does New Belgium Brewery face in pursuing environmental goals?
2. Can you think of any other examples of companies that try to "do good" while also doing well?
3. Would you like to work for an organization that is committed to something more than just profitability, even if it meant your salary or bonus would be smaller?

Sources: Karen Crofton, "How New Belgium Brewery leads Colorado's craft brewers in energy," *GreenBiz*, August 1, 2014, https://www.greenbiz.com/. Darren Dahl, "How New Belgium Brewing Has Found Sustainable Success," *Forbes*, February 8, 2016, https://www.forbes.com/. Jenny Foust, "New Belgium Brewing Once Again Named Platinum-Level Bicycle Friendly Business by the League of American Bicyclists," Craft Beer.com, February 18, 2016. Robert G. Eccles, Ioannis Ioannou, & George Serafeim, "The Impact of Corporate Sustainability on Organizational Processes and Performance," *Management Science*, 60, 2014, https://doi.org/10.1287/mnsc.2014.1984. New Belgium Brewery Sustainability web page, http://www.newbelgium.com/sustainability, accessed September 18, 2017.

concept check

1. What are some positive outcomes of decision-making for an organization? What are some possible negative outcomes?
2. How is managerial decision-making different from a multiple-choice test?
3. In addition to the owners of a business, who are some of the other stakeholders that managers should consider when making decisions?

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6.2: How the Brain Processes Information to Make Decisions- Reflective and Reactive Systems

2. What are the two systems of decision-making in the brain?

The human brain processes information for decision-making using one of two routes: a reflective system and a reactive (or reflexive) system.[2,3] The **reflective system** is logical, analytical, deliberate, and methodical, while the **reactive system** is quick, impulsive, and intuitive, relying on emotions or habits to provide cues for what to do next. Research in neuropsychology suggests that the brain can only use one system at a time for processing information [Darlow & Sloman] and that the two systems are directed by different parts of the brain. The prefrontal cortex is more involved in the reflective system, and the basal ganglia and amygdala (more primitive parts of the brain, from an evolutionary perspective) are more involved in the reactive system.[4]

Reactive Decision-Making

We tend to assume that the logical, analytical route leads to superior decisions, but whether this is accurate depends on the situation. The quick, intuitive route can be lifesaving; when we suddenly feel intense fear, a fight-or-flight response kicks in that leads to immediate action without methodically weighing all possible options and their consequences. Additionally, experienced managers can often make decisions very quickly because experience or expertise has taught them what to do in a given situation. These managers might not be able to explain the logic behind their decision, and will instead say they just went with their "gut," or did what "felt" right. Because the manager has faced a similar situation in the past and has figured out how to deal with it, the brain shifts immediately to the quick, intuitive decision-making system.[5]

Reflective Decision-Making

The quick route is not always the best decision-making path to take, however. When faced with novel and complex situations, it is better to process available information logically, analytically, and methodically. As a manager, you need to think about whether a situation requires not a fast, "gut" reaction, but some serious thought prior to making a decision. It is especially important to pay attention to your emotions because strong emotions can make it difficult to process information rationally. Successful managers recognize the effects of emotions and know to wait and address a volatile situation after their emotions have calmed down. Intense emotions—whether positive or negative—tend to pull us toward the quick, reactive route of decision-making. Have you ever made a large "impulse" purchase that you were excited about, only to regret it later? This speaks to the power our emotions exert on our decision-making. Big decisions should generally not be made impulsively, but reflectively.

The Role of Emotions

Being aware of the role emotions play in decision-making does not mean that we should ignore them. Emotions can serve as powerful signals about what we should do, especially in situations with ethical implications. You can read more about this particular type of decision-making in the *Ethics in Practice* box later in this chapter. Thinking through how we feel about the possible options, and why we feel that way, can greatly enhance our decision-making.[6] Effective decision-making, then, relies on both logic *and* emotions. For this reason, the concept of emotional intelligence has become popular as a characteristic of effective managers. **Emotional intelligence** is the ability to recognize, understand, pay attention to, and manage one's own emotions and the emotions of others. It involves self-awareness and self-regulation—essentially, this is a toggling back and forth between emotions and logic so that we analyze and understand our own emotions and then exert the necessary control to manage them as appropriate for the situation. Emotional intelligence also involves empathy—the ability to understand other peoples' emotions (and an interest in doing so). Finally, emotional intelligence involves social skills to manage the emotional aspects of relationships with others. Managers who are aware of their own emotions can think through what their emotions mean in a given situation and use that information to guide their decision-making. Managers who are aware of the emotions of others can also utilize that information to help groups function more effectively and engage in better group decision-making. While emotional intelligence seems to come easily to some people, it is something that we can develop and improve on with practice. A model of emotional intelligence is presented in **Exhibit 6.2**.

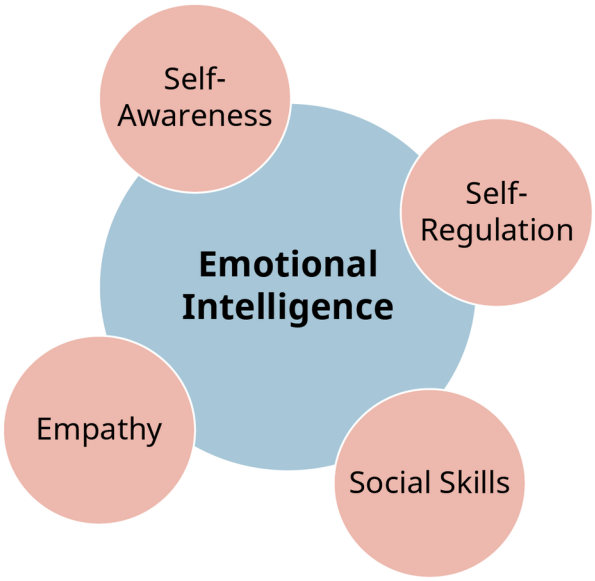


Exhibit 6.2 Emotional Intelligence (Attribution: Copyright Rice University, OpenStax, under CC-BY 4.0 license)

concept check

1. Explain the two systems used by the brain in decision-making.
2. What is emotional intelligence, and why is it important for decision-making?

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6.3: Emotional Intelligence

By Marc Brackett, Sarah Delaney, and Peter Salovey, Yale University

In this module, we review the construct of emotional intelligence by examining its underlying theoretical model, measurement tools, validity, and applications in real-world settings. We use empirical research from the past few decades to support and discuss competing definitions of emotional intelligence and possible future directions for the field.

learning objectives

- Understand the theoretical foundations of emotional intelligence and the relationship between emotion and cognition.
- Distinguish between mixed and ability models of emotional intelligence.
- Understand various methods for measuring emotional intelligence.
- Describe emotional intelligence's evolution as a theoretical, success-oriented, and achievement-based framework.
- Identify and define key concepts of emotional intelligence (including emotion regulation, expression of emotion, understanding emotion, etc.) and the ways they contribute to decision making, relationship building, and overall well-being.

Introduction

Imagine you are waiting in line to buy tickets to see your favorite band. Knowing tickets are limited and prices will rise quickly, you showed up 4 hours early. Unfortunately, so did everyone else. The line stretches for blocks and hasn't moved since you arrived. It starts to rain. You are now close to Will Call when you notice three people jump ahead of you to join their friends, who appear to have been saving a spot for them. They talk loudly on their cellphones as you inch forward, following the slow procession of others waiting in line. You finally reach the ticket counter only to have the clerk tell you the show is sold out. You notice the loud group off to the side, waving their tickets in the air. At this exact moment, a fiery line of emotion shoots through your whole body. Your heart begins to race, and you feel the urge to either slam your hands on the counter or scream in the face of those you believe have slighted you. What are these feelings, and what will you do with them?

Emotional intelligence (EI) involves the idea that cognition and emotion are interrelated. From this notion stems the belief that emotions influence decision making, relationship building, and everyday behavior. After spending hours waiting eagerly in the pouring rain and having nothing to show for it, is it even possible to squelch such intense feelings of anger due to injustice? From an EI perspective, emotions are active mental processes that can be managed, so long as individuals develop the knowledge and skills to do so. But how, exactly, do we reason with our emotions? In other words, how intelligent is our emotion system?

To begin, we'll briefly review the concept of standard, or general, intelligence. The late American psychologist, David Wechsler, claimed that intelligence is the "global capacity of an individual to think rationally, act purposefully, and deal effectively with their environment" (Wechsler, 1944). If we choose to accept this definition, then intelligence is an operational process through which we learn to utilize our internal abilities in order to better navigate our surroundings—a process that is most certainly similar to, if not impacted by, our emotions. In 1990, Drs. Peter Salovey and John D. Mayer first explored and defined EI. They explained EI as "the ability to monitor one's own and others' feelings and emotions, to discriminate among them and use this information to guide one's thinking and actions" (Salovey & Mayer, 1990). EI, according to these researchers, asserts that all individuals possess the ability to leverage their emotions to enhance thinking, judgment, and behavior. This module aims to unpack this theory by exploring the growing empirical research on EI, as well as what can be learned about its impact on our daily lives.

History of EI



Perhaps Aristotle might have revised his statement about people not being "defeated by their emotion" if he was ever stuck in rush hour traffic. [CC0 Public Domain, goo.gl/m25gce]

Traditionally, many psychologists and philosophers viewed cognition and emotion as separate domains, with emotion posing a threat to productive and rational thinking. Have you ever been told not to let your emotions get in the way of your decisions? This separation of passion and reason stretches as far back as early ancient Greece (Lyons, 1999). Additionally, mid-20th century scholars explained emotions as mentally destabilizing forces (Young, 1943). Yet, there are traces throughout history where the intersection of emotion and cognition has been theoretically questioned. In 350 B.C.E., the famous Greek philosopher Aristotle wrote, "some men . . . if they have first perceived and seen what is coming and have first roused themselves and their calculative faculty, are not defeated by their emotion, whether it be pleasant or painful"(Aristotle, trans. 2009, Book VII, Chapter 7, Section 8). Still, our social interactions and experiences suggest this belief has undergone centuries of disregard, both in Western and Eastern cultures. These are the same interactions that teach us to "toughen up" and keep our emotions hidden. So, how did we arrive at EI—a scientific theory that claims *all* individuals have access to a "calculative faculty" through emotion?

In the early 1970s, many scientists began to recognize the limitations of the Intelligence Quotient (IQ)—the standardized assessment of intelligence. In particular, they noticed its inability to explain differences among individuals unrelated to just cognitive ability alone. These frustrations led to the advancement of more inclusive theories of intelligence such as Gardner's multiple intelligences theory (1983/1993) and Sternberg's triarchic theory of intelligence (1985). Researchers also began to explore the influence of moods and emotions on thought processes, including judgment (Isen, Shalker, Clark, & Karp, 1978) and memory (Bower, 1981). It was through these theoretical explorations and empirical studies that the concept of EI began to take shape.

Today, the field of EI is extensive, encompassing varying perspectives and measurement tools. Some attribute this growth to Daniel Goleman's popularization of the construct in his 1995 book, *Emotional Intelligence: Why It Can Matter More Than IQ*. Generating public appeal, he focused on EI's connection to personal and professional success. Goleman's model of EI includes a blend of emotion-related skills, traditional cognitive intelligence, and distinct personality traits. This embellished conceptualization of EI, followed by an increase in EI literature, contributed, at least in part, to conflicting definitional and measurement models within the field.

Models and Measures of EI

Many researchers would agree that EI theory will only be as successful as its form of measurement. Today, there are three primary models of EI: the ability model (Mayer & Salovey 1997; Salovey & Mayer, 1990), mixed models (Bar-On, 2006; Boyatzis & Sala, 2004), and the trait EI model (Petrides & Furnham, 2003).

Ability models approach EI as a standard intelligence that utilizes a distinct set of mental abilities that (1) are intercorrelated, (2) relate to other extant intelligences, and (3) develop with age and experience (Mayer, Caruso, & Salovey, 1999; Mayer, Salovey,

Caruso, & Sitarenios, 2003). In contrast, both mixed and trait models define and measure EI as a set of perceived abilities, skills, and personality traits.

Ability Models: Mayer and Salovey Four-Branch Model of EI

In this section, we describe the EI (**Four-Branch**) model espoused by Mayer and Salovey (1997). This model proposes that four fundamental emotion-related abilities comprise EI: (1) perception/expression of emotion, (2) use of emotion to facilitate thinking, (3) understanding of emotion, and (4) management of emotion in oneself and others.

1. Perception of Emotion

Perception of emotion refers to people's capacity to identify emotions in themselves and others using facial expressions, tone of voice, and body language (Brackett et al., 2013). Those skilled in the perception of emotion also are able to express emotion accordingly and communicate emotional needs. For example, let's return to our opening scenario. After being turned away at the ticket booth, you slowly settle into the reality that you cannot attend the concert. A group of your classmates, however, managed to buy tickets and are discussing their plans at your lunch table. When they ask if you are excited for the opening band, you shrug and pick at your food. If your classmates are skilled at perception of emotion, then they will read your facial expression and body language and determine that you might be masking your true feelings of disappointment, frustration, or disengagement from the conversation. As a result, they might ask you if something is wrong or choose not to talk about the concert in your presence.

2. Use of Emotion to Facilitate Thinking



Which emotions would serve you best during a football game? Would the same emotions be useful for a chess match? Matching the emotion to the task at hand is valuable skill to have. [Image: Ian Sane, https://goo.gl/lKuqyz, CC BY 2.0, goo.gl/zHmGV2]

Using emotion to enhance cognitive activities and adapt to various situations is the second component of EI. People who are skilled in this area understand that some emotional states are more optimal for targeted outcomes than others. Feeling frustrated over the concert tickets may be a helpful mindset as you are about to play a football game or begin a wrestling match. The high levels of adrenaline associated with frustration may boost your energy and strength, helping you compete. These same emotions, however, will likely impede your ability to sit at your school desk and solve algebra problems or write an essay.

Individuals who have developed and practiced this area of EI actively generate emotions that support certain tasks or objectives. For example, a teacher skilled in this domain may recognize that her students need to experience positive emotions, like joy or excitement, in order to succeed when doing creative work such as brainstorming or collaborative art projects. She may plan accordingly by scheduling these activities for after recess, knowing students will likely come into the classroom cheerful and happy from playing outside. Making decisions based on the impact that emotional experiences may have on actions and behavior is an essential component of EI.

3. Understanding of Emotion

EI also includes the ability to differentiate between emotional states, as well as their specific causes and trajectories. Feelings of sadness or disappointment can result from the loss of a person or object, such as your concert tickets. Standing in the rain, by most standards, is merely a slight annoyance. However, waiting in the rain for hours in a large crowd will likely result in irritation or frustration. Feeling like you have been treated unfairly when someone cuts in line and takes the tickets you feel you deserved can cause your unpleasantness to escalate into anger and resentment. People skilled in this area are aware of this emotional trajectory and also have a strong sense of how multiple emotions can work together to produce another. For instance, it is possible that you may feel contempt for the people who cut in front of you in line. However, this feeling of contempt does not arise from anger alone. Rather, it is the combination of anger and disgust by the fact that these individuals, unlike you, have disobeyed the rules. Successfully discriminating between negative emotions is an important skill related to understanding of emotion, and it may lead to more effective emotion management (Feldman Barret, Gross, Christensen, & Benvenuto, 2001).

4. Management of Emotion

Emotion management includes the ability to remain open to a wide range of emotions, recognize the value of feeling certain emotions in specific situations, and understand which short- and long-term strategies are most efficient for emotion regulation (Gross, 1998). Anger seems an appropriate response to falling short of a goal (concert tickets) that you pursued both fairly and patiently. In fact, you may even find it valuable to allow yourself the experience of this feeling. However, this feeling will certainly need to be managed in order to prevent aggressive, unwanted behavior. Coming up with strategies, such as taking a deep breath and waiting until you feel calm before letting the group ahead of you know they cut in line, will allow you to regulate your anger and prevent the situation from escalating. Using this strategy may even let you gain insight into other perspectives—perhaps you learn they had already purchased their tickets and were merely accompanying their friends.

Measuring EI with Performance Measures

While self-report tests are common in psychology, ability models of EI require a different approach: performance measures. Performance measures require respondents to demonstrate their four emotion skills (Mayer & Salovey, 1997) by solving emotion-related problems. Among these measures, the **Mayer-Salovey-Caruso Emotional Intelligence Test (MSCEIT)** (Mayer, Salovey, & Caruso, 2002) is the most commonly used. The MSCEIT is a 141-item test comprised of a total of eight tasks, two per each of the four emotion abilities. To measure emotion management, for example, respondents are asked to read through scenarios involving emotionally charged conflicts and then asked to evaluate the effectiveness of different resolutions. For a comprehensive review of the MSCEIT and other performance-assessment tools, please see Rivers, Brackett, Salovey, and Mayer (2007).

Mixed and Trait Models of EI

Unlike ability models, **mixed models** offer a broad definition of EI that combines mental abilities with personality traits such as optimism, motivation, and stress tolerance (see Cherniss, 2010, for a review). The two most widely used mixed models are the Boyatzis-Goleman model (Boyatzis & Sala, 2004) and the Bar-On model of emotional-social intelligence (Bar-On, 2006). The Boyatzis-Goleman model divides EI competencies into four groups: self-awareness, self-management, social awareness, and relationship management. Similarly, the Bar-On model offers five main components of EI: intrapersonal skills, interpersonal skills, adaptability, stress management, and mood. Developers of the trait EI model (Petrides & Furnham, 2003) explain EI as a constellation of self-perceived, emotion-related personality traits.

Mixed and Trait Model Assessment: Self-Report



As an alternative to somewhat unreliable self-report measures, researchers have been using fMRI studies to detect changes in brain function when a self-report type of question is given to a participant. [Image: NIH Image Gallery, https://goo.gl/aWZBvI, CC BY-NC 2.0, goo.gl/VnKlK8]

Self-report assessments—surveys that ask respondents to report their own emotional skills—are most often associated with mixed and trait models. Self-report measures are usually quick to administer. However, many researchers argue that their vulnerability to social-desirability biases and faking are problematic (Day & Carroll, 2008). In addition, there is wide speculation concerning the potential for inaccurate judgments of personal ability and skill on behalf of responders (e.g., Paulhus, Lysy, & Yik, 1998). Self-report measures have been shown to lack discriminant validity from existing personality measures and have very low correlations with ability measures of EI (Brackett & Mayer, 2003; Brackett, Rivers, Shiffman, Lerner, & Salovey, 2006). According to Mayer and colleagues (2008), self-report tests may show reliability for individual personalities, but should not be considered EI because performance tests are the gold standard for measuring intelligence.

Although tensions between ability and mixed or trait model approaches appear to divide the field, competing definitions and measurements can only enhance the quality of research devoted to EI and its impact on real-world outcomes.

Room for Debate

While mixed and trait models shed some light on the concept of EI, many researchers feel these approaches undermine the EI construct as a discrete and measurable mental ability. EI, when conceptualized as an ability, most accurately describes the relationship between cognition and emotion by accounting for changes in individual outcomes that are often missed when focusing solely on cognitive intelligence or personality traits (O'Boyle, Humphrey, Pollack, Hawver, & Story, 2010). What's more, among adults, personality traits provide little room for malleability, making development in these areas difficult even when combined with emotional skills. For example, characteristics such as agreeableness and neuroticism, while contributing to personal and professional success, are seen as innate traits that are likely to remain static over time. Distinguishing EI from personality traits helps us better target the skills that can improve desirable outcomes (Brackett et al., 2013). Approaching EI with language that provides the opportunity for personal growth is crucial to its application. Because the ability model aligns with this approach, the remainder of this module will focus on ability EI and the ways in which it can be applied both in professional and academic settings.

Outcomes

Historically, emotions have been thought to have no place in the classroom or workplace (Sutton & Wheatly, 2003). Yet today, we know empirical research supports the belief that EI has the potential to influence decision making, health, relationships, and performance in both professional and academic settings (e.g., Brackett et al., 2013; Brackett, Rivers, & Salovey, 2011).

Workplace



Think of a time when you made a choice to demonstrate emotional intelligence at work – what happened? [Image: Pricenfees, https://goo.gl/8GOJPR, CC BY 2.0, goo.gl/BRvSA7]

Research conducted in the workplace supports positive links between EI and enhanced job performance, occupational well-being, and leadership effectiveness. In one study, EI was associated with performance indicators such as company rank, percent merit increase, ratings of interpersonal facilitation, and affect and attitudes at work (Lopes, Grewal, Kadis, Gall, & Salovey, 2006). Similar correlations have been found between EI and a variety of managerial simulations involving problem solving, determining employee layoffs, adjusting claims, and negotiating successfully (Day & Carroll, 2004; Feyerherm & Rice, 2002; Mueller & Curhan, 2006). Emotion management is seen as most likely to affect job performance by influencing social and business interactions across a diverse range of industries (O'Boyle et al., 2010).

Leaders in the workplace also benefit from high EI. Experts in the field of organizational behavior are beginning to view leadership as a process of social interactions where leaders motivate, influence, guide, and empower followers to achieve organizational goals (Bass & Riggio, 2006). This is known as transformational leadership—where leaders create a vision and then inspire others to work in this direction (Bass, 1985). In a sample of 24 managers, MSCEIT scores correlated positively with a leader's ability to inspire followers to emulate their own actions and attend to the needs and problems of each individual (Leban & Zulauf, 2004).

Schools

When applied in educational settings, theoretical foundations of EI are often integrated into **social and emotional learning (SEL)** programs. SEL is the process of merging thinking, feeling, and behaving. These skills enable individuals to be aware of themselves and of others, make responsible decisions, and manage their own behaviors and those of others (Elias et al., 1997; Elbertson, Brackett, & Weissberg, 2010). SEL programs are designed to enhance the climate of a classroom, school, or district, with the ultimate goal of enhancing children's social and emotional skills and improving their academic outcomes (Greenberg et al., 2003). Adopting curricula that focus on these elements is believed to enable success in academics, relationships, and, ultimately, in life (Becker & Luthar, 2002; Catalino, Berglundh, Ryan, Lonczek, & Hawkins, 2004).

Take a moment to think about the role of a teacher. How might emotions impact the climate of a classroom? If a teacher enters a classroom feeling anxious, disgruntled, or unenthused, these states will most likely be noticed, and felt, by the students. If not managed well, these negative emotions can hurt the classroom dynamic and prevent student learning (Travers, 2001). Research suggests that the abilities to perceive, use, understand, and manage emotions are imperative for effective teaching (Reyes, Brackett, Rivers, White, & Salovey, 2012; Brackett, Reyes, Rivers, Elbertson, & Salovey, 2011; Hargreaves, 2001). In a study that examined the relationship between emotion regulation and both job satisfaction and burnout among secondary-school teachers, researchers found that emotion regulation among teachers was associated with positive affect, support from principals, job satisfaction, and feelings of personal accomplishment (Brackett, Palomera, Mojsa-Kaja, Reyes, & Salovey, 2010).

EI, when embedded into SEL programs, has been shown to contribute positively to personal and academic success in students

(Durlak, Weissberg, Dymnicki, Tayloer, & Schellinger, 2011). Research also shows that strong emotion regulation can help students pay attention in class, adjust to the school environment, and manage academic anxiety (Lopes & Salovey, 2004; Mestre, Guil, Lopes, Salovey, & Gil-Olarte, 2006). A recent randomized control trial of RULER* also found that, after one year, schools that used RULER—compared with those that used only the standard curriculum—were rated by independent observers as having higher degrees of warmth and connectedness between teachers and students, more autonomy and leadership, less bullying among students, and teachers who focused more on students' interests and motivations (Rivers, Brackett, Reyes, Elbertson, & Salovey, 2013).

*RULER - Recognize emotions in oneself and in other people. Understand the causes and consequences of a wide range of emotions. Label emotions using a sophisticated vocabulary. Express emotions in socially appropriate way. Regulate emotions effectively.

Limitations and Future Directions



Future directions for EI research include more study of those in cultures outside North America and Europe, and more attention to the dynamics of EI in the workplace and schools. [Image: CC0 Public Domain, goo.gl/m25gce]

There is a need for further development in EI theory and measurement, as well as more empirical research on its associated outcomes (Mayer, Salovey, & Caruso, 2008). Despite its prominent role as the signature **performance assessment** of EI, the MSCEIT has a number of limitations. For example, it does not allow for the assessment of several abilities. These abilities include the expression of emotion and monitoring or reflecting on one's own emotions. (Brackett et al. 2013). Researchers must also address growing criticisms, particularly those that stretch beyond the measurement debate and question the validity of the EI construct when defined too broadly (Locke, 2005). In order to advance EI research, there is a great need for investigators to address these issues by reconciling disparate definitions and refining existing measures. Potential considerations for future research in the field should include deeper investigation into the genetic (versus acquired) and fluid (versus crystallized) aspects of EI. The cultural implications and differences of EI also are important to consider. Studies should expand beyond the United States and Europe in order for the theory of EI to be cross-culturally valid and for its applications and outcomes to be achieved more universally. Greater attention should also be paid to developmental trajectories, gender differences, and how EI operates in the workplace and educational settings (Brackett et al., 2013).

Although further explorations and research in the field of EI are needed, current findings indicate a fundamental relationship between emotion and cognition. Returning to our opening question, what will you do when denied concert tickets? One of the more compelling aspects of EI is that it grants us reign over our own emotions—forces once thought to rule the self by denying individual agency. But with this power comes responsibility. If you are enraged about not getting tickets to the show, perhaps you can take a few deep breaths, go for a walk, and wait until your physiological indicators (shaky hands or accelerated heartbeat) subside. Once you've removed yourself, your feeling of rage may lessen to annoyance. Lowering the intensity level of this feeling (a process known as *down regulating*) will help re-direct your focus on the situation itself, rather than the activated emotion. In this sense, emotion regulation allows you to objectively view the point of conflict without dismissing your true feelings. Merely down regulating the emotional experience facilitates better problem solving. Now that you are less activated, what is the best

approach? Should you talk to the ticket clerk? Ask to see the sales manager? Or do you let the group know how you felt when they cut the line? All of these options present better solutions than impulsively acting out rage.

As discussed in this module, research shows that the cultivation and development of EI contributes to more productive, supportive, and healthy experiences. Whether we're waiting in a crowded public place, delivering lesson plans, or engaging in conversation with friends, we are the ultimate decision makers when it comes how we want to feel and, in turn, behave. By engaging the right mental processes and strategies, we can better understand, regulate, and manage our emotional states in order to live the lives we desire.

Outside Resources

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http://www.inc.com/travis-bradberry/...-for-sure.html

Article: Grant, A. (2014, January 2). The dark side of emotional intelligence, The Atlantic. Retrieved from:
http://www.theatlantic.com/health/ar...igence/282720/

Article: Gregoire, C. (2014, January 23) How emotionally intelligent are you? Here's how to tell. Huffington Post. Retrieved from:
http://www.huffingtonpost.com/2013/1...n_4371920.html

Book: Goleman, D. (1995). *Emotional intelligence*. New York, NY: Bantam.

Book: Goleman, D. (1998). *Working with emotional intelligence*. New York, NY: Bantam.

Discussion Questions

1. What are the four emotional abilities that comprise EI, and how do they relate to each other?
2. What are three possible implications for using ability-based and mixed or trait-based models of EI?
3. Discuss the ways in which EI can contribute positively to the workplace and classroom settings.

Vocabulary

Ability model
An approach that views EI as a standard intelligence that utilizes a distinct set of mental abilities that (1) are intercorrelated, (2) relate to other extant intelligences, and (3) develop with age and experience (Mayer & Salovey, 1997).

Emotional intelligence
The ability to monitor one's own and others' feelings and emotions, to discriminate among them and to use this information to guide one's thinking and actions. (Salovey & Mayer, 1990). EI includes four specific abilities: perceiving, using, understanding, and managing emotions.

Four-Branch Model
An ability model developed by Drs. Peter Salovey and John Mayer that includes four main components of EI, arranged in hierarchical order, beginning with basic psychological processes and advancing to integrative psychological processes. The branches are (1) perception of emotion, (2) use of emotion to facilitate thinking, (3) understanding emotion, and (4) management of emotion.

Mayer-Salovey-Caruso Emotional Intelligence Test (MSCEIT)
A 141-item performance assessment of EI that measures the four emotion abilities (as defined by the four-branch model of EI) with a total of eight tasks.

Mixed and Trait Models
Approaches that view EI as a combination of self-perceived emotion skills, personality traits, and attitudes.

Performance assessmen t
A method of measurement associated with ability models of EI that evaluate the test taker's ability to solve emotion-related problems.

Self-report assessment

A method of measurement associated with mixed and trait models of EI, which evaluates the test taker's perceived emotion-related skills, distinct personality traits, and other characteristics.

Social and emotional learning (SEL)

The real-world application of EI in an educational setting and/or classroom that involves curricula that teach the process of integrating thinking, feeling, and behaving in order to become aware of the self and of others, make responsible decisions, and manage one's own behaviors and those of others (Elias et al., 1997)

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6.4: Programmed and Nonprogrammed Decisions

3. What is the difference between programmed and nonprogrammed decisions?

Because managers have limited time and must use that time wisely to be effective, it is important for them to distinguish between decisions that can have structure and routine applied to them (called programmed decisions) and decisions that are novel and require thought and attention (nonprogrammed decisions).

Programmed Decisions

Programmed decisions are those that are repeated over time and for which an existing set of rules can be developed to guide the process. These decisions might simple, or they could be fairly complex, but the criteria that go into making the decision are all known or can at least be estimated with a reasonable degree of accuracy. For example, deciding how many raw materials to order should be a programmed decision based on anticipated production, existing stock, and anticipated length of time for the delivery of the final product. As another example, consider a retail store manager developing the weekly work schedule for part-time employees. The manager must consider how busy the store is likely to be, taking into account seasonal fluctuations in business. Then, she must consider the availability of the workers by taking into account requests for vacation and for other obligations that employees might have (such as school). Establishing the schedule might be complex, but it is still a programmed decision: it is made on a regular basis based on well-understood criteria, so the structure can be applied to the process. For programmed decisions, managers often develop **heuristics**, or mental shortcuts, to help reach a decision. For example, the retail store manager may not know how busy the store will be the week of a big sale, but it might routinely increase staff by 30% every time there is a big sale (because this has been fairly effective in the past). Heuristics are efficient—they save time for the decision-maker by generating an adequate solution quickly. Heuristics don't necessarily yield the optimal solution—deeper cognitive processing may be required for that. However, they generally yield a good solution. Heuristics are often used for programmed decisions because experience in making the decision over and over helps the decision-maker know what to expect and how to react. Programmed decision-making can also be taught fairly easily to another person. The rules and criteria, and how they relate to outcomes, can be clearly laid out so that a good decision can be reached by the new decision-maker. Programmed decisions are also sometimes referred to as *routine* or *low-involvement* decisions because they don't require in-depth mental processing to reach a decision. High- and low-involvement decisions are illustrated in Exhibit 6.3.

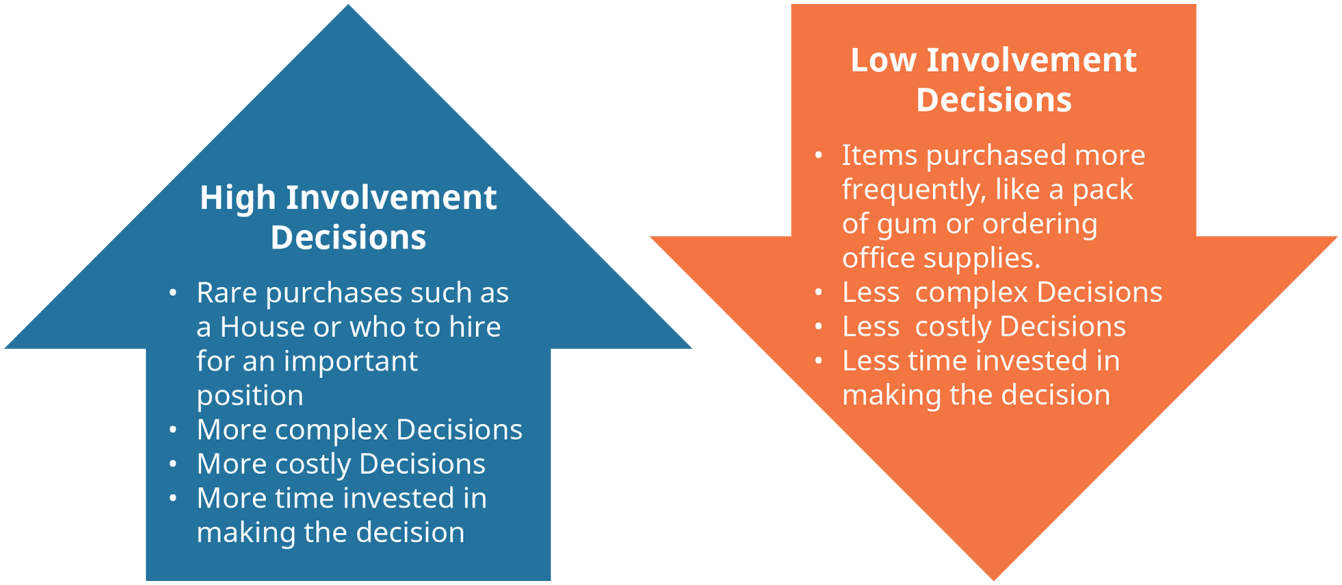


Exhibit 6.3 High-Involvement and Low-Involvement Decisions. (Attribution: Copyright Rice University, OpenStax, under CC-BY 4.0 license)

Nonprogrammed Decisions

In contrast, **nonprogrammed decisions** are novel, unstructured decisions that are generally based on criteria that are not well-

defined. With nonprogrammed decisions, information is more likely to be ambiguous or incomplete, and the decision-maker may need to exercise some thoughtful judgment and creative thinking to reach a good solution. These are also sometimes referred to as *nonroutine* decisions or as *high-involvement* decisions because they require greater involvement and thought on the part of the decision-maker. For example, consider a manager trying to decide whether or not to adopt new technology. There will always be unknowns in situations of this nature. Will the new technology really be better than the existing technology? Will it become widely accepted over time, or will some other technology become the standard? The best the manager can do in this situation is to gather as much relevant information as possible and make an educated guess as to whether the new technology will be worthwhile. Clearly, nonprogrammed decisions present a greater challenge.

The Decision-Making Process

While decision-makers can use mental shortcuts with programmed decisions, they should use a systematic process with nonprogrammed decisions. The decision-making process is illustrated in **Exhibit 6.4** and can be broken down into a series of six steps, as follows:

1. Recognize that a decision needs to be made.
2. Generate multiple alternatives.
3. Analyze the alternatives.
4. Select an alternative.
5. Implement the selected alternative.
6. Evaluate its effectiveness.

While these steps may seem straightforward, individuals often skip steps or spend too little time on some steps. In fact, sometimes people will refuse to acknowledge a problem (Step 1) because they aren't sure how to address it. We'll discuss the steps later in the chapter when we review ways to improve the quality of decision-making.

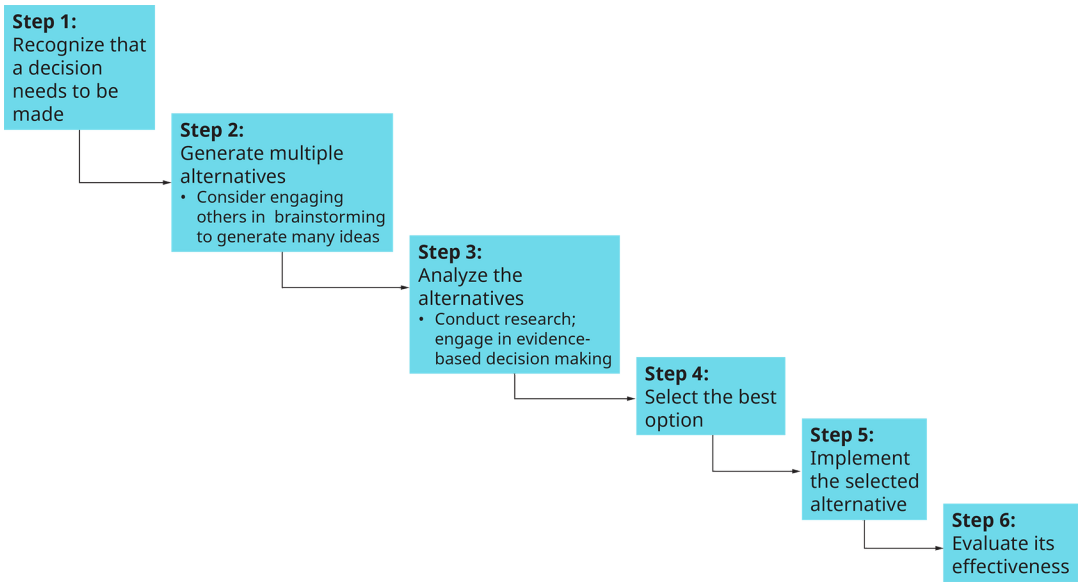


Exhibit 6.4 The Decision-Making Process. (Attribution: Copyright Rice University, OpenStax, under CC-BY 4.0 license)

You may notice similarities between the two systems of decision-making in our brains and the two types of decisions (programmed and nonprogrammed). Nonprogrammed decisions will generally need to be processed via the reflective system in our brains in order for us to reach a good decision. But with programmed decisions, heuristics can allow decision-makers to switch to the quick, reactive system and then move along quickly to other issues.

concept check

1. Give an example of a programmed decision that a manager might face.
2. Give an example of a nonprogrammed decision.

3. What are heuristics, and when are they helpful?
4. How are programmed and nonprogrammed decisions connected to the reflective and reactive systems in the brain?

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6.5: Barriers to Effective Decision-Making

4. What barriers exist that make effective decision-making difficult?

There are a number of barriers to effective decision-making. Effective managers are aware of these potential barriers and try to overcome them as much as possible.

Bounded Rationality

While we might like to think that we can make completely rational decisions, this is often unrealistic given the complex issues faced by managers. Nonrational decision-making is common, especially with nonprogrammed decisions. Since we haven't faced a particular situation previously, we don't always know what questions to ask or what information to gather. Even when we have gathered all the possible information, we may not be able to make rational sense of all of it or to accurately forecast or predict the outcomes of our choice. **Bounded rationality** is the idea that for complex issues we cannot be completely rational because we cannot fully grasp all the possible alternatives, nor can we understand all the implications of every possible alternative. Our brains have limitations in terms of the amount of information they can process. Similarly, as was alluded to earlier in the chapter, even when managers have the cognitive ability to process all the relevant information, they often must make decisions without first having time to collect all the relevant data—their information is incomplete.

Escalation of Commitment

Given the lack of complete information, managers don't always make the right decision initially, and it may not be clear that a decision was a bad one until after some time has passed. For example, consider a manager who had to choose between two competing software packages that her organization will use on a daily basis to enhance efficiency. She initially chooses the product that was developed by the larger, more well-established company, reasoning that they will have greater financial resources to invest in ensuring that the technology is good. However, after some time it becomes clear that the competing software package is going to be far superior. While the smaller company's product could be integrated into the organization's existing systems at little additional expense, the larger company's product will require a much greater initial investment, as well as substantial ongoing costs for maintaining it. At this point, however, let's assume that the manager has already paid for the larger company's (inferior) software. Will she abandon the path that she's on, accept the loss on the money that's been invested so far, and switch to the better software? Or will she continue to invest time and money into trying to make the first product work? **Escalation of commitment** is the tendency of decision-makers to remain committed to poor decisions, even when doing so leads to increasingly negative outcomes. Once we commit to a decision, we may find it difficult to reevaluate that decision rationally. It can seem easier to "stay the course" than to admit (or to recognize) that a decision was poor. It's important to acknowledge that not all decisions are going to be good ones, in spite of our best efforts. Effective managers recognize that progress down the wrong path isn't really progress, and they are willing to reevaluate decisions and change direction when appropriate.

Time Constraints

Managers often face time constraints that can make effective decision-making a challenge. When there is little time available to collect information and to rationally process it, we are much less likely to make a good nonprogrammed decision. Time pressures can cause us to rely on heuristics rather than engage in deep processing. While heuristics save time, however, they don't necessarily lead to the best possible solution. The best managers are constantly assessing the risks associated with acting too quickly against those associated with not acting quickly enough.

Uncertainty

In addition, managers frequently make decisions under conditions of uncertainty—they cannot know the outcome of each alternative until they've actually chosen that alternative. Consider, for example, a manager who is trying to decide between one of two possible marketing campaigns. The first is more conservative but is consistent with what the organization has done in the past. The second is more modern and edgier, and might bring much better results . . . or it might be a spectacular failure. The

manager making the decision will ultimately have to choose one campaign and see what happens, without ever knowing what the results would have been with the alternate campaign. That uncertainty can make it difficult for some managers to make decisions because committing to one option means forgoing other options.

Personal Biases

Our decision-making is also limited by our own biases. We tend to be more comfortable with ideas, concepts, things, and people that are familiar to us or similar to us. We tend to be less comfortable with that which is unfamiliar, new, and different. One of the most common biases that we have, as humans, is the tendency to like other people who we think are similar to us (because we like ourselves).[7] While these similarities can be observable (based on demographic characteristics such as race, gender, and age), they can also be a result of shared experiences (such as attending the same university) or shared interests (such as being in a book club together). This "similar to me" bias and preference for the familiar can lead to a variety of problems for managers: hiring less-qualified applicants because they are similar to the manager in some way, paying more attention to some employees' opinions and ignoring or discounting others, choosing a familiar technology over a new one that is superior, sticking with a supplier that is known over one that has better quality, and so on.

It can be incredibly difficult to overcome our biases because of the way our brains work. The brain excels at organizing information into categories, and it doesn't like to expend the effort to re-arrange once the categories are established. As a result, we tend to pay more attention to information that confirms our existing beliefs and less attention to information that is contrary to our beliefs, a shortcoming that is referred to as **confirmation bias**.[8]

In fact, we don't like our existing beliefs to be challenged. Such challenges feel like a threat, which tends to push our brains towards the reactive system and prevent us from being able to logically process the new information via the reflective system. It is hard to change people's minds about something if they are already confident in their convictions. So, for example, when a manager hires a new employee who she really likes and is convinced is going to be excellent, she will tend to pay attention to examples of excellent performance and ignore examples of poor performance (or attribute those events to things outside the employee's control). The manager will also tend to trust that employees and therefore accept their explanations for poor performance without verifying the truth or accuracy of those statements. The opposite is also true; if we dislike someone, we will pay attention to their negatives and ignore or discount their positives. We are less likely to trust them or believe what they say at face value. This is why politics tend to become very polarized and antagonistic within a two-party system. It can be very difficult to have accurate perceptions of those we like and those we dislike. The effective manager will try to evaluate situations from multiple perspectives and gather multiple opinions to offset this bias when making decisions.

Conflict

Finally, effective decision-making can be difficult because of conflict. Most individuals dislike conflict and will avoid it when possible. However, the best decision might be one that is going to involve some conflict. Consider a manager who has a subordinate who is often late to work, causing others to have to step away from their responsibilities in order to cover for the late employee. The manager needs to have a conversation with that employee to correct the behavior, but the employee is not going to like the conversation and may react in a negative way. Both of them are going to be uncomfortable. The situation is likely to involve conflict, which most people find stressful. Yet, the correct decision is still to have the conversation even if (or especially if) the employee otherwise is an asset to the department.



Exhibit 6.5 Dante Disparte Dante Disparte is the founder and CEO of Risk Cooperative and also coauthor of *Global Risk Agility and Decision Making*. He suggests that unforeseen and unanticipated risks are becoming more frequent and less predictable and are having a greater impact on more people at one time. Credit (New America/ flickr/ Attribution 2.0 Generic (CC BY 2.0))

If the bad behavior is not corrected, it will continue, which is going to cause more problems in the workplace in the long run. Other employees may recognize that this behavior is allowed, and they may also start coming to work late or engaging in other negative behaviors. Eventually, some employees may become sufficiently frustrated that they look for another place to work. It's worth noting that in this situation, the best employees will find new jobs the most quickly. It's important for managers to recognize that while conflict can be uncomfortable (especially in the short-term), there are times when it is necessary for the group, department, or organization to function effectively in the long run.

It is also helpful to think about conflict in terms of process conflict or relationship conflict.[9] **Process conflict,** conflict about the best way to do something, can actually lead to improved performance, as individuals explore various options together in order to identify superior solutions. **Relationship conflict** is conflict between individuals that is more personal and involves attacks on a person rather than an idea. This kind of conflict is generally harmful and should be quelled when possible. The harm from relationship conflict arises at least in part because feeling personally attacked will cause an individual to revert to the reactive system of the brain.

Effective managers should be particularly aware of the possibility of relationship conflict when giving feedback and should keep feedback focused on behaviors and activities (how things are done) rather than on the individual. Being aware of and dealing with relationship conflict points to why emotional intelligence and empathy are beneficial in organizational leaders. Such leaders are more likely to be attentive to the harmful consequences of relationship conflict. The "Managerial Leadership" segment shows how one CEO encourages empathetic collaboration and how that effort is proving beneficial.

MANAGERIAL LEADERSHIP

Satya Nadella's Transformation of Microsoft

When Satya Nadella became the CEO of Microsoft in 2014, he set in motion a major transformation of the organization's culture. He wanted it to shift from a culture that valued "know-it-alls" to one that values "learn-it-all." Instead of employees feeling the need to prove that they were the smartest person in the room, he wanted them to become curious and effective listeners, learners, and communicators. Only through continual learning and collaboration with one another, and with customers, would Microsoft remain able to develop and provide great technology solutions.

One of Nadella's first mandates as CEO was to ask all the members of the top management team to read the book *Nonviolent Communication* by Marshall Rosenberg. The primary focus of the book is on empathetic communication—a kinder, gentler approach than Microsoft employees were accustomed to. Nadella believes that developing empathy leads to a heightened understanding of consumer needs and wants and an enhanced ability to develop better products and services through collaboration.

Nadella has also embraced diversity and inclusion initiatives, though he readily acknowledges that there is more to be done. This is, in part, an extension of his focus on empathy. However, it's also good business, because increasing the diversity of perspectives can help to drive innovation.

This cultural shift is reflected in Microsoft's new mission statement: "To empower every person and every organization on the planet to achieve more." Empowering every person includes Microsoft's own employees. Achieving diversity is particularly a challenge in an industry that is male-dominated, and Nadella admits that he has made mistakes based on his own biases. At a Women in Computing conference early in his tenure as CEO, Nadella suggested that women did not need to ask for raises when they deserved them; the system, he said, would work it out. He later admitted that he was wrong and used the mistake as a platform for making greater strides in this arena.

Senior management team meetings at Microsoft have apparently changed dramatically as a result of the culture change driven by Nadella. Previously, members felt the need to constantly prove that they knew all the right answers at team meetings. Nadella has established different norms; he seeks out honest opinions from team members and gives positive feedback on a regular basis. By moving the focus away from always being right and toward a focus of continual learning, the culture at Microsoft has become more collaborative, and employees are more willing to take risks to create something amazing. The culture shift seems to be paying off: Microsoft's products are being described as "cool" and "exciting," its cloud-computing platform is outperforming the competition, and its financial performance has improved dramatically. Transforming the culture of an organization is a massive undertaking, but Nadella's leadership of Microsoft clearly shows that it's a decision that can pay off.

Discussion Questions:

1. Do you think a culture focused on learning makes sense for Microsoft? Why or why not?
2. What are the advantages of a culture that emphasizes empathetic communication? Can you think of any disadvantages?
3. The job of CEO means making big decisions that impact the entire organization—like deciding to change the culture. How do you think you prepare for that job?

Sources: Kendall Baker, "Confirmed: Microsoft is a legit threat to Apple," *The Hustle*, March 16, 2017. Bob Evans, "10 Powerful examples of Microsoft CEO Satya Nadella's Transformative Vision," Forbes, July 26, 2017. Harry McCraken, "Satya Nadella Rewrites Microsoft's Code," *Fast Company*, September 18, 2017, https://www.fastcompany.com/40457458...icrosofts-code. Annie Palmer, "Microsoft has been reborn under CEO Satya Nadella," *The Street*, September 20, 2017.

concept check

1. Explain the concept of confirmation bias.
2. List and describe at least three barriers to effective decision-making.
3. When is conflict beneficial, and when is it harmful? Why?

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6.6: Improving the Quality of Decision-Making

5. How can a manager improve the quality of her individual decision-making?

Managers can use a variety of techniques to improve their decision-making by making better-quality decisions or making decisions more quickly. Table 6.1 summarizes some of these tactics.

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Summary of Techniques That May Improve Individual Decision-Making		
Type of Decision	**Technique**	**Benefit**
Programmed decisions	Heuristics (mental shortcuts)	Saves time
	Satisficing (choosing first acceptable solution)	Saves time
Nonprogrammed decisions	Systematically go through the six steps of the decision-making process.	Improves quality
	Talk to other people.	Improves quality: generates more options, reduces bias
	Be creative.	Improves quality: generates more options
	Conduct research; engage in evidence-based decision-making.	Improves quality
	Engage in critical thinking.	Improves quality
	Think about the long-term implications.	Improves quality
	Consider the ethical implications.	Improves quality

The Importance of Experience

An often-overlooked factor in effective decision-making is experience. Managers with more experience have generally learned more and developed greater expertise that they can draw on when making decisions. Experience helps managers develop methods and heuristics to quickly deal with programmed decisions and helps them know what additional information to seek out before making a nonprogrammed decision.

Techniques for Making Better Programmed Decisions

In addition, experience enables managers to recognize when to minimize the time spent making decisions on issues that are not particularly important but must still be addressed. As discussed previously, heuristics are mental shortcuts that managers take when making programmed (routine, low-involvement) decisions. Another technique that managers use with these types of decisions is satisficing. When **satisficing**, a decision-maker selects the first *acceptable* solution without engaging in additional effort to identify the *best* solution. We all engage in satisficing every day. For example, suppose you are shopping for groceries, and you don't want to overspend. If you have plenty of time, you might compare prices and figure out the price by weight (or volume) to ensure that every item you select is the cheapest option. But if you are in a hurry, you might just select generic products, knowing that they are cheap enough. This allows you to finish the task quickly at a reasonably low cost.

Techniques for Making Better Nonprogrammed Decisions

For situations in which the quality of the decision is more critical than the time spent on the decision, decision-makers can use

several tactics. As stated previously, nonprogrammed decisions should be addressed using a systematic process. We, therefore, discuss these tactics within the context of the decision-making steps. To review, the steps include the following:

1. Recognize that a decision needs to be made.
2. Generate multiple alternatives.
3. Analyze the alternatives.
4. Select an alternative.
5. Implement the selected alternative.
6. Evaluate its effectiveness.

Step 1: Recognizing That a Decision Needs to Be Made

Ineffective managers will sometimes ignore problems because they aren't sure how to address them. However, this tends to lead to more and bigger problems over time. Effective managers will be attentive to problems and to opportunities and will not shy away from making decisions that could make their team, department, or organization more effective and more successful.

Step 2: Generating Multiple Alternatives

Often a manager only spends enough time on Step 2 to generate two alternatives and then quickly moves to Step 3 in order to make a quick decision. A better solution may have been available, but it wasn't even considered. It's important to remember that for nonprogrammed decisions, you don't want to rush the process. Generating many possible options will increase the likelihood of reaching a good decision. Some tactics to help with generating more options include talking to other people (to get their ideas) and thinking creatively about the problem.

Talk to other people

Managers can often improve the quality of their decision-making by involving others in the process, especially when generating alternatives. Other people tend to view problems from different perspectives because they have had different life experiences. This can help generate alternatives that you might not otherwise have considered. Talking through big decisions with a mentor can also be beneficial, especially for new managers who are still learning and developing their expertise; someone with more experience will often be able to suggest more options.

Be creative

We don't always associate management with creativity, but creativity can be quite beneficial in some situations. In decision-making, creativity can be particularly helpful when generating alternatives. **Creativity** is the generation of new or original ideas; it requires the use of imagination and the ability to step back from traditional ways of doing things and seeing the world. While some people seem to be naturally creative, it is a skill that you can develop. Being creative requires letting your mind wander and combining existing knowledge from past experiences in novel ways. Creative inspiration may come when we least expect it (in the shower, for example) because we aren't intensely focused on the problem—we've allowed our minds to wander. Managers who strive to be creative will take the time to view a problem from multiple perspectives, try to combine the information in news ways, search for overarching patterns, and use their imaginations to generate new solutions to existing problems. We'll review creativity in more detail in **Improving the Quality of Decision-Making**.

Step 3: Analyzing Alternatives

When implementing Step 3, it is important to take many factors into consideration. Some alternatives might be more expensive than others, for example, and that information is often essential when analyzing options. Effective managers will ensure that they have collected sufficient information to assess the quality of the various options. They will also utilize the tactics described below: engaging in evidence-based decision-making, thinking critically, talking to other people, and considering long-term and ethical implications.

Do you have the best quality data and evidence?

Evidence-based decision-making is an approach to decision-making that states that managers should systematically collect

the best evidence available to help them make effective decisions. The evidence that is collected might include the decision maker's own expertise, but it is also likely to include external evidence, such as a consideration of other stakeholders, contextual factors relevant to the organization, potential costs and benefits, and other relevant information. With evidence-based decision-making, managers are encouraged to rely on data and information rather than their intuition. This can be particularly beneficial for new managers or for experienced managers who are starting something new. (Consider all the research that Rubio and Korey conducted while starting Away).

Talk to other people

As mentioned previously, it can be worthwhile to get help from others when generating options. Another good time to talk to other people is while analyzing those options; other individuals in the organization may help you assess the quality of your choices. Seeking out the opinions and preferences of others is also a great way to maintain perspective, so getting others involved can help you to be less biased in your decision-making (provided you talk to people whose biases are different from your own).

Are you thinking critically about the options?

Our skill at assessing alternatives can also be improved by a focus on **critical thinking**. Critical thinking is a disciplined process of evaluating the quality of information, especially data collected from other sources and arguments made by other people, to determine whether the source should be trusted or whether the argument is valid.

An important factor in critical thinking is the recognition that a person's analysis of the available information may be flawed by a number of *logical fallacies* that they may use when they are arguing their point or defending their perspective. Learning what those fallacies are and being able to recognize them when they occur can help improve decision-making quality. See **Table 6.2** for several examples of common logical fallacies.

Table6.2 *(Attribution: Copyright Rice University, OpenStax, under CC-BY 4.0 license)*

Common Logical Fallacies			
Name	**Description**	**Examples**	**Ways to Combat This Logical Fallacy**
Non sequitur (does not follow)	The conclusion that is presented isn't a logical conclusion or isn't the only logical conclusion based on the argument(s).	Our biggest competitor is spending more on marketing than we are. They have a larger share of the market. Therefore, we should spend more on marketing. *The unspoken assumption:* They have a larger share of the market BECAUSE they spend more on marketing.	• Examine all the arguments. Are they reasonable? • Look for any assumptions that are being made in the argument sequence. Are they reasonable? • Try to gather evidence that supports or refutes the arguments and/or assumptions. *In this example, you should ask:* Are there any other reasons, besides their spending on marketing, why our competitor has a larger share of the market?

Common Logical Fallacies			
Name	**Description**	**Examples**	**Ways to Combat This Logical Fallacy**
False cause	Assuming that because two things are related, one caused the other	"Our employees get sick more when we close for holidays. So we should stop closing for holidays."	This is similar to non sequitur; it makes an assumption in the argument sequence. • Ask yourself whether the first thing really causes the second, or if something else may be the cause. In this case, most holidays for which businesses close are in the late fall and winter (Thanksgiving, Christmas), and there are more illnesses at this time of year because of the weather, not because of the business being closed.
Ad hominem (attack the man)	Redirects from the argument itself to attack the person making the argument	"You aren't really going to take John seriously, are you? I heard his biggest client just dropped him for another vendor because he's all talk and no substance." *The goal:* if you stop trusting the person, you'll discount their argument.	• Does the second person have something to gain, a hidden agenda, in trying to make you distrust the first person? • If the first person's argument came from someone else, would it be persuasive?
Genetic fallacy	You can't trust something because of its origins.	"This was made in China, so it must be of low quality." "He is a lawyer, so you can't trust anything he says."	This fallacy is based on stereotypes. Stereotypes are generalizations; some are grossly inaccurate, and even those that are accurate in SOME cases are never accurate in ALL cases. Recognize this for what it is—an attempt to prey on existing biases.
Appeal to tradition	If we have always done it one particular way, that must be the right or best way.	"We've always done it this way." "We shouldn't change this; it works fine the way it is."	• Consider whether the situation has changed, calling for a change in the way things are being done. • Consider whether new information suggests that the traditional view is incorrect. Remember, we used to think that the earth was flat.
Bandwagon approach	If the majority of people are doing it, it must be good.	"Everybody does it." "Our customers don't want to be served by people like that."	• Remember that the majority is sometimes wrong, and what is popular isn't always what is right. • Ask yourself whether "following the pack" is going to get you where you want to be. • Remember that organizations are usually successful by being better than their competitors at something . . . so following the crowd might not be the best approach to success.

Common Logical Fallacies			
Name	**Description**	**Examples**	**Ways to Combat This Logical Fallacy**
Appeal to emotion	Redirects the argument from logic to emotion	"We should do it for [recently deceased] Steve; it's what he would have wanted."	• Develop your awareness of your own emotions and recognize when someone is trying to use them. • Ask yourself whether the argument stands on its own without the appeal to your emotions.

Have you considered the long-term implications?

A focus on immediate, short-term outcomes—with little consideration for the future—can cause problems. For example, imagine that a manager must decide whether to issue dividends to investors or put that money into research and development to maintain a pipeline of innovative products. It's tempting to just focus on the short-term: providing dividends to investors tends to be good for stock prices. But failing to invest in research and development might mean that in five years, the company is unable to compete effectively in the marketplace, and as a result, the business closes. Paying attention to the possible long-term outcomes is a crucial part of analyzing alternatives.

Are there ethical implications?

It's important to think about whether the various alternatives available to you are better or worse from an ethical perspective, as well. Sometimes managers make unethical choices because they haven't considered the ethical implications of their actions. In the 1970s, Ford manufactured the Pinto, which had an unfortunate flaw: the car would easily burst into flames when rear-ended. The company did not initially recall the vehicle because they viewed the problem from a financial perspective, without considering the ethical implications.[10] People died as a result of the company's inaction. Unfortunately, these unethical decisions continue to occur—and cause harm—on a regular basis in our society. Effective managers strive to avoid these situations by thinking through the possible ethical implications of their decisions. The decision tree in **Exhibit 6.6** is a great example of a way to make managerial decisions while also taking ethical issues into account.

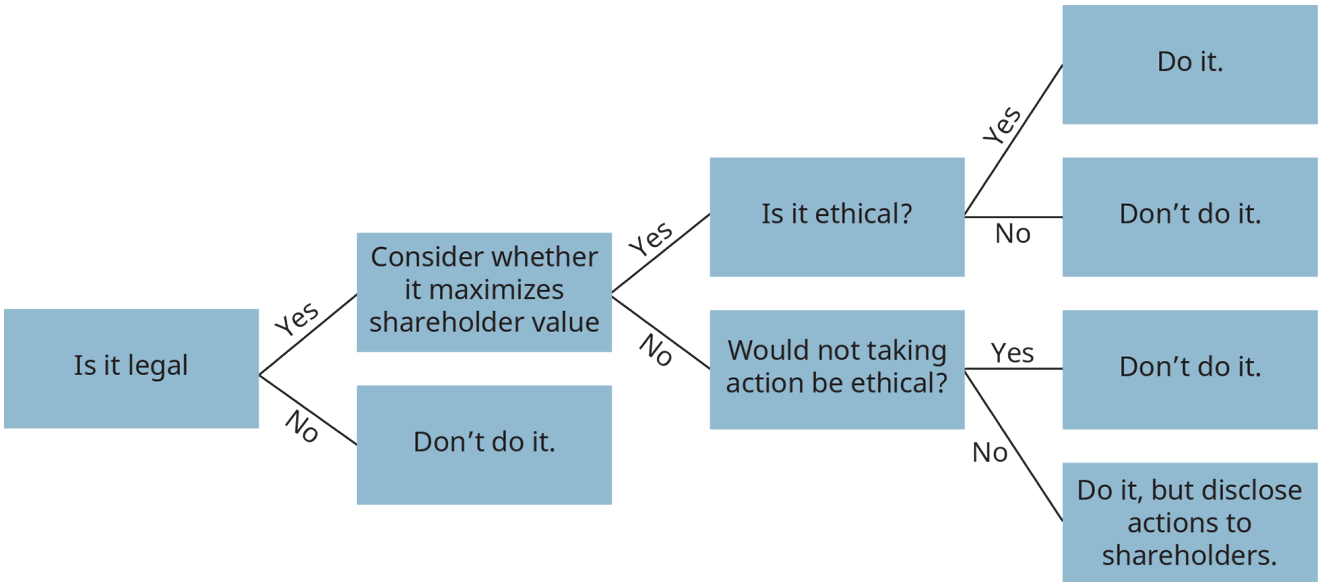


Exhibit 6.6 Ethical Decision Tree (Attribution: Copyright Rice University, OpenStax, under CC-BY 4.0 license)

Thinking through the steps of ethical decision-making may also be helpful as you strive to make good decisions. James Rest's ethical decision-making model[11] identifies four components to ethical decision-making:

1. Moral sensitivity—recognizing that the issue has a moral component;

2. Moral judgment—determining which actions are right vs. wrong;
3. Moral motivation/intention—deciding to do the right thing; and
4. Moral character/action—actually doing what is right.

Note that a failure at any point in the chain can lead to unethical actions! Taking the time to identify possible ethical implications will help you develop moral sensitivity, which is a critical first step to ensuring that you are making ethical decisions.

Once you have determined that a decision has ethical implications, you must consider whether your various alternatives are right or wrong—whether or not they will cause harm, and if so, how much and to whom. This is the moral judgment component. If you aren't sure about whether something is right or wrong, think about how you would feel if that decision ended up on the front page of a major newspaper. If you would feel guilty or ashamed, don't do it! Pay attention to those emotional cues—they are providing important information about the option that you are contemplating.

The third step in the ethical decision-making model involves making a decision to do what is right, and the fourth step involves following through on that decision. These may sound, but consider a situation in which your boss tells you to do something that you know to be wrong. When you push back, your boss makes it clear that you will lose your job if you don't do what you've been told to do. Now, consider that you have a family at home who rely on your income. Making the decision to do what you know is right could come at a substantial cost to you personally. In these situations, your best course of action is to find a way to persuade your boss that the unethical action will cause greater harm to the organization in the long-term.

Step 4: Selecting an Alternative

Once alternative options have been generated and analyzed, the decision-maker must select one of the options. Sometimes this is easy—one option is clearly superior to the others. Often, however, this is a challenge because there is not a clear "winner" in terms of the best alternative. As mentioned earlier in the chapter, there may be multiple good options, and which one will be best is unclear even after gathering all available evidence. There may not be a single option that doesn't upset some stakeholder groups, so you will make someone unhappy no matter what you choose. A weak decision-maker may become paralyzed in this situation, unable to select among the various alternatives for lack of a clear "best" option. They may decide to keep gathering additional information in hopes of making their decision easier. As a manager, it's important to think about whether the benefit of gathering additional information will outweigh the cost of waiting. If there are time pressures, waiting may not be possible.

Recognize that perfection is unattainable

Effective managers recognize that they will not always make optimal (best possible) decisions because they don't have complete information and/or don't have the time or resources to gather and process all the possible information. They accept that their decision-making will not be perfect and strive to make good decisions overall. Recognizing that perfection is impossible will also help managers to adjust and change if they realize later on that the selected alternative was not the best option.

Talk to other people

This is another point in the process at which talking to others can be helpful. Selecting one of the alternatives will ultimately be your responsibility, but when faced with a difficult decision, talking through your choice with someone else may help you clarify that you are indeed making the best possible decision from among the available options. Sharing information verbally also causes our brains to process that information differently, which can provide new insights and bring greater clarity to our decision-making.

Step 5: Implementing the Selected Alternative

After selecting an alternative, you must implement it. This may seem too obvious even to mention, but implementation can sometimes be a challenge, particularly if the decision is going to create conflict or dissatisfaction among some stakeholders. Sometimes we know what we need to do but still try to avoid actually doing it because we know others in the organization will be upset—even if it's the best solution. Follow-through is a necessity, however, to be effective as a manager. If you are not willing to implement a decision, it's a good idea to engage in some self-reflection to understand why. If you know that the decision is going to create conflict, try to think about how you'll address that conflict in a productive way. It's also possible that we feel that there is no good alternative, or we are feeling pressured to make a decision that we know deep down is not right from an ethical perspective. These can be among the most difficult of decisions. You should always strive to make decisions that you feel good about—which means doing the right thing, even in the face of pressures to do wrong.

Step 6: Evaluating the Effectiveness of Your Decision

Managers sometimes skip the last step in the decision-making process because evaluating the effectiveness of a decision takes time, and managers, who are generally busy, may have already moved on to other projects. Yet evaluating effectiveness is important. When we fail to evaluate our own performance and the outcomes of our decisions, we cannot learn from the experience in a way that enables us to improve the quality of our future decisions.

Attending fully to each step in the decision-making process improves the quality of decision-making, and, as we've seen, managers can engage in a number of tactics to help them make good decisions. Take a look at the *Ethics in Practice* box to see an example of how one particular manager puts these techniques into practice to make good decisions.

ETHICS IN PRACTICE

Rob Ault, Project Manager, Bayside Community Church

Bradenton, Florida

When it comes to decision-making, ethical dilemmas require particular care. Because managers make many decisions, it should not be surprising that some of those decisions will have ethical implications. With multiple stakeholders to consider, sometimes what is best for one group of stakeholders is not what is best for others. I talked to Rob Ault about his experiences with ethical dilemmas over the course of his career. Rob has been in managerial roles for over 25 years, since he was 19 years old. He told me that he had experienced a number of ethical dilemmas in that time.

Rob has spent most of his career working for for-profit organizations, and for about half of that time, he has worked in a union environment. What he has found most frustrating, regardless of environment, was when it was clear to him what was right, but what was right conflicted with what his boss was telling him to do. This included a situation in which he felt an employee should be fired for misbehavior (but wasn't), as well as the situation in which he was asked to fire someone undeservedly. What we mostly talked about, though, was his process. How did he go about making decisions in these challenging situations?

Rob clearly stated that his approach to these situations has changed with experience. What he did early in his career is not necessarily what he would do now. He said that it takes experience and some maturity to recognize that, as a leader, the decisions you make affect other people's lives. He also explained that a starting point for the decision-making process is always a recognition of the fact that you have been hired to generate a benefit for your company. So a manager's decisions need to come from the perspective of what is going to be in the best long-term interest of the organization (in addition to what is morally right). This isn't always easy, because short-term consequences are much easier to observe and predict.

I asked Rob, who he talked to prior to making decisions in situations with an ethical component. Rob told me that he felt one of the most important things you should do as a leader is to intentionally create and build relationships with people you trust in the organization. That way, you have people you know you can talk to when difficult situations come up. He was very clear that you should always talk to your boss, who will tend to have a broader understanding of what is going on in the context of the larger organization. He also told me that he liked to talk to his father, who happened to work in human resource management for a large Fortune 500 organization. His father was always helpful in providing the perspective of how things were likely to play out long-term if one person was allowed to bend the rules. Rob realized eventually that the long-term consequences of this were almost always negative: once one person is allowed to misbehave, others find out about it and realize that they can do the same thing without repercussions. Rob also seeks out the opinions of other individuals in the organization before reaching decisions with an ethical component; he told me that when he worked in a union environment, he tried to make sure he had a good relationship with the union steward because it was helpful to get the perspective of someone who was committed to the side of the employee.

The biggest ethical dilemma Rob faced was one that he actually couldn't talk to me about. He disagreed with what he was being asked to do, and when it was clear that he had no other choice in the matter, he quit his job rather than do something he felt wasn't right. He accepted a severance package in exchange for signing a nondisclosure agreement, which is why he can't share any details . . . but it was clear from our conversation that he feels he made the right choice. That particular ethical dilemma makes it clear how challenging managerial decision-making can sometimes be.

Discussion Questions:

1. If you were faced with an ethical dilemma, from whom would you seek advice?
2. Describe some decisions that might be good for an organization's profitability in the short-term, but bad for the organization in the long-term.
3. What factors would you take into consideration if you were thinking about leaving your job rather than do something unethical?

concept check

1. Explain what satisficing is and when it may be a good strategy.
2. What are the six steps in the decision-making process?
3. What are the four steps involved in ethical decision-making?

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6.7: Group Decision-Making

6. What are the advantages and disadvantages of group decision-making, and how can a manager improve the quality of group decision-making?

Involving more people in the decision-making process can greatly improve the quality of a manager's decisions and outcomes. However, involving more people can also increase conflict and generate other challenges. We turn now to the advantages and disadvantages of group decision-making.

Advantages of Group Decisions

An advantage of involving groups in decision-making is that you can incorporate different perspectives and ideas. For this advantage to be realized, however, you need a diverse group. In a diverse group, the different group members will each tend to have different preferences, opinions, biases, and stereotypes. Because a variety of viewpoints must be negotiated and worked through, group decision-making creates additional work for a manager, but (provided the group members reflect different perspectives) it also tends to reduce the effects of bias on the outcome. For example, a hiring committee made up of all men might end up hiring a larger proportion of male applicants (simply because they tend to prefer people who are more similar to themselves). But with a hiring committee made up of an equal number of men and women, the bias should be canceled out, resulting in more applicants being hired based on their qualifications rather than their physical attributes.

Having more people involved in decision-making is also beneficial because each individual brings unique information or knowledge to the group, as well as different perspectives on the problem. Additionally, having the participation of multiple people will often lead to more options being generated and to greater intellectual stimulation as group members discuss the available options. **Brainstorming** is a process of generating as many solutions or options as possible and is a popular technique associated with group decision-making.

All of these factors can lead to superior outcomes when groups are involved in decision-making. Furthermore, involving people who will be affected by a decision in the decision-making process will allow those individuals to have a greater understanding of the issues or problems and a greater commitment to the solutions.

Disadvantages of Group Decisions

Group decision-making is not without challenges. Some groups get bogged down by conflict, while others go to the opposite extreme and push for agreement at the expense of quality discussions. **Groupthink** occurs when group members choose not to voice their concerns or objections because they would rather keep the peace and not annoy or antagonize others. Sometimes groupthink occurs because the group has a positive team spirit and camaraderie, and individual group members don't want that to change by introducing conflict. It can also occur because past successes have made the team complacent.

Often, one individual in the group has more power or exerts more influence than others and discourages those with differing opinions from speaking up (**suppression of dissent**) to ensure that only their own ideas are implemented. If members of the group are not really contributing their ideas and perspectives, however, then the group is not getting the benefits of group decision-making.

How to Form a Quality Group

Effective managers will try to ensure quality group decision-making by forming groups with diverse members so that a variety of perspectives will contribute to the process. They will also encourage everyone to speak up and voice their opinions and thoughts prior to the group reaching a decision. Sometimes groups will also assign a member to play the **devil's advocate** in order to reduce groupthink. The devil's advocate intentionally takes on the role of critic. Their job is to point out flawed logic, to challenge the group's evaluations of various alternatives, and to identify weaknesses in proposed solutions. This pushes the other group members to think more deeply about the advantages and disadvantages of proposed solutions before reaching a decision and implementing it.



Exhibit 6.7 The Devils Advocate At a meeting of McDonald's franchise owners, attorney Brian Schnell was placed in the audience as a devil's advocate and often would strongly disagree with franchisee attorney Bob Zarco that the National Labor Relations Board (NLRB)'s joint-employer ruling on McDonald's is a boon for franchisees. He would raise his hand often and vehemently, which Zarco had asked him to do before the meeting. In that way, the franchisors' articulate arguments could be heard by all franchisee leaders in attendance and rebutted. Credit (Mr. Blue MauMau/ flickr/ Attribution 2.0 Generic (CC BY 2.0))

The methods we've just described can all help ensure that groups reach good decisions, but what can a manager do when there is too much conflict within a group? In this situation, managers need to help group members reduce conflict by finding some common ground—areas in which they can agree, such as common interests, values, beliefs, experiences, or goals. Keeping a group focused on a common goal can be a very worthwhile tactic to keep group members working with rather than against one another. Table 6.3 summarizes the techniques to improve group decision-making.

Table6.3 *(Attribution: Copyright Rice University, OpenStax, under CC-BY 4.0 license)*

Summary of Techniques That May Improve Group Decision-Making		
Type of Decision	**Technique**	**Benefit**
Group decisions	Have diverse members in the group.	Improves quality: generates more options, reduces bias
	Assign a devil's advocate.	Improves quality: reduces groupthink
	Encourage everyone to speak up and contribute.	Improves quality: generates more options, prevents suppression of dissent
	Help group members find common ground.	Improves quality: reduces personality conflict

Conclusion

Decision-making is a crucial daily activity for managers. Decisions range from small and simple, with straightforward answers, to big and complex, with little clarity about what the best choice will be. Being an effective manager requires learning how to successfully navigate all kinds of decisions. Expertise, which develops gradually through learning and experience, generally improves managerial decision-making, but managers rarely rely solely on their own expertise. They also conduct research and collect information from others; they pay attention to their own biases and to ethical implications, and they think critically about the information that they have received to make decisions that will benefit the organization and its stakeholders.

concept check

1. Explain why group decision-making can be more effective than individual decision-making.
2. What are some things that can prevent groups from making good decisions?
3. As a manager, what can you do to enhance the quality of group decision-making?

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Decision-making The action or process of thinking through possible options and selecting one.

Stakeholders Individuals or groups who are impacted by the organization. These include owners, employees, customers, suppliers, and members of the community in which the organization is located.

Emotional intelligence The ability to understand and manage emotions in oneself and in others.

Reactive system System of decision-making in the brain that is quick and intuitive.

Reflective system System of decision-making in the brain that is logical, analytical, and methodical.

Heuristics Mental shortcuts that allow a decision-maker to reach a good decision quickly. They are strategies that develop based on prior experience.

Nonprogrammed decisions Decisions that are novel and not based on well-defined or known criteria.

Programmed decisions Decisions that are repeated over time and for which an existing set of rules can be developed.

Bounded rationality The concept that when we make decisions, we cannot be fully rational because we don't have all the possible information or the cognitive processing ability to make fully informed, completely rational decisions.

Confirmation bias The tendency to pay attention to information that confirms our existing beliefs and to ignore or discount information that conflicts with our existing beliefs.

Escalation of commitment The tendency of decision-makers to remain committed to a poor decision, even when doing so leads to increasingly negative outcomes.

Process conflict Conflict about the best way to do something; a conflict that is task-oriented and constructive, and not focused on the individuals involved.

Relationship conflict Conflict between individuals that is based on personal (or personality) differences; this type of conflict tends to be destructive rather than constructive.

Creativity The generation of new or original ideas.

Critical thinking A disciplined process of evaluating the quality of information, especially by identifying logical fallacies in arguments.

Evidence-based decision-making A process of collecting the best available evidence prior to making a decision.

Satisficing Choosing the first acceptable solution to minimize time spent on a decision.

Brainstorming A process of generating as many ideas or alternatives as possible, often in groups.

Devil's advocate A group member who intentionally takes on the role of being critical of the group's ideas in order to discourage groupthink and encourage deep thought and discussion about issues prior to making decisions.

Groupthink The tendency of a group to reach agreement very quickly and without substantive discussion.

Suppression of dissent When a group member exerts his or her power to prevent others from voicing their thoughts or opinions.

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6.9: Summary of Learning Outcomes

6.1 Overview of Managerial Decision-Making

1. What are the basic characteristics of managerial decision-making?

Managers are constantly making decisions, and those decisions often have significant impacts and implications for both the organization and its stakeholders. Managerial decision-making is often characterized by complexity, incomplete information, and time constraints, and there is rarely one right answer. Sometimes there are multiple good options (or multiple bad options), and the manager must try to decide which will generate the most positive outcomes (or the fewest negative outcomes). Managers must weigh the possible consequences of each decision and recognize that there are often multiple stakeholders with conflicting needs and preferences so that it often will be impossible to satisfy everyone. Finally, managerial decision-making can sometimes have ethical implications, and these should be contemplated before reaching a final decision.

6.2 How the Brain Processes Information to Make Decisions: Reflective and Reactive Systems

2. What are the two systems of decision-making in the brain?

The brain processes information to make decisions using one of two systems: either the logical, rational (reflective) system, or the quick, reactive system. The reflective system is better for significant and important decisions; these generally should not be rushed. However, the reactive system can be lifesaving when time is of the essence, and it can be much more efficient when based on developed experience and expertise.

6.3 Programmed and Nonprogrammed Decisions

3. What is the difference between programmed and nonprogrammed decisions?

Programmed decisions are those that are based on criteria that are well understood, while nonprogrammed decisions are novel and lack clear guidelines for reaching a solution. Managers can establish rules and guidelines for programmed decisions based on known facts, which enables them to reach decisions quickly. Nonprogrammed decisions require more time to resolve; the decision-maker may need to conduct research, collect additional information, gather opinions and ideas from other people, and so on.

6.4 Barriers to Effective Decision-Making

4. What barriers exist that make effective decision-making difficult?

There are numerous barriers to effective decision-making. Managers are limited in their ability to collect comprehensive information, and they are limited in their ability to process all the information that is available cognitively. Managers cannot always know all the possible outcomes of all the possible options, and they often face time constraints that limit their ability to collect all the information that they would like to have. In addition, managers, like all humans, have biases that influence their decision-making, and that can make it difficult for them to make good decisions. One of the most common biases that can confound decision-making is confirmation bias, the tendency for a person to pay attention to information that confirms her existing beliefs and ignore information that conflicts with these existing beliefs. Finally, the conflict between individuals in organizations can make it challenging to reach a good decision.

6.5 Improving the Quality of Decision-Making

5. How can a manager improve the quality of her individual decision-making?

Managers tend to get better at decision-making with time and experience, which helps them build expertise. Heuristics and satisficing can also be useful techniques for making programmed decisions quickly. For nonprogrammed decisions, a manager can improve the quality of her decision-making by utilizing a variety of other techniques. Managers should also be careful not to skip steps in the decision-making process, to involve others in the process at various points, and to be creative in generating alternatives. They should also engage in evidence-based decision-making: doing research and collecting data and information on which to base the decision. Effective managers also think critically about the quality of the evidence that they collect, and they carefully consider long-term outcomes and ethical implications prior to making a decision.

6. What are the advantages and disadvantages of group decision-making, and how can a manager improve the quality of group decision-making?

Groups can make better decisions than individuals because group members can contribute more knowledge and a diversity of perspectives. Groups will tend to generate more options as well, which can lead to better solutions. Also, having people involved in making decisions that will affect them can improve their attitudes about the decision that is made. However, groups sometimes fail to generate added value in the decision-making process as a result of groupthink, conflict, or suppression of dissent.

Managers can improve the quality of group decision-making in a number of ways. First, when forming the group, the manager should ensure that the individual group members are diverse in terms of knowledge and perspectives. The manager may also want to assign a devil's advocate to discourage groupthink. Managers should also encourage all group members to contribute their ideas and opinions, and they should not allow a single voice to dominate. Finally, they should not allow personality conflicts to derail group processes.

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6.10: Chapter Review Questions

1. What are some of the factors that enabled to Jen Rubio and Stephanie Korey to make good decisions when they established their luggage company, Away?
2. What are the two systems that the brain uses in decision-making? How are they related to programmed and nonprogrammed decisions?
3. What is a heuristic, and when would it be appropriate to use a heuristic for decision-making?
4. What is confirmation bias? Explain how it can be a barrier to effective decision-making.
5. What is a logical fallacy?
6. What are the two types of conflict? Which one is constructive, and which is destructive?
7. What are the steps in the decision-making process? Which ones do people tend to skip or spend insufficient time on?
8. What can individuals do to improve the quality of their decision-making?
9. What can groups or group leaders do to improve the quality of group decision-making?
10. What are the benefits of decision-making in a group, instead of individually?

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6.11: Management Skills Application Exercises

1. If you wanted to buy a new car, what research would you do first to increase the likelihood of making a good decision? As a manager, do you think you would engage in more research or less research than that prior to making big decisions for the organization?
2. Think about a big decision that you have made. What impact did your emotions have on that decision? Did they help or hinder your decision-making? Would you make the same decision again?
3. If you were faced with an ethical dilemma at work, who would you want to talk to for advice prior to reaching a decision?
4. Which would be better to involve a group with, a programmed or a nonprogrammed decision? Why?
5. If you were manager of a group with a lot of personality conflict, what would you do?

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6.12: Managerial Decision Exercises

1. Imagine that you are a manager and that two of your employees are blaming one another for a recent project not going well. What factors would you consider in deciding whom to believe? Who else would you talk to before making a decision? What would you do to try to reduce the likelihood of this happening again?
2. You have been asked whether your organization should expand from selling its products only in North America to selling its products in Europe as well. What information would you want to collect? Who would you want to discuss the idea with before making a decision?
3. You have a colleague who decided the organization should pursue a new technology. Nine months into the project of transitioning to the new technology, based on new information you are convinced that the new technology is not going to work out as anticipated. In fact, you expect it to be a colossal failure. However, when you try to talk to your colleague about the issue, she won't listen to your arguments. She is adamant that this new technology is the correct direction for your organization. Why do you think she is so resistant to seeing reason? Given what you learned in this chapter, what could you do to persuade her?
4. Your manager has asked you to take the lead on a new and creative project. She has encouraged you to create your own team (from existing employees) to work with you on the project. What factors would you want to consider in deciding who should join your project team? What would you want to do as the team leader to increase the likelihood that the group will be successful?
5. Identify the logical flaw(s) in this argument:
    - We want to have effective leaders in this organization.
    - Taller individuals tend to be perceived as more leader-like.
    - Men are usually taller than women.
    - So, we should only hire men to be managers in our organization.

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6.13: Critical Thinking Case

Vinyl Records Make a Comeback

The music industry has seen a series of innovations that have improved audio quality—vinyl records sales were eventually surpassed by compact discs in the 1980s, which were then eclipsed by digital music in the early 2000s. Both of the newer technologies boast superior sound quality to vinyl records. Vinyl should be dead . . . yet it's not. Some say this is simply a result of nostalgia—people love to harken back to older times. However, some audiophiles say that vinyl records produce a "warm" sound that can't be reproduced in any other format. In addition, a vinyl record is a tangible product (you can feel it, touch it, and see it when you own the physical record) and is more attractive, from an aesthetic perspective, than a CD. It is also a format that encourages listening to an entire album at once, rather than just listening to individual tracks, which can change the listening experience.

Whatever the reasons, vinyl is making an impressive comeback. Sales growth has been in the double digits for the last several years (over 50% in 2015 and again in 2016) and is expected to exceed $5 billion in 2017. Sony, which hasn't produced a vinyl record since 1989, recently announced that it is back in the vinyl business.

One of the biggest challenges to making vinyl records is that most of the presses are 40+ years old. In the record-making process, vinyl bits are heated to 170 degrees, and then a specialized machine exerts 150 tons of pressure to press the vinyl into the shape of the record. About a dozen new vinyl record manufacturers have sprung up in the last decade in the United States. Independent Record Pressing, a company based in New Jersey, began producing vinyl records in 2015 using old, existing presses. Their goal upon starting up was to produce over a million records a year. Even at that level of production, though, demand far outstrips the company's capacity to produce because of the limited number of presses available. They could run their machines nonstop, 24 hours a day, and not catch up with demand.

The big question is what the future holds for this industry. Will this just be a passing fad? Will the vinyl record industry remain a small niche market? Or is this the renaissance, the rebirth of a product that can withstand the test of time and alternative technologies? If it's a rebirth, then we should see demand continue to grow at its recent rapid pace . . . and if demand remains strong, then investing in new presses may well be worthwhile. If this is just a short-lived nostalgic return to an outdated media, however, then the large capital investment required to purchase new presses will never be recouped. Even with the recent growth, vinyl records still accounted for only 7% of overall music industry sales in 2015. That may be enough to get old presses running again, but so far it hasn't been enough to promote a lot of investment in new machines. The cost of a new press? Almost half a million dollars.

At least one manufacturer is optimistic about the future of vinyl. GZ Media, based in Czechoslovakia, is currently the world's largest producer of vinyl records. President and owner Zdenek Pelc kept his record factory going during the lean years when vinyl sales bottomed out. He admits that the decision was not wholly logical; he continued in part because of an emotional attachment to the media. After demand for vinyl records practically disappeared, Pelc kept just a few of the presses running to meet the demand that remained. His intention was to be the last remaining manufacturer of vinyl records. Pelc's emotional attachment to vinyl records seems to have served him well, and it's a great example of why basing decisions on pure logic doesn't always lead to the best results. Consumers make purchasing decisions in part based on the emotional appeal of the product, so it shouldn't be surprising that consumers also feel an emotional attachment to vinyl records, as Pelc did.

When demand for vinyl records was low, Pelc stored the company's presses that were no longer in use so that they could be cannibalized for parts as needed. When sales began to grow again in 2005, he started pulling old machines out of storage and even invested in a few new ones. This has made GZ Media not only the largest vinyl record producer in the world but also one of the only ones with new factory equipment. GZ Media produces over 20 million vinyl records a year, and Pelc is excited to continue that trend and to remain a major manufacturer in what is currently still considered a niche market.

Critical Thinking Questions

1. Why do you think vinyl records are appealing to customers?
2. Do you think the sales growth will continue to be strong for vinyl sales? Why or why not?
3. What research would you want to conduct prior to making a decision to invest in new presses?

Sources: Lee Barron, “Back on record – the reasons behind vinyl’s unlikely comeback,” *The Conversation*, April 17, 2015, https://theconversation.com/back-on-...comeback-39964. Hannah Ellis-Peterson, “Record sales: vinyl hits 25-year high,” The Guardian, January 3, 2017, https://www.theguardian.com/music/20...rips-streaming. Allan Kozinn, “Weaned on CDs, They’re Reaching for Vinyl,” *The New York Times*, June 9, 2013. Rick Lyman, “Czech company, pressing hits for years on vinyl, finds it has become one,” The New York Times, August 6, 2015. Alec Macfarlane and Chie Kobayashi, “Vinyl comeback: Sony to produce records again after 28-year break,” *CNN Money*, June 30, 2017, http://money.cnn.com/2017/06/30/news...rds/index.html. Kate Rogers, “Why millennials are buying more vinyl records,” CNBC.com, November 6, 2015. https://www.cnbc.com/2015/11/06/why-...l-records.html. Robert Tait, “In the groove: Czech firm tops list of world’s vinyl record producers,” *The Guardian*, August 18, 2016.

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Part 2 - Motivation and Rewards



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8: THEORIES OF MOTIVATION



Learning Outcomes

After reading this chapter, you should be able to answer these questions:

1. Define motivation, and distinguish the direction and intensity of motivation.
2. Describe a content theory of motivation, and compare and contrast the main content theories of motivation: manifest needs theory, learned needs theory, Maslow's hierarchy of needs, Alderfer's ERG theory, Herzberg's motivator-hygiene theory, and self-determination theory.
3. Describe the process theories of motivation, and compare and contrast the main process theories of motivation: operant conditioning theory, equity theory, goal theory, and expectancy theory.
4. Describe the modern advancements in the study of human motivation.

8.1: Motivation- Direction and Intensity

8.2: Content Theories of Motivation

8.3: Process Theories of Motivation

8.4: Recent Research on Motivation Theories

8.5: Glossary

8.6: Summary of Learning Outcomes

8.7: Chapter Review Questions

8.8: Management Skills Application Exercises

8.9: Managerial Decision Exercises

8.10: Critical Thinking Case

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8.1: Motivation- Direction and Intensity

exploring managerial careers

Bridget Anderson

Bridget Anderson thought life would be perfect out in the "real world." After earning her degree in computer science, she landed a well-paying job as a programmer for a large nonprofit organization whose mission she strongly believed in. And—initially—she was happy with her job.

Lately, however, Bridget gets a sick feeling in her stomach every morning when her alarm goes off. Why this feeling of misery? After all, she's working in her chosen field in an environment that matches her values. What else could she want? She's more puzzled than anyone.

It's the end of her second year with the organization, and Bridget apprehensively schedules her annual performance evaluation. She knows she's a competent programmer, but she also knows that lately she's been motivated to do only the minimum required to get by. Her heart is just not in her work with this organization. Not exactly how she thought things would turn out, that's for sure.

Bridget's manager Kyle Jacobs surprises her when he begins the evaluation by inquiring about her professional goals. She admits that she hasn't thought much about her future. Kyle asks if she's content in her current position and if she feels that anything is missing. Suddenly, Bridget realizes that she *does* want more professionally.

Question: Are Bridget's motivational problems intrinsic or extrinsic? Which of her needs are currently not being met? What steps should she and her manager take to improve her motivation and ultimately her performance?

Outcome: Once Bridget admits that she's unhappy with her position as a computer programmer, she's ready to explore other possibilities. She and Kyle brainstorm for tasks that will motivate her and bring her greater job satisfaction. Bridget tells Kyle that while she enjoys programming, she feels isolated and misses interacting with other groups in the organization. She also realizes that once she had mastered the initial learning curve, she felt bored. Bridget is ready for a challenge.

Kyle recommends that Bridget move to an information systems team as their technical representative. The team can use Bridget's knowledge of programming, and Bridget will be able to collaborate more frequently with others in the organization.

Bridget and Kyle set specific goals to satisfy her needs to achieve and to work collaboratively. One of Bridget's goals is to take graduate classes in management and information systems. She hopes that this will lead to an MBA and, eventually, to a position as a team leader. Suddenly the prospect of going to work doesn't seem so grim—and lately, Bridget's been beating her alarm!

If you've ever worked with a group of people, and we all have, you have no doubt noticed differences in their performance. Researchers have pondered these differences for many years. Indeed, John B. Watson first studied this issue in the early 1900s. Performance is, of course, an extremely important issue to employers because organizations with high-performing employees will almost always be more effective.

To better understand why people perform at different levels, researchers consider the major determinants of performance: ability, effort (motivation), accurate role perceptions, and environmental factors (see **Exhibit 7.2**). Each performance determinant is important, and a deficit in one can seriously affect the others. People who don't understand what is expected of them will be constrained by their own inaccurate role perceptions, even if they have strong abilities and motivation and the necessary resources to perform their job. None of the performance determinants can compensate for a deficiency in any of the other determinants. Thus, a manager cannot compensate for an employee's lack of skills and ability by strengthening their motivation.

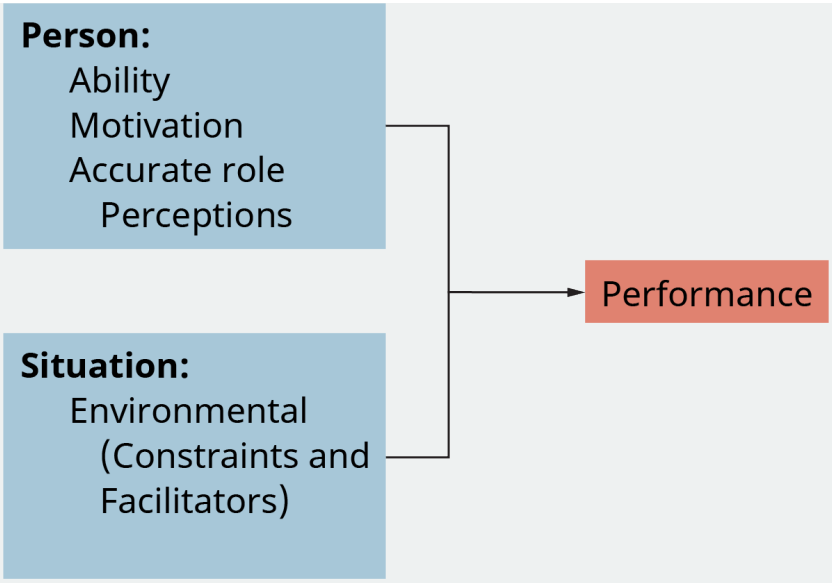


Exhibit **7.2 Determinants of Performance** (Attribution: Copyright Rice University, OpenStax, under CC-BY 4.0 license)

1. Define motivation and distinguish direction and intensity of motivation.

Ability refers to the knowledge, skills, and receptiveness to learning that a person brings to a task or job. Knowledge is what a person knows. Skill is their capacity to perform some particular activity (like welding or accounting), including knowing what is expected of them (called accurate role perceptions). Receptiveness to learning is a function of how quickly a person acquires new knowledge. Some people have more ability than others, and high-ability people generally perform better than low-ability people (although we will see that this is not always the case).[1]

Accurate **role perceptions** refer to how well an individual understands their organizational role. This includes the goals (outcomes) the person is expected to achieve and the process by which the goals will be achieved. An employee who has accurate role perceptions knows both their expected outcomes *and* how to go about making those outcomes a reality. Incomplete or inaccurate role perceptions limit employees' capacity to meet expectations, regardless of their abilities and motivation.

The **performance environment** refers to those factors that impact employees' performance but are essentially out of their control. Many environmental factors influence performance. Some factors facilitate performance, while others constrain it. A word processor who has to work with a defective personal computer is certainly not going to perform at peak levels, regardless of ability or desire. Students who are working full time and carrying a full load of classes may not do as well on an exam as they would if they could cut back on their work hours, despite the fact that they have high ability and high motivation.

Motivation is the fourth major factor that determines whether a person will perform a task well. **Motivation** is a force within or outside of the body that energizes, directs, and sustains human behavior. Within the body, examples might be needs, personal values, and goals, while an incentive might be seen as a force outside of the body. The word stems from its Latin root *movere*, which means "to move." Generally speaking, motivation arises as a consequence of a person's desire to (1) fulfill unmet needs or (2) resolve conflicting thoughts that produce anxiety (an unpleasant experience). There are many ways in which we describe and categorize human needs, as we will see later in this chapter. Certain needs are fundamental to our existence, like the need for food and water. When we are hungry, we are energized to satisfy that need by securing and ingesting food. Our other needs operate in a similar manner. When a need is unfulfilled, we are motivated to engage in behaviors that will satisfy it. The same is true for situations in which we experience conflicting thoughts. When we find ourselves in situations inconsistent with our beliefs, values, or expectations, we endeavor to eliminate the inconsistency. We either change the situation, or change our perception of it. In both cases, motivation arises out of our interaction with and perception of a particular situation. We perceive the situation as satisfying our needs, or not. Motivation is thus a result of our interacting with situations to satisfy unmet needs or to resolve cognitive dissonance.

Simply stated, **work motivation** is the amount of effort a person exerts to achieve a certain level of job performance. Some people try very hard to perform their jobs well. They work long hours, even if it interferes with their family life. Highly motivated people go the "extra mile." High scorers on an exam make sure they know the examination material to the best of their ability, no matter how much midnight oil they have to burn. Other students who don't do as well may just want to get by—football games and

parties are a lot more fun, after all.

Motivation is of great interest to employers: *All* employers want their people to perform to the best of their abilities. They take great pains to screen applicants to make sure they have the necessary abilities and motivation to perform well. They endeavor to supply all the necessary resources and a good work environment. Yet motivation remains a difficult factor to manage. As a result, it receives the most attention from organizations and researchers alike, who ask the perennial question "What motivates people to perform well?"

In this chapter, we look at the current answers to this question. What work conditions foster motivation? How can theories of motivation help us understand the general principles that guide organizational behavior? Rather than analyze why a particular student studies hard for a test, we'll look at the underlying principles of our general behavior in a variety of situations (including test-taking). We also discuss the major theories of motivation, along with their implications for management and organizational behavior. By the end of this chapter, you should have a better understanding of why some people are more motivated than others. Successful employees know what they want to achieve (direction), and they persist until they achieve their goals (intensity).

Our discussion thus far implies that motivation is a matter of effort. This is only partially true. Motivation has two major components: direction and intensity. **Direction** is *what* a person wants to achieve, what they intend to do. It implies a target that motivated people to try to "hit." That target may be to do well on a test. Or it may be to perform better than anyone else in a workgroup. **Intensity** is *how hard* people try to achieve their targets. Intensity is what we think of as effort. It represents the energy we expend to accomplish something. If our efforts are getting nowhere, will we try different strategies to succeed? (High-intensity-motivated people are persistent!)

It is important to distinguish the direction and intensity aspects of motivation. If *either* is lacking, performance will suffer. A person who knows what they want to accomplish (direction) but doesn't exert much effort (intensity) will not succeed. (Scoring 100 percent on an exam—your target—won't happen unless you study!) Conversely, people who don't have a direction (what they want to accomplish) probably won't succeed either. (At some point you have to decide on a major if you want to graduate, even if you do have straight As.)

Employees' targets don't always match with what their employers want. Absenteeism (some employees call this "calling in well") is a major example.[2] Pursuing your favorite hobby (your target) on a workday (your employer's target) is a conflict in direction; below, we'll examine some theories about why this conflict occurs.

There is another reason why employees' targets are sometimes contrary to their employers'—sometimes employers do not ensure that employees understand what the employer wants. Employees can have great intensity but poor direction. It is the management's job to provide direction: Should we stress quality as well as quantity? Work independently or as a team? Meet deadlines at the expense of costs? Employees flounder without direction. Clarifying direction results in accurate *role perceptions,* the behaviors employees think they are expected to perform as members of an organization. Employees with accurate role perceptions understand their purpose in the organization and how the performance of their job duties contributes to organizational objectives. Some motivation theorists assume that employees know the correct direction for their jobs. Others do not. These differences are highlighted in the discussion of motivation theories below.

At this point, as we begin our discussion of the various motivation theories, it is reasonable to ask "Why isn't there just one motivation theory?" The answer is that different theories are driven by different philosophies of motivation. Some theorists assume that humans are propelled more by needs and instincts than by reasoned actions. Their **content motivation theories** focus on *the content of what* motivates people. Other theorists focus on the process by which people are motivated. **Process motivation theories** address *how* people become motivated—that is, how people perceive and think about a situation. Content and process theories endeavor to predict motivation in a variety of situations. However, none of these theories can predict what will motivate an individual in a given situation 100 percent of the time. Given the complexity of human behavior, a "grand theory" of motivation will probably never be developed.

A second reasonable question at this point is "Which theory is best?" If that question could be easily answered, this chapter would be quite short. The simple answer is that there is no "one best theory." All have been supported by organizational behavior research. All have strengths and weaknesses. However, understanding something about each theory is a major step toward effective management practices.

concept check

1. Explain the two drivers of motivation: direction and intensity.
2. What are the differences between content and process theories of motivation?
3. Will there ever be a grand theory of motivation?

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8.2: Content Theories of Motivation

2. Describe a content theory of motivation.

The theories presented in this section focus on the importance of human needs. A common thread through all of them is that people have a variety of needs. A **need** is a human condition that becomes "energized" when people feel deficient in some respect. When we are hungry, for example, our need for food has been energized. Two features of needs are key to understanding motivation. First, when a need has been energized, we are motivated to satisfy it. We strive to make the need disappear. **Hedonism,** one of the first motivation theories, assumes that people are motivated to satisfy mainly their own needs (seek pleasure, avoid pain). Long since displaced by more refined theories, hedonism clarifies the idea that needs provide direction for motivation. Second, once we have satisfied a need, it ceases to motivate us. When we've eaten to satiation, we are no longer motivated to eat. Other needs take over and we endeavor to satisfy them. A **manifest need** is whatever need is motivating us at a given time. Manifest needs dominate our other needs.

Instincts are our natural, fundamental needs, basic to our survival. Our needs for food and water are instinctive. Many needs are learned. We are not born with a high (or low) need for achievement—we learn to need success (or failure). The distinction between instinctive and learned needs sometimes blurs; for example, is our need to socialize with other people instinctive or learned?

Manifest Needs Theory

One major problem with the need approach to motivation is that we can make up a need for every human behavior. Do we "need" to talk or be silent? The possibilities are endless. In fact, around the 1920s, some 6,000 human needs had been identified by behavioral scientists!

Henry A. Murray recognized this problem and condensed the list into a few instinctive and learned needs.[3] Instincts, which Murray called **primary needs**, include physiological needs for food, water, sex (procreation), urination, and so on. Learned needs, which Murray called **secondary needs**, are learned throughout one's life and are basically psychological in nature. They include such needs as the need for achievement, for love, and for affiliation (see **Table 7.1**).[4]

Sample Items from Murray's List of Needs

Social Motive	Brief Definition
Abasement	To submit passively to external force. To accept injury, blame, criticism, punishment. To surrender.
Achievement	To accomplish something difficult. To master, manipulate, or organize physical objects, human beings, or ideas.
Affiliation	To draw near and enjoyably cooperate or reciprocate with an allied other (another who resembles the subject or who likes the subject). To please and win affection of a coveted object. To adhere and remain loyal to a friend.
Aggression	To overcome opposition forcefully. To fight. To revenge an injury. To attack, injure, or kill another. To oppose forcefully or punish another.
Autonomy	To get free, shake off restraint, break out of confinement.
Counteraction	To master or make up for failure by restriving.
Defendance	To defend the self against assault, criticism, and blame; conceal or justify a misdeed, failure, or humiliation; vindicate the ego.
Deference	To admire and support a superior. To praise, honor, or eulogize.
Dominance	To control one's human environment. To influence or direct the behavior of others by suggestion, seduction, persuasion, or command.
Exhibition	To make an impression. To be seen and heard. To excite, amaze, fascinate, entertain, shock, intrigue, amuse, or entice others.
Harm avoidance	To avoid pain, physical injury, illness, and death. To escape from a dangerous situation. To take precautionary measures.
Infavoidance	To avoid humiliation. To quit embarrassing situations or to avoid conditions that may lead to belittlement or the scorn or indifference of others.
Nurturance	To give sympathy and gratify the needs of a helpless object: an infant or any object that is weak, disabled, tired, inexperienced, infirm, defeated, humiliated, lonely, dejected, sick, or mentally confused. To assist an object in danger. To feed, help, support, console, protect, comfort, nurse, heal.
Order	To put things in order. To achieve cleanliness, arrangement, organization, balance, neatness, tidiness, and precision.
Play	To act for "fun" without further purpose. To like to laugh and make jokes. To seek enjoyable relaxation from stress.
Rejection	To separate oneself from a negatively valued object. To exclude, abandon, expel, or remain indifferent to an inferior object. To snub or jilt an object.
Sentience	To seek and enjoy sensuous impressions.
Sex	To form and further an erotic relationship. To have sexual intercourse.
Succorance	To have one's needs gratified by the sympathetic aid of an allied object.
Understanding	To ask or answer general questions. To be interested in theory. To speculate, formulate, analyze, and generalize.

Source: Adapted from C. S. Hall and G. Lindzey, *Theories of Personality.* Sample items from Murray's List of Needs. Copyright 1957 by John Wiley & Sons, New York.

Murray's main premise was that people have a variety of needs, but only a few are expressed at a given time. When a person is behaving in a way that satisfies some need, Murray called the need manifest. **Manifest needs theory** assumes that human behavior is driven by the desire to satisfy needs. Lucretia's chattiness probably indicates her need for affiliation. This is a manifest need. But what if Lucretia also has a need to dominate others? Could we detect that need from her current behavior? If not, Murray calls this a latent need. A **latent need** cannot be inferred from a person's behavior at a given time, yet the person may

still possess that need. The person may not have had the opportunity to express the need. Or she may not be in the proper environment to solicit behaviors to satisfy the need. Lucretia's need to dominate may not be motivating her current behavior because she is with friends instead of coworkers.

Manifest needs theory laid the groundwork for later theories, most notably McClelland's learned needs theory, that have greatly influenced the study of organizational behavior. The major implication for management is that some employee needs are latent. Managers often assume that employees do not have certain needs because the employees never try to satisfy them at work. Such needs may exist (latent needs); the work environment is simply not conducive to their manifestation (manifest needs). A reclusive accountant may not have been given the opportunity to demonstrate his need for achievement because he never received challenging assignments.

Learned Needs Theory

David C. McClelland and his associates (especially John W. Atkinson) built on the work of Murray for over 50 years. Murray studied many different needs, but very few in any detail. McClelland's research differs from Murray's in that McClelland studied three needs in-depth: the need for achievement, the need for affiliation, and the need for power (often abbreviated, in turn, as nAch, nAff, and nPow).[5] McClelland believes that these three needs are learned, primarily in childhood. But he also believes that each need can be taught, especially nAch. McClelland's research is important because much of the current thinking about organizational behavior is based on it.

Need for Achievement

The **need for achievement (nAch)** is how much people are motivated to excel at the tasks they are performing, especially tasks that are difficult. Of the three needs studied by McClelland, nAch has the greatest impact. The need for achievement varies in intensity across individuals. This makes nAch a personality trait as well as a statement about motivation. When nAch is being expressed, making it a manifest need, people try hard to succeed at whatever task they're doing. We say these people have a high achievement motive. A **motive** is a source of motivation; it is the need that a person is attempting to satisfy. Achievement needs become manifest when individuals experience certain types of situations.

To better understand the nAch motive, it's helpful to describe high-nAch people. You probably know a few of them. They're constantly trying to accomplish something. One of your authors has a father-in-law who would much rather spend his weekends digging holes (for various home projects) than going fishing. Why? Because when he digs a hole, he gets results. In contrast, he can exert a lot of effort and still not catch a fish. A lot of fishing, no fish, and no results equal failure!

McClelland describes three major characteristics of high-nAch people:

1. They feel personally responsible for completing whatever tasks they are assigned. They accept credit for success and blame for failure.
2. They like situations where the probability of success is moderate. High-nAch people are not motivated by tasks that are too easy or extremely difficult. Instead, they prefer situations where the outcome is uncertain, but in which they believe they can succeed if they exert enough effort. They avoid both simple and impossible situations.
3. They have very strong desires for feedback about how well they are doing. They actively seek out performance feedback. It doesn't matter whether the information implies success or failure. They want to know whether they have achieved or not. They constantly ask how they are doing, sometimes to the point of being a nuisance.

Why is nAch important to organizational behavior? The answer is, the success of many organizations is dependent on the nAch levels of their employees.[6] This is especially true for jobs that require self-motivation and managing others. Employees who continuously have to be told how to do their jobs require an overly large management team, and too many layers of management spell trouble in the current marketplace. Today's flexible, cost-conscious organizations have no room for top-heavy structures; their high-nAch employees perform their jobs well with minimal supervision.

Many organizations manage the achievement needs of their employees poorly. A common perception about people who perform unskilled jobs is that they are unmotivated and content doing what they are doing. But, if they have achievement needs, the job itself creates little motivation to perform. It is too easy. There are not enough workers who feel personal satisfaction for having the cleanest floors in a building. Designing jobs that are neither too challenging nor too boring is key to managing motivation. Job enrichment is one effective strategy; this frequently entails training and rotating employees through different jobs, or adding new challenges.

Need for Affiliation

This need is the second of McClelland's learned needs. The **need for affiliation (nAff)** reflects a desire to establish and maintain warm and friendly relationships with other people. As with nAch, nAff varies in intensity across individuals. As you would expect, high-nAff people are very sociable. They're more likely to go bowling with friends after work than to go home and watch television. Other people have lower affiliation needs. This doesn't mean that they avoid other people, or that they dislike others. They simply don't exert as much effort in this area as high-nAff people do.

The nAff has important implications for organizational behavior. High-nAff people like to be around other people, including other people at work. As a result, they perform better in jobs that require teamwork. Maintaining good relationships with their coworkers is important to them, so they go to great lengths to make the workgroup succeed because they fear rejection. So, high-nAff employees will be especially motivated to perform well if others depend on them. In contrast, if high-nAff people perform jobs in isolation from other people, they will be less motivated to perform well. Performing well on this job won't satisfy their need to be around other people.

Effective managers carefully assess the degree to which people have high or low nAff. Employees high in nAff should be placed in jobs that require or allow interactions with other employees. Jobs that are best performed alone are more appropriate for low-nAff employees, who are less likely to be frustrated.

Need for Power

The third of McClelland's learned needs, the **need for power (nPow)**, is the need to control things, especially other people. It reflects a motivation to influence and be responsible for other people. An employee who is often talkative, gives orders, and argues a lot is motivated by the need for power over others.

Employees with high nPow can be beneficial to organizations. High-nPow people do have effective employee behaviors, but at times they're disruptive. A high-nPow person may try to convince others to do things that are detrimental to the organization. So, when is this need good, and when is it bad? Again, there are no easy answers. McClelland calls this the "two faces of power."[7] A *personal power seeker* endeavors to control others mostly for the sake of dominating them. They want others to respond to their wishes whether or not it is good for the organization. They "build empires," and they protect them.

McClelland's other power seeker is the *social power seeker*. A high social power seeker satisfies needs for power by influencing others, like the personal power seeker. They differ in that they feel best when they have influenced a workgroup to achieve the group's goals, and not some personal agenda. High social power-seekers are concerned with goals that a workgroup has set for itself, and they are motivated to influence others to achieve the goal. This need is oriented toward fulfilling responsibilities to the employer, not to the self.

McClelland has argued that the high need for social power is the most important motivator for successful managers. Successful managers tend to be high in this type of nPow. High need for achievement can also be important, but it sometimes results in too much concern for personal success and not enough for the employer's success. The need for affiliation contributes to managerial success only in those situations where the maintenance of warm group relations is as important as getting others to work toward group goals.

The implication of McClelland's research is that organizations should try to place people with high needs for social power in managerial jobs. It is critical, however, that those managerial jobs allow the employee to satisfy the nPow through social power acquisition. Otherwise, a manager high in nPow may satisfy this need through the acquisition of personal power, to the detriment of the organization.

ETHICS IN PRACTICE

Corporate Social Responsibility as a Motivating Force

Whatever their perspective, most people have a cause that they are passionate about. Bitcoin or net neutrality, sea levels or factory farming—social causes bind us to a larger context or assume a higher purpose for living better.

So what motivates employees to give their all, work creatively, and be fully engaged? According to CB Bhattacharya, the Pietro Ferrero Chair in Sustainability at ESMT European School of Management and Technology in Berlin, Germany, employment engagement, or how positive employees feel about their current job, was at an all-time low globally in 2016: 13 percent. But not all companies battle such low engagement rates. Unilever employees more than 170,000 workers globally and has an employ engagement level around 80 percent. How? Bhattacharya credits the success of Unilever, and other companies with similar engagement levels, to an emphasis on a "sustainable business model." He outlines eight steps that companies take to move sustainability and social responsibility from buzzwords to a company mission capable of motivating employees (Knowledge @ Wharton 2016).

According to Bhattacharya, a company needs to first define what it does and its long-term purpose, and then reconcile its sustainability goals with its economic goals. With its purpose and goals defined, it can then educate the workforce on sustainable methods to create knowledge and competence. Champions for the effort must be found throughout the organization, not just at the top. Competition should be encouraged among employees to find and embrace new goals. Sustainability should be visible both within and outside the company. Sustainability should be tied to a higher purpose and foster a sense of unity not simply among employees, but even with competition at a societal level (Knowledge @ Wharton 2016).

Other companies have made social responsibility an everyday part of what they do. Launched in 2013, Bombas is the brainchild of Randy Goldberg and David Heath. Goldberg and Heath discovered that socks are the most-requested clothing at homeless shelters. In response, the two entrepreneurs launched a line of socks that not only "reinvents" the sock (they claim), but also helps those in need. For each pair of socks purchased, the company donates a pair of socks to someone in need (Mulvey 2017). According to the company website, "Bombas exists to help solve this problem, to support the homeless community, and to bring awareness to an under-publicized problem in the United States" (n.p.). Although the New York-based company is still growing, as of October 2017 Bombas had donated more than four million pairs of socks (Bombas 2017).

In 2016, the Royal Bank of Scotland (RBS) launched a pilot program called Jump in which employees participated in challenges on ways to save water and electricity, as well as other sustainability issues. At the end of the pilot, 95 percent of the employees reported that they felt the program had contributed to employee engagement, team building, and environmental stability. Given the success of the program, in 2017 it was expanded to all RBS sites and a smartphone app was added to help employees participate in the challenges (Barton 2017).

Placing a *company* in a larger context and adding a second, higher purpose than the established company goals motivates employees to police the company itself to be a better global citizen. Companies benefit from reduced waste and increased employee engagement. Many companies are successfully motivating their staff, and working toward more sustainable practices, while improving lives directly.

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Questions:

1. Do you think social responsibility to promote sustainable practices? Why or why not?
2. Do you think most companies' CSR programs are essentially PR gimmicks? Why or why not? Give examples.

Maslow's Hierarchy of Needs

Any discussion of needs that motivate performance would be incomplete without considering Abraham Maslow.[8] Thousands of managers in the 1960s were exposed to Maslow's theory through the popular writings of Douglas McGregor.[9] Today, many of them still talk about employee motivation in terms of Maslow's theory. While Maslow's work was critical in the continued development of needs theories, it is not an accurate conceptualization of motivation. It is NOT appropriate to use as the foundation of employee programming in any way.

Maslow was a psychologist who, based on his early research with primates (monkeys), observations of patients, and discussions with employees in organizations, theorized that human needs are arranged hierarchically. That is, before one type of need can manifest itself, other needs must be satisfied. For example, our need for water takes precedence over our need for social interaction (this is also called *prepotency*). We will always satisfy our need for water before we satisfy our social needs; water needs have prepotency over social needs. Maslow's theory differs from others that preceded it because of this hierarchical, prepotency concept.

Maslow went on to propose five basic types of human needs. This is in contrast to the thousands of needs that earlier researchers had identified, and also fewer than Murray identified in his theory. Maslow condensed human needs into a manageable set. Those five human needs, in the order of prepotency in which they direct human behavior, are:

1. *Physiological and survival needs.* These are the most basic of human needs and include the needs for water, food, sex, sleep, activity, stimulation, and oxygen.
2. *Safety and security needs.* These needs invoke behaviors that assure freedom from danger. This set of needs involves meeting threats to our existence, including extremes in environmental conditions (heat, dust, and so on), assault from other humans, tyranny, and murder. In other words, satisfaction of these needs prevents fear and anxiety while adding stability and predictability to life.
3. *Social needs.* These needs reflect human desires to be the target of affection and love from others. They are especially satisfied by the presence of spouses, children, parents, friends, relatives, and others to whom we feel close. Feelings of loneliness and rejection are symptoms that this need has not been satisfied.
4. *Ego and esteem.* Esteem needs to go beyond social needs. They reflect our need to be respected by others, and to have esteem for ourselves. It is one thing to be liked by others. It is another thing to be respected for our talents and abilities. Ego and esteem needs have internal (self) and external (others) focuses. An internal focus includes desires for achievement, strength, competence, confidence, and independence. An external focus includes desires to have prestige, recognition, appreciation, attention, and respect from others. Satisfaction of external esteem needs can lead to satisfaction of internal esteem needs.
5. *Self-actualization.* Self-actualization needs are the most difficult to describe. Unlike the other needs, the need for self-actualization is never completely satisfied. Self-actualization involves a desire for self-fulfillment, "to become more and more what one is, to become everything that one is capable of becoming."[10] Because people are so different in their strengths and weaknesses, in capacities and limitations, the meaning of self-actualization varies greatly. Satisfying self-actualization needs means developing all of our special abilities to their fullest degree.

Exhibit 7.6 illustrates Maslow's proposed hierarchy of needs. According to his theory, people first direct their attention to satisfying their lower-order needs. Those are the needs at the bottom of the pyramid (physiological, safety, and security). Once those needs have been satisfied, the next level, social needs, becomes energized. Once satisfied, we focus on our ego and esteem needs. Maslow believed that most people become fixated at this level. That is, most people spend much of their lives developing self-esteem and the esteem of others. But, once those esteem needs are satisfied, Maslow predicted that self-actualization needs would dominate. There are no higher levels in the pyramid, because self-actualization needs can never be fully satisfied. They represent a continuing process of self-development and self-improvement that, once satisfied on one dimension (painting), create motivation to continue on other dimensions (sculpting).

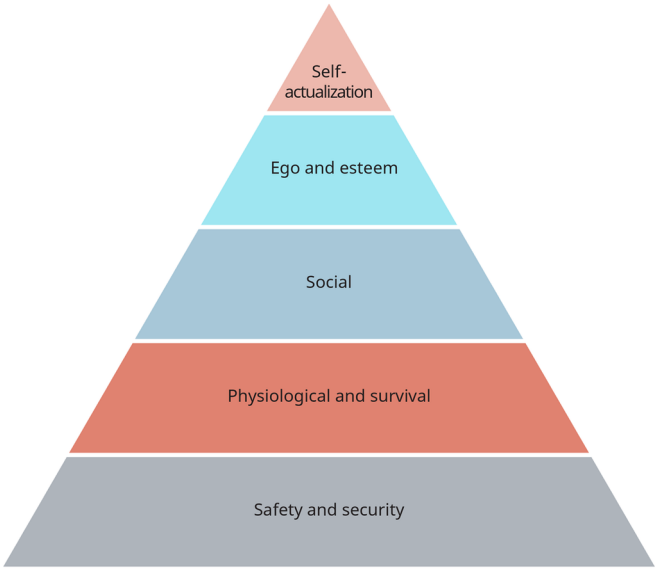


Exhibit **7.6 Maslow's Hierarchy of Needs** *Source:* Based on A. H. Maslow. 1943. A theory of human motivation. *Psychological Bulletin* 50:370–396.

An overriding principle in this theory is that a person's attention (direction) and energy (intensity) will focus on satisfying the lowest-level need that is not currently satisfied. Needs can also be satisfied at some point but become active (dissatisfied) again. Needs must be "maintained" (we must continue to eat occasionally). According to Maslow, when lower-level needs are reactivated, we once again concentrate on that need. That is, we lose interest in the higher-level needs when lower-order needs are energized.

The implications of Maslow's theory for organizational behavior are as much conceptual as they are practical. The theory posits that to maximize employee motivation, employers must try to guide workers to the upper parts of the hierarchy. That means that the employer should help employees satisfy lower-order needs like safety and security and social needs. Once satisfied, employees will be motivated to build esteem and respect through their work achievements. **Exhibit 7.6** shows how Maslow's theory relates to factors that organizations can influence. For example, by providing adequate pay, safe working conditions, and cohesive work groups, employers help employees satisfy their lower-order needs. Once satisfied, challenging jobs, additional responsibilities, and prestigious job titles can help employees satisfy higher-order esteem needs.

Maslow's theory is still popular among practicing managers. Organizational behavior researchers, however, are not as enamored with it because research results don't support Maslow's hierarchical notion. Apparently, people don't go through the five levels in a fixed fashion. On the other hand, there is some evidence that people satisfy the lower-order needs before they attempt to satisfy higher-order needs. Refinements of Maslow's theory in recent years reflect this more limited hierarchy.[11] The self-assessment below will allow you to evaluate the strength of your five needs.

Alderfer's ERG Theory

Clayton Alderfer observed that very few attempts had been made to test Maslow's full theory. Further, the evidence accumulated provided only partial support. During the process of refining and extending Maslow's theory, Alderfer provided another need-based theory and a somewhat more useful perspective on motivation.[12] Alderfer's **ERG theory** compresses Maslow's five need categories into three: existence, relatedness, and growth.[13] In addition, ERG theory details the dynamics of an individual's movement between the need categories in a somewhat more detailed fashion than typically characterizes interpretations of Maslow's work.

As shown in **Exhibit 7.7**, the ERG model addresses the same needs as those identified in Maslow's work:



Exhibit **7.7 Alderfer's ERG Theory** (Attribution: Copyright Rice University, OpenStax, under CC-BY 4.0 license)

- *Existence needs* include physiological and material safety needs. These needs are satisfied by material conditions and not through interpersonal relations or personal involvement in the work setting.
- *Relatedness needs* include all of Maslow's social needs, plus social safety and social esteem needs. These needs are satisfied through the exchange of thoughts and feelings with other people.
- *Growth needs* include self-esteem and self-actualization needs. These needs tend to be satisfied through one's full involvement in work and the work setting.

Exhibit 7.8 identifies a number of ways in which organizations can help their members satisfy these three needs.



Exhibit **7.8 Satisfying Existence, Relatedness, and Growth Needs** (Attribution: Copyright Rice University, OpenStax, under CC-BY 4.0 license)

Four components—satisfaction progression, frustration, frustration regression, and aspiration—are key to understanding Alderfer's ERG theory. The first of these, *satisfaction progression,* is in basic agreement with Maslow's process of moving through the needs. As we increasingly satisfy our existence needs, we direct energy toward relatedness needs. As these needs are satisfied, our growth needs become more active. The second component, *frustration,* occurs when we attempt but fail to satisfy a particular need. The resulting frustration may make satisfying the unmet need even more important to us—unless we repeatedly fail to satisfy that need. In this case, Alderfer's third component, *frustration regression,* can cause us to shift our attention to a previously satisfied, more concrete, and verifiable need. Lastly, the *aspiration* component of the ERG model notes that, by its very nature,

growth is intrinsically satisfying. The more we grow, the more we want to grow. Therefore, the more we satisfy our growth need, the more important it becomes and the more strongly we are motivated to satisfy it.

Alderfer's model is potentially more useful than Maslow's in that it doesn't create false motivational categories. For example, it is difficult for researchers to ascertain when interaction with others satisfies our need for acceptance and when it satisfies our need for recognition. ERG also focuses attention explicitly on movement through the set of needs in both directions. Further, evidence in support of the three need categories and their order tends to be stronger than evidence for Maslow's five need categories and their relative order.

Herzberg's Motivator-Hygiene Theory

Clearly one of the most influential motivation theories throughout the 1950s and 1960s was Frederick Herzberg's motivator-hygiene theory.[14] This theory is a further refinement of Maslow's theory. Herzberg argued that there are two sets of needs, instead of the five sets theorized by Maslow. He called the first set "motivators" (or growth needs). **Motivators**, which relate to the jobs we perform and our ability to feel a sense of achievement as a result of performing them, are rooted in our need to experience growth and self-actualization. The second set of needs he termed "hygienes." **Hygienes** relate to the work environment and are based in the basic human need to "avoid pain." According to Herzberg, growth needs motivate us to perform well and, when these needs are met, lead to the experience of satisfaction. Hygiene needs, on the other hand, must be met to avoid dissatisfaction (but do not necessarily provide satisfaction or motivation).[15]

Hygiene factors are not directly related to the work itself (job content). Rather, hygienes refer to job context factors (pay, working conditions, supervision, and security). Herzberg also refers to these factors as "dissatisfiers" because they are frequently associated with dissatisfied employees. These factors are so frequently associated with dissatisfaction that Herzberg claims they never really provide satisfaction. When they're present in sufficient quantities, we avoid dissatisfaction, but they do not contribute to satisfaction. Furthermore, since meeting these needs does not provide satisfaction, Herzberg concludes that they do not motivate workers.

Motivator factors involve our long-term need to pursue psychological growth (much like Maslow's esteem and self-actualization needs). Motivators relate to *job content*. Job content is what we actually *do* when we perform our job duties. Herzberg considered job duties that lead to feelings of achievement and recognition to be motivators. He refers to these factors as "satisfiers" to reflect their ability to provide satisfying experiences. When these needs are met, we experience satisfaction. Because meeting these needs provides satisfaction, they motivate workers. More specifically, Herzberg believes these motivators lead to high performance (achievement), and the high performance itself leads to satisfaction.

The unique feature of Herzberg's theory is that job conditions that prevent dissatisfaction do not cause satisfaction. Satisfaction and dissatisfaction are on different "scales" in his view. Hygienes can cause dissatisfaction if they are not present in sufficient levels. Thus, an employee can be dissatisfied with low pay. But paying him more will not cause long-term satisfaction *unless* motivators are present. Good pay *by itself* will only make the employee neutral toward work; to attain satisfaction, employees need challenging job duties that result in a sense of achievement. Employees can be dissatisfied, neutral, or satisfied with their jobs, depending on their levels of hygienes and motivators. Herzberg's theory even allows for the possibility that an employee can be satisfied and dissatisfied at the same time—the "I love my job but I hate the pay" situation!

Herzberg's theory has made lasting contributions to organizational research and managerial practice. Researchers have used it to identify the wide range of factors that influence worker reactions. Previously, most organizations attended primarily to hygiene factors. Because of Herzberg's work, organizations today realize the potential of motivators. Job enrichment programs are among the many direct results of his research.

Herzberg's work suggests a two-stage process for managing employee motivation and satisfaction. First, managers should address the hygiene factors. Intense forms of dissatisfaction distract employees from important work-related activities and tend to be demotivating.[16] Thus, managers should make sure that such basic needs as adequate pay, safe and clean working conditions, and opportunities for social interaction are met. They should then address the much more powerful motivator needs, in which workers experience recognition, responsibility, achievement, and growth. If motivator needs are ignored, neither long-term satisfaction nor high motivation is likely. When motivator needs are met, however, employees feel satisfied and are motivated to perform well.

Self-Determination Theory

One major implication of Herzberg's motivator-hygiene theory is the somewhat counterintuitive idea that managers should focus more on motivators than on hygienes. (After all, doesn't everyone want to be paid well? Organizations have held this out as a chief motivator for decades!) Why might concentrating on motivators give better results? To answer this question, we must examine *types* of motivation. Organizational behavior researchers often classify motivation in terms of what stimulates it. In the case of **extrinsic motivation**, we endeavor to acquire something that satisfies a lower-order need. Jobs that pay well and that are performed in safe, clean working conditions with adequate supervision and resources directly or indirectly satisfy these lower-order needs. These "outside the person" factors are *extrinsic rewards*.

Factors "inside" the person that cause people to perform tasks, **intrinsic motivation**, arise out of performing a task in and of itself because it is interesting or "fun" to do. The task is enjoyable, so we continue to do it *even in the absence* of extrinsic rewards. That is, we are motivated by *intrinsic rewards,* rewards that we more or less give ourselves. Intrinsic rewards satisfy higher-order needs like relatedness and growth in ERG theory. When we sense that we are valuable contributors, are achieving something important, or are getting better at some skill, we like this feeling and strive to maintain it.

Self-determination theory (SDT) seeks to explain not only what causes motivation, but also how extrinsic rewards affect intrinsic motivation.[17] In SDT, extrinsic motivation refers to the performance of an activity in order to attain some valued outcome, while intrinsic motivation refers to performing an activity for the inherent satisfaction of the activity itself. SDT specifies when an activity will be intrinsically motivating and when it will not. Considerable numbers of studies have demonstrated that tasks are intrinsically motivating when they satisfy at least one of three higher-order needs: competence, autonomy, and relatedness. These precepts from SDT are entirely consistent with earlier discussions of theories by McClelland, Maslow, Alderfer, and Herzberg.

SDT takes the concepts of extrinsic rewards and intrinsic motivation further than the other need theories. SDT researchers have consistently found that as the level of extrinsic rewards increases, the amount of intrinsic motivation *decreases*. That is, SDT posits that extrinsic rewards not only do not provide intrinsic motivation, they diminish it. Think of this in terms of hobbies. Some people like to knit, others like to carve wood. They do it because it is intrinsically motivating; the hobby satisfies needs for competence, autonomy, and relatedness. But what happens if these hobbyists start getting paid well for their sweaters and carvings? Over time the hobby becomes less fun and is done in order to receive extrinsic rewards (money). Extrinsic motivation increases as intrinsic motivation decreases! When extrinsic rewards are present, people do not feel like what they do builds competence, is self-determined, or enhances relationships with others.

SDT theory has interesting implications for the management of organizational behavior. Some jobs are by their very nature uninteresting and unlikely to be made interesting. Automation has eliminated many such jobs, but they are still numerous. SDT would suggest that the primary way to motivate high performance for such jobs is to make performance contingent on extrinsic rewards. Relatively high pay is necessary to sustain performance on certain low-skill jobs. On the other hand, SDT would suggest that to enhance intrinsic motivation on jobs that are interesting, don't focus only on increasing extrinsic rewards (like large pay bonuses). Instead, create even more opportunities for employees to satisfy their needs for competence, autonomy, and relatedness. That means giving them opportunities to learn new skills, to perform their jobs without interference, and to develop meaningful relationships with other customers and employees in other departments. Such actions enhance intrinsic rewards.

You may have noticed that content theories are somewhat quiet about what determines the intensity of motivation. For example, some people steal to satisfy their lower-order needs (they have high intensity). But most of us don't steal. Why is this? Process theories of motivation attempt to explain this aspect of motivation by focusing on the intensity of motivation as well as its direction. According to self-determination theory, skilled workers who are given a chance to hone their skills and the freedom to practice their craft will be intrinsically motivated.

concept check

1. Understand the content theories of motivation.
2. Understand the contributions that Murray, McClelland, Maslow, Alderfer, and Herzberg made toward an understanding of human motivation.

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8.3: Process Theories of Motivation

3. Describe the process theories of motivation, and compare and contrast the main process theories of motivation: operant conditioning theory, equity theory, goal theory, and expectancy theory.

Process theories of motivation try to explain *why* behaviors are initiated. These theories focus on the mechanism by which we choose a target, and the effort that we exert to "hit" the target. There are four major process theories: (1) operant conditioning, (2) equity, (3) goal, and (4) expectancy.

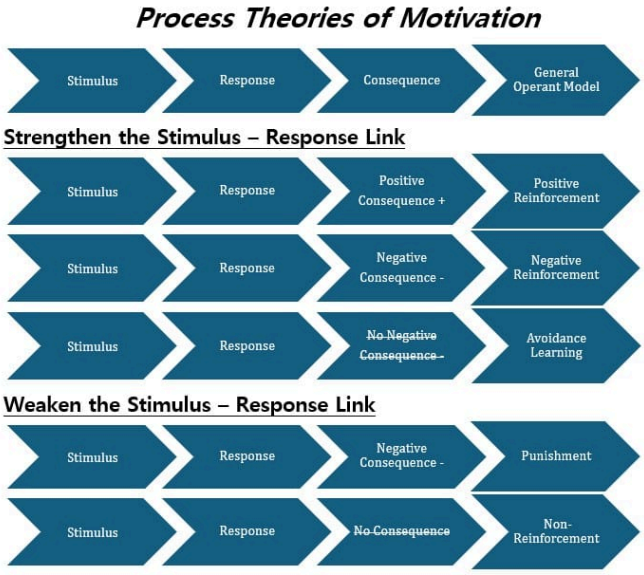
Operant Conditioning Theory

Operant conditioning theory is the simplest of the motivation theories. It basically states that people will do those things for which they are rewarded and will avoid doing things for which they are punished. This premise is sometimes called the "law of effect." However, if this were the sum total of conditioning theory, we would not be discussing it here. Operant conditioning theory does offer greater insights than "reward what you want and punish what you don't," and knowledge of its principles can lead to effective management practices.

Operant conditioning focuses on the learning of voluntary behaviors.[18] The term **operant conditioning** indicates that learning results from our "operating on" the environment. After we "operate on the environment" (that is, behave in a certain fashion), consequences result. These consequences determine the likelihood of similar behavior in the future. Learning occurs because we do something to the environment. The environment then reacts to our action, and our subsequent behavior is influenced by this reaction.

The Basic Operant Model

According to **operant conditioning theory**, we learn to behave in a particular fashion because of consequences that resulted from our past behaviors.[19] The learning process involves three distinct steps (see **Table 7.2**). The first step involves a *stimulus* (S). The stimulus is any situation or event we perceive that we then respond to. A homework assignment is a stimulus. The second step involves a *response* (R), that is, any behavior or action we take in reaction to the stimulus. Staying up late to get your homework assignment in on time is a response. (We use the words response and behavior interchangeably here.) Finally, a *consequence* (C) is any event that follows our response and that makes the response more or less likely to occur in the future. If Colleen Sullivan receives praise from her superior for working hard, and if getting that praise is a pleasurable event, then it is likely that Colleen will work hard again in the future. If, on the other hand, the superior ignores or criticizes Colleen's response (working hard), this consequence is likely to make Colleen avoid working hard in the future. It is the experienced consequence (positive or negative) that influences whether a response will be repeated the next time the stimulus is presented.



Reinforcement occurs when a consequence makes it more likely the response/behavior will be repeated in the future. In the previous example, praise from Colleen's superior is a reinforcer. **Extinction** occurs when a consequence makes it less likely the response/behavior will be repeated in the future. Criticism from Colleen's supervisor could cause her to stop working hard on any assignment.

There are three ways to make a response more likely to recur: positive reinforcement, negative reinforcement, and avoidance learning. In addition, there are two ways to make the response less likely to recur: nonreinforcement and punishment.

Making a Response More Likely

According to reinforcement theorists, managers can encourage employees to repeat a behavior if they provide a desirable consequence, or reward, after the behavior is performed. A **positive reinforcement** is a desirable consequence that satisfies an active need or that removes a barrier to need satisfaction. It can be as simple as a kind word or as major as a promotion. Companies that provide "dinners for two" as awards to those employees who go the extra mile are utilizing positive reinforcement. It is important to note that there are wide variations in what people consider to be a positive reinforcer. Praise from a supervisor may be a powerful reinforcer for some workers (like high-nAch individuals) but not others.

Another technique for making a desired response more likely to be repeated is known as **negative reinforcement**. When a behavior causes something undesirable to be taken away, the behavior is more likely to be repeated in the future. Managers use negative reinforcement when they remove something unpleasant from an employee's work environment in the hope that this will encourage the desired behavior. Ted doesn't like being continually reminded by Philip to work faster (Ted thinks Philip is nagging him), so he works faster at stocking shelves to avoid being criticized. Philip's reminders are a negative reinforcement for Ted.

Approach using negative reinforcement with extreme caution. Negative reinforcement is often confused with punishment. Punishment, unlike reinforcement (negative or positive), is intended to make a particular behavior go away (not be repeated). Negative reinforcement, like positive reinforcement, is intended to make a behavior more likely to be repeated in the future. In the previous example, Philip's reminders simultaneously punished one behavior (slow stocking) and reinforced another (faster stocking). The difference is often a fine one, but it becomes clearer when we identify the behaviors we are trying to encourage (reinforcement) or discourage (punishment).

A third method of making a response more likely to occur involves a process known as avoidance learning. **Avoidance learning** occurs when we learn to behave in a certain way to avoid encountering an undesired or unpleasant consequence. We may learn to wake up a minute or so before our alarm clock rings so we can turn it off and not hear the irritating buzzer. Some workers learn to get to work on time to avoid the harsh words or punitive actions of their supervisors. Many organizational discipline systems rely heavily on avoidance learning by using the threat of negative consequences to encourage desired behavior. When managers warn an employee not to be late again, when they threaten to fire a careless worker, or when they transfer someone to an undesirable position, they are relying on the power of avoidance learning.

Making a Response Less Likely

At times it is necessary to discourage a worker from repeating an undesirable behavior. The techniques managers use to make a behavior less likely to occur involve doing something that frustrates the individual's need satisfaction or that removes a currently satisfying circumstance. **Punishment** is an aversive consequence that follows a behavior and makes it less likely to reoccur.

Note that managers have another alternative, known as **nonreinforcement**, in which they provide no consequence at all following a worker's response. Nonreinforcement eventually reduces the likelihood of that response reoccurring, which means that managers who fail to reinforce a worker's desirable behavior are also likely to see that desirable behavior less often. If Philip never rewards Ted when he finishes stocking on time, for instance, Ted will probably stop trying to beat the clock. Nonreinforcement can also reduce the likelihood that employees will repeat undesirable behaviors, although it doesn't produce results as quickly as punishment does. Furthermore, if other reinforcing consequences are present, nonreinforcement is unlikely to be effective.

While punishment clearly works more quickly than does nonreinforcement, it has some potentially undesirable side effects. Although punishment effectively tells a person what *not* to do and stops the undesired behavior, it does not tell them what they *should* do. In addition, even when punishment works as intended, the worker being punished often develops negative feelings toward the person who does the punishing. Although sometimes it is very difficult for managers to avoid using punishment, it works best when reinforcement is also used. An experiment conducted by two researchers at the University of Kansas found that using nonmonetary reinforcement in addition to punitive disciplinary measures was an effective way to decrease absenteeism in an industrial setting.[20]

Schedules of Reinforcement

When a person is learning a new behavior, like how to perform a new job, it is desirable to reinforce effective behaviors every time they are demonstrated (this is called *shaping*). But in organizations it is not usually possible to reinforce desired behaviors every time they are performed, for obvious reasons. Moreover, research indicates that constantly reinforcing desired behaviors, termed *continuous reinforcement,* can be detrimental in the long run. Behaviors that are learned under continuous reinforcement are quickly extinguished (cease to be demonstrated). This is because people will expect a reward (the reinforcement) every time they display the behavior. When they don't receive it after just a few times, they quickly presume that the behavior will no longer be rewarded, and they quit doing it. Any employer can change employees' behavior by simply not paying them!

If behaviors cannot (and should not) be reinforced every time they are exhibited, how often should they be reinforced? This is a question about **schedules of reinforcement**, or the frequency at which effective employee behaviors should be reinforced. Much of the early research on operant conditioning focused on the best way to maintain the performance of desired behaviors. That is, it attempted to determine how frequently behaviors need to be rewarded so that they are not extinguished. Research zeroed in on four types of reinforcement schedules:

Fixed Ratio. With this schedule, a fixed number of responses (let's say five) must be exhibited before any of the responses are reinforced. If the desired response is coming to work on time, then giving employees a $25 bonus for being punctual every day from Monday through Friday would be a fixed ratio of reinforcement.

Variable Ratio. A variable-ratio schedule reinforces behaviors, *on average,* a fixed number of times (again let's say five). Sometimes the tenth behavior is reinforced, other times the first, but on average every fifth response is reinforced. People who perform under such variable-ratio schedules like this don't know *when* they will be rewarded, but they do know that they *will* be rewarded.

Fixed Interval. In a fixed-interval schedule, a certain amount of time must pass before a behavior is reinforced. With a one-hour fixed-interval schedule, for example, a supervisor visits an employee's workstation and reinforces the first desired behavior she sees. She returns one hour later and reinforces the next desirable behavior. This schedule doesn't imply that reinforcement will be received automatically after the passage of the time period. The time must pass *and* an appropriate response must be made.

Variable Interval. The variable interval differs from fixed-interval schedules in that the specified time interval passes *on average* before another appropriate response is reinforced. Sometimes the time period is shorter than the average; sometimes it is longer.

Which type of reinforcement schedule is best? In general, continuous reinforcement is best while employees are learning their jobs or new duties. After that, variable-ratio reinforcement schedules are superior. In most situations the fixed-interval schedule produces the least effective results, with fixed ratio and variable interval falling in between the two extremes. But remember that effective behaviors must be reinforced with some type of schedule, or they may become extinguished.

Equity Theory

Suppose you have worked for a company for several years. Your performance has been excellent, you have received regular pay increases, and you get along with your boss and coworkers. One day you come to work to find that a new person has been hired to work at the same job that you do. You are pleased to have the extra help. Then, you find out the new person is making $100 more per week than you, despite your longer service and greater experience. How do you feel? If you're like most of us, you're quite unhappy. Your satisfaction has just evaporated. Nothing about your job has changed—you receive the same pay, do the same job, and work for the same supervisor. Yet, the addition of one new employee has transformed you from a happy to an unhappy employee. This feeling of unfairness is the basis for equity theory.

Equity theory states that motivation is affected by the outcomes we receive for our inputs compared to the outcomes and inputs of other people.[21] This theory is concerned with the reactions people have to outcomes they receive as part of a "social exchange." According to equity theory, our reactions to the outcomes we receive from others (an employer) depend both on how we value those outcomes in an absolute sense *and* on the circumstances surrounding their receipt. Equity theory suggests that our reactions will be influenced by our perceptions of the "inputs" provided in order to receive these outcomes ("Did I get as much out of this as I put into it?"). Even more important is the comparison of our inputs to what we believe others received for their inputs ("Did I get as much for my inputs as my coworkers got for theirs?").

The Basic Equity Model

The fundamental premise of equity theory is that we continuously monitor the degree to which our work environment is "fair." In determining the degree of fairness, we consider two sets of factors, inputs and outcomes (see Exhibit 7.11). **Inputs** are any factors we contribute to the organization that we feel have value and are relevant to the organization. Note that the value attached to an input is based on *our* perception of its relevance and value. Whether or not anyone else agrees that the input is relevant or valuable is unimportant to us. Common inputs in organizations include time, effort, performance level, education level, skill levels, and bypassed opportunities. Since any factor we consider relevant is included in our evaluation of equity, it is not uncommon for factors to be included that the organization (or even the law) might argue are inappropriate (such as age, sex, ethnic background, or social status).

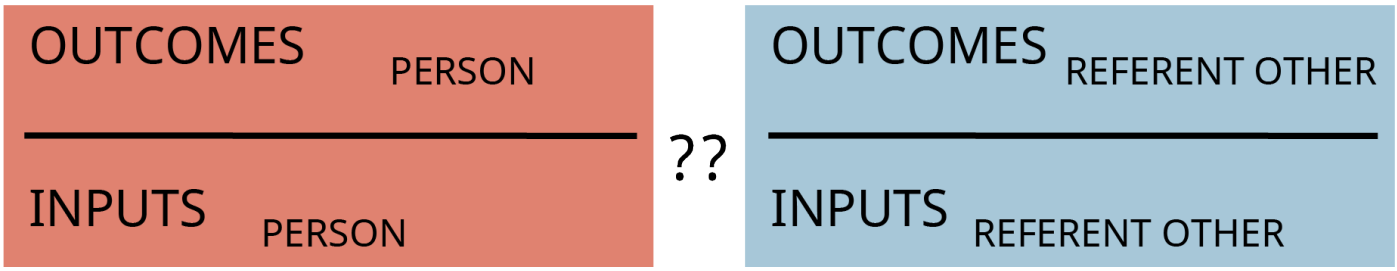


Exhibit **7.11 The Equity Theory Comparison** (Attribution: Copyright Rice University, OpenStax, under CC-BY 4.0 license)

Outcomes are anything we perceive as getting back from the organization in exchange for our inputs. Again, the value attached to an outcome is based on our perceptions and not necessarily on objective reality. Common outcomes from organizations include pay, working conditions, job status, feelings of achievement, and friendship opportunities. Both positive and negative outcomes influence our evaluation of equity. Stress, headaches, and fatigue are also potential outcomes. Since any outcome we consider relevant to the exchange influences our equity perception, we frequently include unintended factors (peer disapproval, family reactions).

Equity theory predicts that we will compare our outcomes to our inputs in the form of a ratio. On the basis of this ratio we make an initial determination of whether or not the situation is equitable. If we perceive that the outcomes we receive are commensurate with our inputs, we are satisfied. If we believe that the outcomes are not commensurate with our inputs, we are dissatisfied. This dissatisfaction can lead to ineffective behaviors for the organization if they continue. The key feature of equity theory is that it predicts that we will compare our ratios to the ratios of other people. It is this comparison of the two ratios that has the strongest effect on our equity perceptions. These other people are called referent others because we "refer to" them when we judge equity. Usually, referent others are people we work with who perform work of a similar nature. That is, **referent others** perform jobs that are similar in difficulty and complexity to the employee making the equity determination (see Exhibit 7.11).

Three conditions can result from this comparison. Our outcome-to-input ratio could equal the referent other's. This is a **state of equity**. A second result could be that our ratio is greater than the referent other's. This is a state of **overreward inequity**. The

third result could be that we perceive our ratio to be less than that of the referent other. This is a state of **underreward inequity**.

Equity theory has a lot to say about basic human tendencies. The motivation to compare our situation to that of others is strong. For example, what is the first thing you do when you get an exam back in class? Probably look at your score and make an initial judgment as to its fairness. For a lot of people, the very next thing they do is look at the scores received by fellow students who sit close to them. A 75 percent score doesn't look so bad if everyone else scored lower! This is equity theory in action.

Most workers in the United States are at least partially dissatisfied with their pay.[22] Equity theory helps explain this. Two human tendencies create feelings of inequity that are not based in reality. One is that we tend to overrate our performance levels. For example, one study conducted by your authors asked more than 600 employees to anonymously rate their performance on a 7-point scale (1 = poor, 7 = excellent). The average was 6.2, meaning the *average* employee rated his or her performance as *very good to excellent*. This implies that the average employee also expects excellent pay increases, a policy most employers cannot afford if they are to remain competitive. Another study found that the average employee (one whose performance is better than half of the other employees and worse than the other half) rated her performance at the 80th percentile (better than 80 percent of the other employees, worse than 20 percent).[23] Again it would be impossible for most organizations to reward the average employee at the 80th percentile. In other words, most employees inaccurately overrate the inputs they provide to an organization. This leads to perceptions of inequity that are not justified.

The second human tendency that leads to unwarranted perceptions of inequity is our tendency to *overrate* the outcomes of others.[24] Many employers keep the pay levels of employees a "secret." Still other employers actually forbid employees to talk about their pay. This means that many employees don't know for certain how much their colleagues are paid. And, because most of us overestimate the pay of others, we tend to think that they're paid more than they actually are, and the unjustified perceptions of inequity are perpetuated.

The bottom line for employers is that they need to be sensitive to employees' need for equity. Employers need to do everything they can to prevent feelings of inequity because employees engage in effective behaviors when they perceive equity and ineffective behaviors when they perceive inequity.

Perceived Overreward Inequity

When we perceive that overreward inequity exists (that is, we unfairly make more than others), it is rare that we are so dissatisfied, guilty, or sufficiently motivated that we make changes to produce a state of perceived equity (or we leave the situation). Indeed, feelings of overreward, when they occur, are quite transient. Very few of us go to our employers and complain that we're overpaid! Most people are less sensitive to overreward inequities than they are to underreward inequities.[25] However infrequently they are used for overreward, the same types of actions are available for dealing with both types of inequity.

Perceived Underreward Inequity

When we perceive that underreward inequity exists (that is, others unfairly make more than we do), we will likely be dissatisfied, angered, and motivated to change the situation (or escape the situation) in order to produce a state of perceived equity. As we discuss shortly, people can take many actions to deal with underreward inequity.

Reducing Underreward Inequity

A simple situation helps explain the consequences of inequity. Two automobile workers in Detroit, John and Mary, fasten lug nuts to wheels on cars as they come down the assembly line, John on the left side and Mary on the right. Their inputs are equal (both fasten the same number of lug nuts at the same pace), but John makes $500 per week and Mary makes $600. Their equity ratios are thus:

$500	$600
John:	
10 lug nuts/car	10 lug nuts/car

As you can see, their ratios are not equal; that is, Mary receives greater outcome for equal input. Who is experiencing inequity?

According to equity theory, both John *and* Mary—underreward inequity for John, and overreward inequity for Mary. Mary's inequity won't last long (in real organizations), but in our hypothetical example, what might John do to resolve this?

Adams identified a number of things people do to reduce the tension produced by a perceived state of inequity. They change their own outcomes or inputs, *or* they change those of the referent other. They distort their own perceptions of the outcomes or inputs of either party by using a different referent other, or they leave the situation in which the inequity is occurring.

1. Alter inputs of the person. The perceived state of equity can be altered by changing our own inputs, that is, by decreasing the quantity or quality of our performance. John can effect his own mini slowdown and install only nine lug nuts on each car as it comes down the production line. This, of course, might cause him to lose his job, so he probably won't choose this alternative.
2. Alter outcomes of the person. We could attempt to increase outcomes to achieve a state of equity, like ask for a raise, a nicer office, a promotion, or other positively valued outcomes. So John will likely ask for a raise. Unfortunately, many people enhance their outcomes by stealing from their employers.
3. Alter inputs of the referent other. When underrewarded, we may try to achieve a state of perceived equity by encouraging the referent other to increase their inputs. We may demand, for example, that the referent other "start pulling their weight," or perhaps help the referent other to become a better performer. It doesn't matter that the referent other is already pulling their weight—remember, this is all about perception. In our example, John could ask Mary to put on two of his ten lug nuts as each car comes down the assembly line. This would not likely happen, however, so John would be motivated to try another alternative to reduce his inequity.
4. Alter outcomes of the referent other. We can "correct" a state of underreward by directly or indirectly reducing the value of the other's outcomes. In our example, John could try to get Mary's pay lowered to reduce his inequity. This too would probably not occur in the situation described.
5. Distort perceptions of inputs or outcomes. It *is* possible to reduce a perceived state of inequity without changing input or outcome. We simply distort our own perceptions of our inputs or outcomes, *or* we distort our perception of those of the referent other. Thus, John may tell himself that "Mary does better work than I thought" or "she enjoys her work much less than I do" or "she gets paid less than I realized."
6. Choose a different referent other. We can also deal with both over- and underreward inequities by changing the referent other ("my situation is really more like Ahmed's"). This is the simplest and most powerful way to deal with perceived inequity: it requires neither actual nor perceptual changes in anybody's input or outcome, and it causes us to look around and assess our situation more carefully. For example, John might choose as a referent other Bill, who installs dashboards but makes less money than John.
7. Leave the situation. A final technique for dealing with a perceived state of inequity involves removing ourselves from the situation. We can choose to accomplish this through absenteeism, transfer, or termination. This approach is usually not selected unless the perceived inequity is quite high or other attempts at achieving equity are not readily available. Most automobile workers are paid quite well for their work. John is unlikely to find an equivalent job, so it is also unlikely that he will choose this option.

Implications of Equity Theory

Equity theory is widely used, and its implications are clear. In the vast majority of cases, employees experience (or perceive) underreward inequity rather than overreward. As discussed above, few of the behaviors that result from underreward inequity are good for employers. Thus, employers try to prevent unnecessary perceptions of inequity. They do this in a number of ways. They try to be as fair as possible in allocating pay. That is, they measure performance levels as accurately as possible, then give the highest performers the highest pay increases. Second, most employers are no longer secretive about their pay schedules. People are naturally curious about how much they are paid relative to others in the organization. This doesn't mean that employers don't practice discretion—they usually don't reveal specific employees' exact pay. But they do tell employees the minimum and maximum pay levels for their jobs and the pay scales for the jobs of others in the organization. Such practices give employees a factual basis for judging equity.

Supervisors play a key role in creating perceptions of equity. "Playing favorites" ensures perceptions of inequity. Employees want to be rewarded on their merits, not the whims of their supervisors. In addition, supervisors need to recognize differences in employees in their reactions to inequity. Some employees are highly sensitive to inequity, and a supervisor needs to be especially cautious around them.[26] Everyone is sensitive to reward allocation.[27] But "equity sensitives" are even more sensitive. A major principle for supervisors, then, is simply to implement fairness. Never base punishment or reward on whether or not you like an employee. Reward behaviors that contribute to the organization, and discipline those that do not. Make sure employees understand what is expected of them, and praise them when they do it. These practices make everyone happier and your job easier.

Goal Theory

No theory is perfect. If it was, it wouldn't be a theory. It would be a set of facts. Theories are sets of propositions that are right more often than they are wrong, but they are not infallible. However, the basic propositions of goal theory* come close to being infallible. Indeed, it is one of the strongest theories in organizational behavior.

The Basic Goal-Setting Model

Goal theory states that people will perform better if they have difficult, specific, accepted performance goals or objectives.[28,29] The first and most basic premise of goal theory is that people will attempt to achieve those goals that they *intend* to achieve. Thus, if we intend to do something (like get an A on an exam), we will exert effort to accomplish it. Without such goals, our effort at the task (studying) required to achieve the goal is less. Students whose goals are to get As study harder than students who don't have this goal—we all know this. This doesn't mean that people without goals are unmotivated. It simply means that people with goals are more motivated. The intensity of their motivation is greater, and they are more directed.

The second basic premise is that *difficult* goals result in better performance than easy goals. This does not mean that difficult goals are always achieved, but our performance will usually be better when we intend to achieve harder goals. Your goal of an A in Classical Mechanics at Cal Tech may not get you your A, but it may earn you a B+, which you wouldn't have gotten otherwise. Difficult goals cause us to exert more effort, and this almost always results in better performance.

Another premise of goal theory is that *specific* goals are better than vague goals. We often wonder what we need to do to be successful. Have you ever asked a professor "What do I need to do to get an A in this course?" If she responded "Do well on the exams," you weren't much better off for having asked. This is a vague response. Goal theory says that we perform better when we have specific goals. Had your professor told you the key thrust of the course, to turn in *all* the problem sets, to pay close attention to the essay questions on exams, and to aim for scores in the 90s, you would have something concrete on which to build a strategy.

A key premise of goal theory is that people must *accept* the goal. Usually we set our own goals. But sometimes others set goals for us. Your professor telling you your goal is to "score at least a 90 percent on your exams" doesn't mean that you'll accept this goal. Maybe you don't feel you can achieve scores in the 90s. Or, you've heard that 90 isn't good enough for an A in this class. This happens in work organizations quite often. Supervisors give orders that something must be done by a certain time. The employees may fully understand what is wanted, yet if they feel the order is unreasonable or impossible, they may not exert much effort to accomplish it. Thus, it is important for people to accept the goal. They need to feel that it is also their goal. If they do not, goal theory predicts that they won't try as hard to achieve it.

Goal theory also states that people need to *commit* to a goal in addition to accepting it. **Goal commitment** is the degree to which we dedicate ourselves to achieving a goal. Goal commitment is about setting priorities. We can accept many goals (go to all classes, stay awake during classes, take lecture notes), but we often end up doing only some of them. In other words, some goals are more important than others. And we exert more effort for certain goals. This also happens frequently at work. A software analyst's major goal may be to write a new program. Her minor goal may be to maintain previously written programs. It is minor because maintaining old programs is boring, while writing new ones is fun. Goal theory predicts that her commitment, and thus her intensity, to the major goal will be greater.

Allowing people to participate in the goal-setting process often results in higher goal commitment. This has to do with ownership. And when people participate in the process, they tend to incorporate factors they think will make the goal more interesting, challenging, and attainable. Thus, it is advisable to allow people some input into the goal-setting process. Imposing goals on them from the outside usually results in less commitment (and acceptance).

The basic goal-setting model is shown in **Exhibit 7.12**. The process starts with our values. Values are our beliefs about how the world should be or act, and often include words like "should" or "ought." We compare our present conditions against these values. For example, Randi holds the value that everyone should be a hard worker. After measuring her current work against this value, Randi concludes that she doesn't measure up to her own value. Following this, her goal-setting process begins. Randi will set a goal that affirms her status as a hard worker. **Exhibit 7.12** lists the four types of goals. Some goals are self-set. (Randi decides to word process at least 70 pages per day.) Participative goals are jointly set. (Randi goes to her supervisor, and together they set some appropriate goals for her.) In still other cases, goals are assigned. (Her boss tells her that she must word process at least 60 pages per day.) The fourth type of goal, which can be self-set, jointly determined, or assigned, is a "do your best" goal. But note this goal is vague, so it usually doesn't result in the best performance.

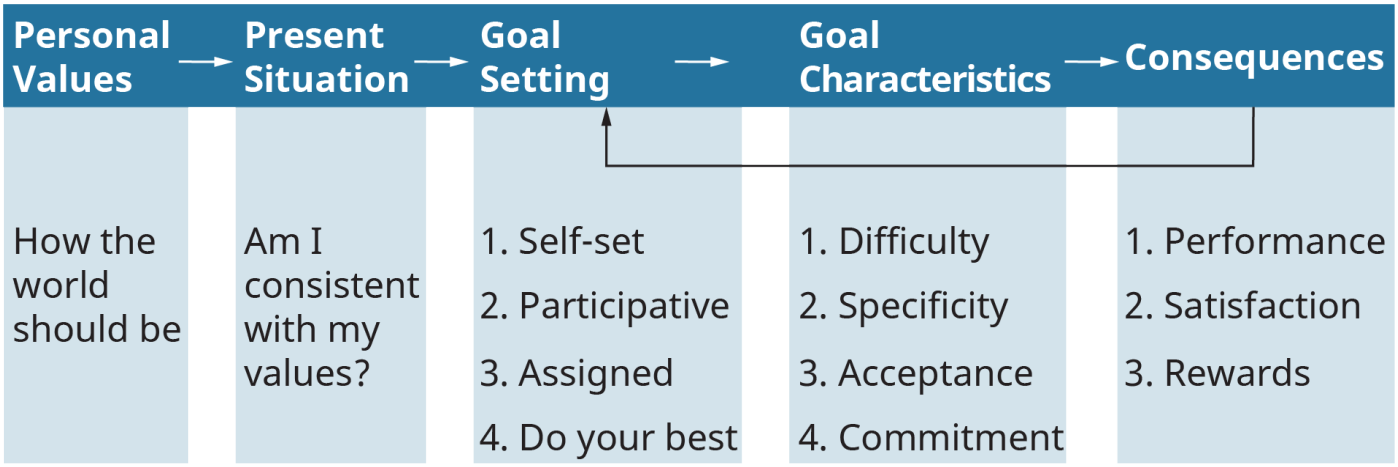


Exhibit **7.12 The Goal-Setting Process** (Attribution: Copyright Rice University, OpenStax, under CC-BY 4.0 license)

Depending on the characteristics of Randi's goals, she may or may not exert a lot of effort. For maximum effort to result, her goals should be difficult, specific, accepted, and committed to. Then, if she has sufficient ability and lack of constraints, maximum performance should occur. Examples of constraints could be that her old computer frequently breaks down or her supervisor constantly interferes.

The consequence of endeavoring to reach her goal will be that Randi will be satisfied with herself. Her behavior is consistent with her values. She'll be even more satisfied if her supervisor praises her performance and gives her a pay increase!

In Randi's case, her goal achievement resulted in several benefits. However, this doesn't always happen. If goals are not achieved, people may be unhappy with themselves, and their employer may be dissatisfied as well. Such an experience can make a person reluctant to accept goals in the future. Thus, setting difficult yet attainable goals cannot be stressed enough.

Goal theory can be a tremendous motivational tool. In fact, many organizations practice effective management by using a technique called "management by objectives" (MBO). MBO is based on goal theory and is quite effective when implemented consistently with goal theory's basic premises.

Despite its many strengths, several cautions about goal theory are appropriate. Locke has identified most of them.[30] First, setting goals in one area can lead people to neglect other areas. (Randi may word process 70 pages per day, but neglect her proofreading responsibilities.) It is important that goals be set for most major duties. Second, goal setting sometimes has unintended consequences. For example, employees set easy goals so that they look good when they achieve them. Or it causes unhealthy competition between employees. Or an employee sabotages the work of others so that only she has goal achievement.

Some managers use goal setting in unethical ways. They may manipulate employees by setting impossible goals. This enables them to criticize employees even when the employees are doing superior work and, of course, causes much stress. Goal setting should never be abused. Perhaps the key caution about goal setting is that it often results in too much focus on quantified measures of performance. Qualitative aspects of a job or task may be neglected because they aren't easily measured. Managers must keep employees focused on the qualitative aspects of their jobs as well as the quantitative ones. Finally, setting individual goals in a teamwork environment can be counterproductive.[31] Where possible, it is preferable to have group goals in situations where employees depend on one another in the performance of their jobs.

The cautions noted here are not intended to deter you from using goal theory. We note them so that you can avoid the pitfalls. Remember, employees have a right to reasonable performance expectations and the rewards that result from performance, and organizations have a right to expect high performance levels from employees. Goal theory should be used to optimize the employment relationship. Goal theory holds that people will exert effort to accomplish goals if those goals are difficult to achieve, accepted by the individual, and specific in nature.

Expectancy Theory

Expectancy theory posits that we will exert much effort to perform at high levels so that we can obtain valued outcomes. It is the motivation theory that many organizational behavior researchers find most intriguing, in no small part because it is currently

also the most comprehensive theory. Expectancy theory ties together many of the concepts and hypotheses from the theories discussed earlier in this chapter. In addition, it points to factors that other theories miss. Expectancy theory has much to offer the student of management and organizational behavior.

Expectancy theory is sufficiently general that it is useful in a wide variety of situations. Choices between job offers, between working hard or not so hard, between going to work or not—virtually any set of possibilities can be addressed by expectancy theory. Basically, the theory focuses on two related issues:

1. When faced with two or more alternatives, which will we select?
2. Once an alternative is chosen, how motivated will we be to pursue that choice?

Expectancy theory thus focuses on the two major aspects of motivation, *direction* (which alternative?) and *intensity* (how much effort to implement the alternative?). The attractiveness of an alternative is determined by our "expectations" of what is likely to happen if we choose it. The more we believe that the alternative chosen will lead to positively valued outcomes, the greater its attractiveness to us.

Expectancy theory states that, when faced with two or more alternatives, we will select the most attractive one. And, the greater the attractiveness of the chosen alternative, the more motivated we will be to pursue it. Our natural hedonism, discussed earlier in this chapter, plays a role in this process. We are motivated to maximize desirable outcomes (a pay raise) and minimize undesirable ones (discipline). Expectancy theory goes on to state that we are also logical in our decisions about alternatives. It considers people to be *rational*. People evaluate alternatives in terms of their "pros and cons," and then choose the one with the most "pros" and fewest "cons."

The Basic Expectancy Model

The three major components of expectancy theory reflect its assumptions of hedonism and rationality: effort-performance expectancy, performance-outcome expectancy, and valences.

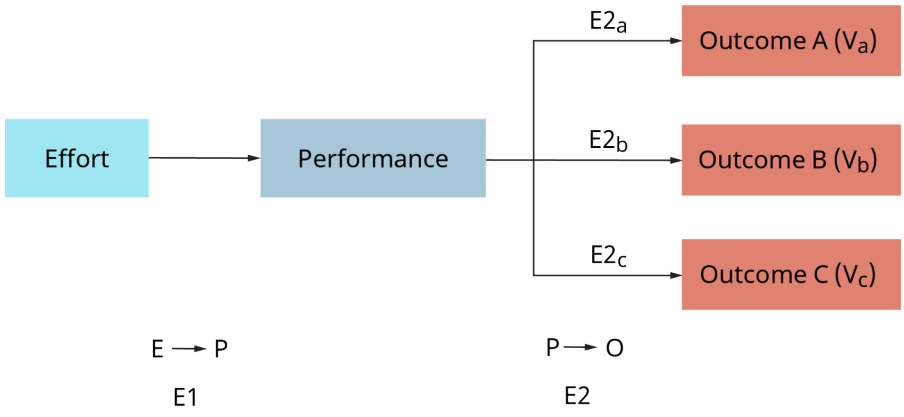
The **effort-performance expectancy**, abbreviated E1, is the perceived probability that effort will lead to performance (or E ⇨ P). Performance here means anything from doing well on an exam to assembling 100 toasters a day at work. Sometimes people believe that no matter how much effort they exert, they won't perform at a high level. They have weak E1s. Other people have strong E1s and believe the opposite—that is, that they can perform at a high level if they exert high effort. You all know students with different E1s—those who believe that if they study hard they'll do well, and those who believe that no matter how much they study they'll do poorly. People develop these perceptions from prior experiences with the task at hand, and from self-perceptions of their abilities. The core of the E1 concept is that people don't always perceive a direct relationship between effort level and performance level.

The **performance-outcome expectancy**, E2, is the perceived relationship between performance and outcomes (or P ⇨ O).[1] Many things in life happen as a function of how well we perform various tasks. E2 addresses the question "What will happen if I perform well?" Let's say you get an A in your Classical Mechanics course at Cal Tech. You'll be elated, your classmates may envy you, and you are now assured of that plum job at NASA. But let's say you got a D. Whoops, that was the last straw for the dean. Now you've flunked out, and you're reduced to going home to live with your parents (perish the thought!). Likewise, E2 perceptions develop in organizations, although hopefully not as drastically as your beleaguered career at Cal Tech. People with strong E2s believe that if they perform their jobs well, they'll receive desirable outcomes—good pay increases, praise from their supervisor, and a feeling that they're really contributing. In the same situation, people with weak E2s will have the opposite perceptions—that high performance levels don't result in desirable outcomes and that it doesn't really matter how well they perform their jobs as long as they don't get fired.

Valences are the easiest of the expectancy theory concepts to describe. Valences are simply the degree to which we perceive an outcome as desirable, neutral, or undesirable. Highly desirable outcomes (a 25 percent pay increase) are positively valent. Undesirable outcomes (being disciplined) are negatively valent. Outcomes that we're indifferent to (where you must park your car) have neutral valences. Positively and negatively valent outcomes abound in the workplace—pay increases and freezes, praise and criticism, recognition and rejection, promotions and demotions. And as you would expect, people differ dramatically in how they value these outcomes. Our needs, values, goals, and life situations affect what valence we give an outcome. Equity is another consideration we use in assigning valences. We may consider a 10 percent pay increase desirable until we find out that it was the lowest raise given in our work group.

Exhibit 7.13 summarizes the three core concepts of expectancy theory. The theory states that our perceptions about our

surroundings are essentially predictions about "what leads to what." We perceive that certain effort levels result in certain performance levels. We perceive that certain performance levels result in certain outcomes. Outcomes can be **extrinsic**, in that others (our supervisor) determine whether we receive them, or **intrinsic**, in that we determine if they are received (our sense of achievement). Each outcome has an associated valence (outcome A's valence is VaVa). Expectancy theory predicts that we will exert effort that results in the maximum amount of positive-valence outcomes.[2] If our E1 or E2 is weak, or if the outcomes are not sufficiently desirable, our motivation to exert effort will be low. Stated differently, an individual will be motivated to try to achieve the level of performance that results in the most rewards.



1. Effort ⟶ Performance expectancy (E ⟶ P; E1)
2. Performance ⟶ Outcome expectancy (P ⟶ O; E2)
3. Valences (V) of Outcomes (V_o)

Exhibit **7.13 The Expectancy Theory of Motivation** (Attribution: Copyright Rice University, OpenStax, under CC-BY 4.0 license)

V_o is the valence of the outcome. The effort level with the greatest force associated with it will be chosen by the individual.

Implications of Expectancy Theory

Expectancy theory has major implications for the workplace. Basically, expectancy theory predicts that employees will be motivated to perform well on their jobs under two conditions. The first is when employees believe that a reasonable amount of effort will result in good performance. The second is when good performance is associated with positive outcomes and low performance is associated with negative outcomes. If neither of these conditions exists in the perceptions of employees, their motivation to perform will be low.

Why might an employee perceive that positive outcomes are not associated with high performance? Or that negative outcomes are not associated with low performance? That is, why would employees develop weak E2s? This happens for a number of reasons. The main one is that many organizations subscribe too strongly to a principle of equality (not to be confused with equity). They give all of their employees equal salaries for equal work, equal pay increases every year (these are known as across-the-board pay raises), and equal treatment wherever possible. Equality-focused organizations reason that some employees "getting more" than others leads to disruptive competition and feelings of inequity.

In time employees in equality-focused organizations develop weak E2s because no distinctions are made for differential outcomes. If the best and the worst salespeople are paid the same, in time they will both decide that it isn't worth the extra effort to be a high performer. Needless to say, this is not the goal of competitive organizations and can cause the demise of the organization as it competes with other firms in today's global marketplace.

Expectancy theory states that to maximize motivation, organizations must make outcomes contingent on performance. This is the main contribution of expectancy theory: it makes us think about *how* organizations should distribute outcomes. If an organization, or a supervisor, believes that treating everyone "the same" will result in satisfied and motivated employees, they will be wrong more times than not. From equity theory we know that some employees, usually the better-performing ones, will experience underreward inequity. From expectancy theory we know that employees will see no difference in outcomes for good and poor performance, so they will not have as much incentive to be good performers. Effective organizations need to actively encourage the perception that good performance leads to positive outcomes (bonuses, promotions) and that poor performance leads to

negative ones (discipline, termination). Remember, there is a big difference between treating employees equally and treating them equitably.

What if an organization ties positive outcomes to high performance and negative outcomes to low performance? Employees will develop strong E2s. But will this result in highly motivated employees? The answer is maybe. We have yet to address employees' E1s. If employees have weak E1s, they will perceive that high (or low) effort does *not* result in high performance and thus will not exert much effort. It is important for managers to understand that this can happen despite rewards for high performance.

Task-related abilities are probably the single biggest reason why some employees have weak E1s. **Self-efficacy** is our belief about whether we can successfully execute some future action or task, or achieve some result. High self-efficacy employees believe that they are likely to succeed at most or all of their job duties and responsibilities. And as you would expect, low self-efficacy employees believe the opposite. Specific self-efficacy reflects our belief in our capability to perform a specific task at a specific level of performance. If we believe that the probability of our selling $30,000 of jackrabbit slippers in one month is .90, our self-efficacy for this task is high. Specific self-efficacy is our judgment about the likelihood of successful task performance measured immediately before we expend effort on the task. As a result, specific self-efficacy is much more variable than more enduring notions of personality. Still, there is little doubt that our state-based beliefs are some of the most powerful motivators of behavior. Our efficacy expectations at a given point in time determine not only our initial decision to perform (or not) a task, but also the amount of effort we will expend and whether we will persist in the face of adversity.[32] Self-efficacy has a strong impact on the E1 factor. As a result, self-efficacy is one of the strongest determinants of performance in any particular task situation.[33]

Employees develop weak E1s for two reasons. First, they don't have sufficient resources to perform their jobs. Resources can be internal or external. Internal resources include what employees bring to the job (such as prior training, work experience, education, ability, and aptitude) and their understanding of what they need to do to be considered good performers. The second resource is called role perceptions—how employees believe their jobs are done and how they fit into the broader organization. If employees don't know *how* to become good performers, they will have weak E1s. External resources include the tools, equipment, and labor necessary to perform a job. The lack of good external resources can also cause E1s to be weak.

The second reason for weak E1s is an organization's failure to measure performance accurately. That is, performance *ratings* don't correlate well with actual performance *levels*. How does this happen? Have you ever gotten a grade that you felt didn't reflect how much you learned? This also happens in organizations. Why are ratings sometimes inaccurate? Supervisors, who typically give out ratings, well, they're human. Perhaps they're operating under the mistaken notion that similar ratings for everyone will keep the team happy. Perhaps they're unconsciously playing favorites. Perhaps they don't know what good and poor performance levels are. Perhaps the measurements they're expected to use don't fit their product/team/people. Choose one or all of these. Rating people is rarely easy.

Whatever the cause of rating errors, some employees may come to believe that no matter what they do they will never receive a high performance rating. They may in fact believe that they are excellent performers but that the performance rating system is flawed. Expectancy theory differs from most motivation theories because it highlights the need for accurate performance measurement. Organizations cannot motivate employees to perform at a high level if they cannot identify high performers.

Organizations exert tremendous influence over employee choices in their performance levels and how much effort to exert on their jobs. That is, organizations can have a major impact on the direction and intensity of employees' motivation levels. Practical applications of expectancy theory include:

1. Strengthening the effort ⇧ performance expectancy by selecting employees who have the necessary abilities, providing proper training, providing experiences of success, clarifying job responsibilities, etc.
2. Strengthening the performance ⇧ outcome expectancy with policies that specify that desirable behavior leads to desirable outcomes and undesirable behavior leads to neutral or undesirable outcomes. Consistent enforcement of these policies is key—workers must believe in the contingencies.
3. Systematically evaluating which outcomes employees value. The greater the valence of outcomes offered for a behavior, the more likely employees will commit to that alternative. By recognizing that different employees have different values and that values change over time, organizations can provide the most highly valued outcomes.
4. Ensuring that effort actually translates into performance by clarifying what actions lead to performance and by appropriate training.
5. Ensuring appropriate worker outcomes for performance through reward schedules (extrinsic outcomes) and appropriate job design (so the work experience itself provides intrinsic outcomes).
6. Examining the level of outcomes provided to workers. Are they equitable, given the worker's inputs? Are they equitable in comparison to the way other workers are treated?

7. Measuring performance levels as accurately as possible, making sure that workers are capable of being high performers.

MANAGING CHANGE

Differences in Motivation across Cultures

The disgruntled employee is hardly a culturally isolated feature of a business, and quitting before leaving takes the same forms, regardless of country. Cross-cultural signaling, social norms, and simple language barriers can make the task of motivation for the global manager confusing and counterintuitive. Communicating a passion for a common vision, coaching employees to see themselves as accountable and as owning their work, or attempting to create a "motivational ecosystem" can all fall flat with simple missed cues, bad translations, or tone-deaf approaches to a thousand-year-old culture.

Keeping employees motivated by making them feel valued and appreciated is not just a "Western" idea. The Ghanaian blog site Starrfmonline emphasizes that employee motivation and associated work quality improve when employees feel "valued, trusted, challenged, and supported in their work." Conversely, when employees feel like a tool rather than a person or feel unengaged with their work, then productivity suffers. A vicious cycle can then begin when the manager treats an employee as unmotivated and incapable, which then demotivates the employee and elicits the predicted response. The blogger cites an example from Eastern Europe where a manager sidelined an employee as inefficient and incompetent. After management coaching, the manager revisited his assessment and began working with the employee. As he worked to facilitate the employee's efficiency and motivation, the employee went from being the lowest performer to a valuable team player. In the end, the blog says, "The very phrase 'human resources' frames employees as material to be deployed for organizational objectives. While the essential nature of employment contracts involves trading labour for remuneration, if we fail to see and appreciate our employees as whole people, efforts to motivate them will meet with limited success" (Starrfmonline 2017 n.p.)

Pavel Vosk, a business and management consultant based in Puyallup, Washington, says that too often, overachieving employees turn into unmotivated ones. In looking for the answer, he found that the most common source was a lack of recognition for the employee's effort or exceptional performance. In fact, Vosk found that most employees go the extra mile only three times before they give up. Vosk's advice is to show gratitude for employees' effort, especially when it goes above and beyond. He says the recognition doesn't have to be over the top, just anything that the employees will perceive as gratitude, from a catered lunch for a team working extra hours to fulfill a deadline to a simple face-to-face thank you (Huhman 2017).

Richard Frazao, president of Quaketek, based in Montreal, Quebec, stresses talking to the employees and making certain they are engaged in their jobs, citing boredom with one's job as a major demotivating factor (Huhman 2017).

But motivating employees is not "one size fits all" globally. Rewarding and recognizing individuals and their achievements works fine in Western cultures but is undesirable in Asian cultures, which value teamwork and the collective over the individual. Whether to reward effort with a pay raise or with a job title or larger office is influenced by culture. Demoting an employee for poor performance is an effective motivator in Asian countries but is likely to result in losing an employee altogether in Western cultures. According to Matthew MacLachlan at Communicaid, "Making the assumption that your international workforce will be motivated by the same incentives can be dangerous and have a real impact on talent retention" (2016 n.p.).

Huhman, Heather R. 2017. "Employee Motivation Has to Be More Than 'a Pat on the Back.'" *Entrepreneur*. https://www.entrepreneur.com/article/287770

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Starrfmonline. 2017. "HR Today: Motivating People Starts With Right Attitude."

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1. As a Western manager working in the Middle East or sub-Saharan Africa, what motivational issues might you face?

2. What problems would you expect a manager from a Confucian culture to encounter managing employees in America? In Europe?
3. What regional, cultural, or ethnic issues do you think managers have to navigate within the United States?

Expectancy Theory: An Integrative Theory of Motivation

More so than any other motivation theory, expectancy theory can be tied into most concepts of what and how people become motivated. Consider the following examples.

1. *Need theories* state that we are motivated to satisfy our needs. We positively value outcomes that satisfy unmet needs, negatively value outcomes that thwart the satisfaction of unmet needs, and assign neutral values to outcomes that do neither. In effect, the need theories explain how valences are formed.
2. *Operant conditioning theories* state that we will probably repeat a response (behavior) in the future that was reinforced in the past (that is, followed by a positively valued consequence or the removal of a negatively valued consequence). This is the basic process involved in forming performance ⇾ outcome expectancies. Both operant theories and expectancy theory argue that our interactions with our environment influence our future behavior. The primary difference is that expectancy theory explains this process in cognitive (rational) terms.
3. *Equity theories* state that our satisfaction with a set of outcomes depends not only on how we value them but also on the circumstances surrounding their receipt. Equity theory, therefore, explains part of the process shown in **Exhibit 7.11**. If we don't feel that the outcomes we receive are equitable compared to a referent other, we will associate a lower or even negative valence with those outcomes.
4. *Goal theory* can be integrated with the expanded expectancy model in several ways. Locke has noted that expectancy theory explains how we go about choosing a particular goal.[34] A reexamination of **Exhibit 7.11** reveals other similarities between goal theory and expectancy theory. Locke's use of the term "goal acceptance" to identify the personal adoption of a goal is similar to the "choice of an alternative" in the expectancy model. Locke's "goal commitment," the degree to which we commit to reaching our accepted (chosen) goal, is very much like the expectancy description of choice of effort level. Locke argues that the difficulty and specificity of a goal are major determinants of the level of performance attempted (goal-directed effort), and expectancy theory appears to be consistent with this argument (even though expectancy theory is not as explicit on this point). We can reasonably conclude that the major underlying processes explored by the two models are very similar and will seldom lead to inconsistent recommendations.

concept check

1. Understand the process theories of motivation: operant conditioning, equity, goal, and expectancy theories.
2. Describe the managerial factors managers must consider when applying motivational approaches.

Footnotes

- 1 Sometimes E2s are called *instrumentalities* because they are the perception that performance is instrumental in getting some desired outcome.
- 2 It can also be expressed as an equation:

$$Force\ to\ Choose\ a\ Level\ of\ Effort \quad = \quad \mathrm{E1} \times \sum (\mathrm{E2_o} \times \mathrm{V_o}) \tag{8.3.1}$$

Where V_0 is the valence of a given outcome (o), and $\mathrm{E_2o}$ is the perceived probability that a certain level of performance (e.g., Excellent, average, poor) will result in that outcome. So, for multiple outcomes, and different performance levels, the valence of the outcome and its associated performance ➔ outcome expectancy (E2) are multiplied and added to the analogous value for the other outcomes. Combined with the E1 (the amount of effort required to produce a level of performance), the effort level with the greatest *force* associated with it will be chosen by the individual.

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8.4: Recent Research on Motivation Theories

4. Describe the modern advancements in the study of human motivation.

Employee motivation continues to be a major focus in organizational behavior.[35] We briefly summarize current motivation research here.

Content Theories

There is some interest in testing content theories (including Herzberg's two-factor theory), especially in international research. Need theories are still generally supported, with most people identifying such workplace factors as recognition, advancement, and opportunities to learn as the chief motivators for them. This is consistent with need satisfaction theories. However, most of this research does not include actual measures of employee performance. Thus, questions remain about whether the factors that employees *say* motivate them to perform actually do.

Operant Conditioning Theory

There is considerable interest in operant conditioning theory, especially within the context of what has been called organizational behavior modification. Oddly enough, there has not been much research using operant conditioning theory in designing reward systems, even though there are obvious applications. Instead, much of the recent research on operant conditioning focuses on punishment and extinction. These studies seek to determine how to use punishment appropriately. Recent results still confirm that punishment should be used sparingly, should be used only after extinction does not work, and should not be excessive or destructive.

Equity Theory

Equity theory continues to receive strong research support. The major criticism of equity theory, that the inputs and outcomes people use to evaluate equity are ill-defined, still holds. Because each person defines inputs and outcomes, researchers are not in a position to know them all. Nevertheless, for the major inputs (performance) and outcomes (pay), the theory is a strong one. Major applications of equity theory in recent years incorporate and extend the theory into the area called *organizational justice*. When employees receive rewards (or punishments), they evaluate them in terms of their fairness (as discussed earlier). This is *distributive justice*. Employees also assess rewards in terms of how fair the processes used to distribute them are. This is *procedural justice*. Thus during organizational downsizing, when employees lose their jobs, people ask whether the loss of work is fair (distributive justice). But they also assess the fairness of the process used to decide *who* is laid off (procedural justice). For example, layoffs based on seniority may be perceived as more fair than layoffs based on supervisors' opinions.

Goal Theory

It remains true that difficult, specific goals result in better performance than easy and vague goals, assuming they are accepted. Recent research highlights the positive effects of performance feedback and goal commitment in the goal-setting process. Monetary incentives enhance motivation when they are tied to goal achievement, by increasing the level of goal commitment. There are negative sides to goal theory as well. If goals conflict, employees may sacrifice performance on important job duties. For example, if both quantitative and qualitative goals are set for performance, employees may emphasize quantity because this goal achievement is more visible.

Expectancy Theory

The original formulation of expectancy theory specifies that the motivational force for choosing a level of effort is a function of the multiplication of expectancies and valences. Recent research demonstrates that the individual components predict performance just as well, without being multiplied. This does not diminish the value of expectancy theory. Recent research also suggests that high performance results not only when the valence is high, but also when employees set difficult goals for themselves.

One last comment on motivation: As the world of work changes, so will the methods organizations use to motivate employees. New rewards—time off instead of bonuses; stock options; on-site gyms, cleaners, and dental services; opportunities to telecommute; and others—will need to be created in order to motivate employees in the future. One useful path that modern researchers can undertake is to analyze the previous studies and aggregate the findings into more conclusive understanding of the topic through meta-analysis studies.[36]

CATCHING THE ENTREPRENEURIAL SPIRIT

Entrepreneurs and Motivation

Motivation can be difficult to elicit in employees. So what drives entrepreneurs, who by definition have to motivate themselves as well as others? While everyone from Greek philosophers to football coaches warns about undirected passion, a lack of passion will likely kill any start-up. An argument could be made that motivation is simply *part* of the discipline or the *outcome* of remaining fixed on a purpose to mentally remind yourself of why you get up in the morning.

Working from her home in Egypt, at age 30 Yasmine El-Mehairy launched Supermama.me, a start-up aimed at providing information to mothers throughout the Arab world. When the company began, El-Mehairy worked full time at her day job and 60 hours a week after that getting the site established. She left her full-time job to manage the site full time in January 2011, and the site went live that October. El-Mehairy is motivated to keep moving forward, saying that if she stops, she might not get going again (Knowledge @ Wharton 2012).

For El-Mehairy, the motivation didn't come from a desire to work for a big company or travel the world and secure a master's degree from abroad. She had already done that. Rather, she said she was motivated to "do something that is useful and I want to do something on my own" (Knowledge @ Wharton 2012 n.p.).

Lauren Lipcon, who founded a company called Injury Funds Now, attributes her ability to stay motivated to three factors: purpose, giving back, and having fun outside of work. Lipcon believes that most entrepreneurs are not motivated by money, but by a sense of purpose. Personally, she left a job with Arthur Andersen to begin her own firm out of a desire to help people. She also thinks it is important for people to give back to their communities because the change the entrepreneur sees in the community loops back, increasing motivation and making the business more successful. Lipcon believes that having a life outside of work helps keep the entrepreneur motivated. She particularly advocates for physical activity, which not only helps the body physically, but also helps keep the mind sharp and able to focus (Rashid 2017).

But do all entrepreneurs agree on what motivates them? A July 17, 2017 survey on the hearpreneur blog site asked 23 different entrepreneurs what motivated them. Seven of the 23 referred to some sense of purpose in what they were doing as a motivating factor, with one response stressing the importance of discovering one's "personal why." Of the remaining entrepreneurs, answers varied from keeping a positive attitude (three responses) and finding external sources (three responses) to meditation and prayer (two responses). One entrepreneur said his greatest motivator was fear: the fear of being in the same place financially one year in the future "causes me to take action and also alleviates my fear of risk" (Hear from Entrepreneurs 2017 n.p.). Only one of the 23 actually cited money and material success as a motivating factor to keep working.

However it is described, entrepreneurs seem to agree that passion and determination are key factors that carry them through the grind of the day-to-day.

Sources:

Hear from Entrepreneurs. 2017. "23 Entrepreneurs Explain Their Motivation or if 'Motivation is Garbage.'" https://hear.ceoblognation.com/2017/...ation-garbage/

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Questions:

1. In the article from Hear from Entrepreneurs, one respondent called motivation “garbage”? Would you agree or disagree, and why?
2. How is staying motivated as an entrepreneur similar to being motivated to pursue a college degree? Do you think the two are related? How?
3. How would you expect motivation to vary across cultures?[/BOX]

concept check

1. Understand the modern approaches to motivation theory.

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ability The knowledge, skills, and receptiveness to learning that an individual brings to a task or job.

content motivation theories Theories that focus on what motivates people.

direction What a person is motivated to achieve.

intensity (1) The degree to which people try to achieve their targets; (2) the forcefulness that enhances the likelihood that a stimulus will be selected for perceptual processing.

motivation A force within or outside of the body that energizes, directs, and sustains human behavior. Within the body, examples might be needs, personal values, and goals, while an incentive might be seen as a force outside of the body. The word stems from its Latin root movere, which means “to move.”

performance environment Refers to those factors that impact employees’ performance but are essentially out of their control.

process motivation theories Theories that focus on the how and why of motivation.

role perceptions The set of behaviors employees think they are expected to perform as members of an organization.

work motivation The amount of effort a person exerts to achieve a level of job performance.

ERG theory Compresses Maslow’s five need categories into three: existence, relatedness, and growth.

extrinsic motivation Occurs when a person performs a given behavior to acquire something that will satisfy a lower-order need.

hedonism Assumes that people are motivated to satisfy mainly their own needs (seek pleasure, avoid pain).

hygienes Factors in the work environment that are based on the basic human need to “avoid pain.”

instincts Our natural, fundamental needs, basic to our survival.

intrinsic motivation Arises out of performing a behavior in and of itself, because it is interesting or “fun” to do.

latent needs Cannot be inferred from a person’s behavior at a given time, yet the person may still possess those needs.

manifest needs Are needs motivating a person at a given time.

manifest needs theory Assumes that human behavior is driven by the desire to satisfy needs.

motivators Relate to the jobs that people perform and people’s ability to feel a sense of achievement as a result of performing them.

motive A source of motivation; the need that a person is attempting to satisfy.

need for achievement (nAch) The need to excel at tasks, especially tasks that are difficult.

need for affiliation (nAff) The need to establish and maintain warm and friendly relationships with other people.

need for power (nPow) The need to control things, especially other people; reflects a motivation to influence and be responsible for other people.

need A human condition that becomes energized when people feel deficient in some respect.

primary needs Are instinctual in nature and include physiological needs for food, water, and sex (procreation).

secondary needs Are learned throughout one’s life span and are psychological in nature.

self-determination theory (SDT) Seeks to explain not only what causes motivation, but also the effects of extrinsic rewards on intrinsic motivation.

avoidance learning Occurs when people learn to behave in a certain way to avoid encountering an undesired or unpleasant consequence.

effort-performance expectancy E1, the perceived probability that effort will lead to performance (or E ⇾ P).

equity theory States that human motivation is affected by the outcomes people receive for their inputs, compared to the outcomes and inputs of other people.

expectancy theory Posits that people will exert high effort levels to perform at high levels so that they can obtain valued outcomes.

extinction Occurs when a consequence or lack of a consequence makes it less likely that a behavior will be repeated in the future.

extrinsic outcomes Are awarded or given by other people (like a supervisor).

goal commitment The degree to which people dedicate themselves to achieving a goal.

goal theory States that people will perform better if they have difficult, specific, accepted performance goals or objectives.

input Any personal qualities that a person views as having value and that are relevant to the organization.

intrinsic outcomes Are awarded or given by people to themselves (such as a sense of achievement).

negative reinforcement Occurs when a behavior causes something undesirable to be removed, increasing the likelihood of the behavior reoccurring.

nonreinforcement Occurs when no consequence follows a worker's behavior.

operant conditioning A learning process based on the results produced by a person "operating on" the environment.

operant conditioning theory Posits that people learn to behave in a particular fashion as a result of the consequences that followed their past behaviors.

outcome Anything a person perceives as getting back from an organization in exchange for the person's inputs.

overreward inequity Occurs when people perceive their outcome/input ratio to be greater than that of their referent other.

performance-outcome expectancy E2, the perceived relationship between performance and outcomes (or P ⇾ O).

positive reinforcement Occurs when a desirable consequence that satisfies an active need or removes a barrier to need satisfaction increases the likelihood of a behavior reoccurring.

punishment An aversive consequence that follows a behavior and makes it less likely to reoccur.

referent others Workers that a person uses to compare inputs and outcomes, and who perform jobs similar in difficulty and complexity to the employee making an equity determination.

reinforcement Occurs when a consequence makes it more likely a behavior will be repeated in the future.

schedules of reinforcement The frequency at which effective employee behaviors are reinforced.

self-efficacy A belief about the probability that one can successfully execute some future action or task, or achieve some result.

state of equity Occurs when people perceive their outcome/input ratio to be equal to that of their referent other.

underreward inequity Occurs when people perceive their outcome/input ratio to be less than that of their referent other.

valences The degree to which a person perceives an outcome as being desirable, neutral, or undesirable.

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8.6: Summary of Learning Outcomes

8.1 Motivation: Direction and Intensity

1. Define motivation, and distinguish the direction and intensity of motivation.

This chapter has covered the major motivation theories in organizational behavior. Motivation theories endeavor to explain how people become motivated. Motivation has two major components: direction and intensity. The direction is what a person is trying to achieve. Intensity is the degree of effort a person expends to achieve the target. All motivation theories address the ways in which people develop direction and intensity.

8.2 Content Theories of Motivation

2. Describe a content theory of motivation, and compare and contrast the main content theories of motivation: manifest needs theory, learned needs theory, Maslow's hierarchy of needs, Alderfer's ERG theory, Herzberg's motivator-hygiene theory, and self-determination theory.

Motivation theories are classified as either content or process theories. Content theories focus on what motivates behavior. The basic premise of content theories is that humans have needs. When these needs are not satisfied, humans are motivated to satisfy the need. The need provides direction for motivation. Murray's manifest needs theory, McClelland's learned needs theory, Maslow's hierarchy of needs, and Herzberg's motivator-hygiene theory are all content theories. Each has something to say about the needs that motivate humans in the workplace.

8.3 Process Theories of Motivation

3. Describe the process theories of motivation, and compare and contrast the main process theories of motivation: operant conditioning theory, equity theory, goal theory, and expectancy theory.

Process theories focus on how people become motivated. Operant conditioning theory states that people will be motivated to engage in behaviors for which they have been reinforced (rewarded). It also states that people will avoid behaviors that are punished. The rate at which behaviors are rewarded also affects how often they will be displayed. Equity theory's main premise is that people compare their situations to those of other people. If a person feels that they are being treated unfairly relative to a referent other, the person may engage in behaviors that are counterproductive for the organization. Employers should try to develop feelings of fairness in employees. Goal theory is a strong theory. It states that difficult, specific goals will result in high performance if employees accept the goals and are committed to achieving them.

8.4 Recent Research on Motivation Theories

4. Describe the modern advancements in the study of human motivation.

Expectancy theory is a process theory. It also is the broadest of the motivation theories. Expectancy theory predicts that employees will be motivated to be high performers if they perceive that high performance leads to valued outcomes. Employees will be motivated to avoid being low performers if they perceive that it leads to negative outcomes. Employees must perceive that they are capable of achieving high performance, and they must have the appropriate abilities and high self-efficacy. Organizations need to provide adequate resources and to measure performance accurately. Inaccurate performance ratings discourage high performance. Overall, the expectancy theory draws attention to how organizations structure the work environment and distribute rewards.

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8.7: Chapter Review Questions

1. Discuss the benefits that accrue when an organization has a good understanding of employee needs.
2. How might Maslow explain why organizational rewards that motivate workers today may not motivate the same workers in 5 or 10 years?
3. Describe the process by which needs motivate workers.
4. Discuss the importance of Herzberg's motivators and hygienes.
5. Describe a work situation in which it would be appropriate to use a continuous reinforcement schedule.
6. Discuss the potential effectiveness and limitations of punishment in organizations.
7. How can equity theory explain why a person who receives a high salary might be dissatisfied with their pay?
8. Equity theory specifies a number of possible alternatives for reducing perceived inequity. How could an organization influence which of these alternatives a person will pursue?
9. What goals would be most likely to improve your learning and performance in an organizational behavior class?
10. Identify two reasons why a formal goal-setting program might be dysfunctional for an organization.
11. What steps can an organization take to increase the motivational force for high levels of performance?
12. Discuss how supervisors sometimes unintentionally weaken employees E ⇢ P and P ⇢ O expectancies.
13. How can an employee attach high valence to high levels of performance, yet not be motivated to be a high performer?
14. Is there "one best" motivation theory? Explain your answer.

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8.8: Management Skills Application Exercises

1. Many companies strive to design jobs that are intrinsically motivating. Visit several small and large company websites and search their career section. What job features related to motivation are highlighted? What type of employees do you think the companies will attract with these jobs?
2. You will be paired with another student in this class. Each of you will take one side of the issue and debate:
   a. Student A: All members of the organization should be given the same specific, difficult-to-achieve goals.
   b. Student B: Specific, difficult-to-achieve goals should only be given to certain members of the organization.
3. Assume the role of sales manager, and write a memo to two of your reports that have the following situations and job performance.
   a. Employee 1: Shawn is a onetime stellar performer. They were twice the top performing salesperson in the company in the past decade. In the past year, Shawn has missed goal by 4 percent. Shawn recently became the parent to twins and says that the reason for missing goal this year was due to the territory being saturated with product from previous years.
   b. Employee 2: Soo Kim is an energetic salesperson who is putting in long hours and producing detailed sales reports, but their performance on the sales side has not met expectations. When you examine the customer feedback page on your website, you notice that they have five times as many positive reviews and glowing comments about Soo Kim.

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8.9: Managerial Decision Exercises

1. You are a manager and it's performance appraisal time, which is a yearly exercise to provide feedback to your direct reports that is often stressful for both the employee and the manager. You feel that the feedback process should be more of an ongoing process than the yearly formal process. What are the benefits of this yearly process, and what, if any, are the drawbacks of providing both positive and remediation feedback to your direct reports?
2. You have been told by a worker on another team that one of your direct reports made an inappropriate comment to a coworker. What do you do to investigate the matter, and what actions would you take with your report, the person that the comment was directed to, and other people in the organization?
3. You learn that an employee who doesn't report to you has made an inappropriate comment to one of your direct reports. What do you do to investigate the matter, and what actions would you take with your report, the person that made the comment, their manager, and other people in the organization?
4. Your company is considering implementing a 360° appraisal system where up to 10 people in the organization provide feedback on every employee as part of the annual performance appraisal process. This feedback will come from subordinates, peers, and senior managers as well as individuals in other departments. You have been asked to prepare a memo to the director of human resources about the positive and negative effects this could have on the motivation of employees. Note that not all of the employees are on a bonus plan that will be impacted by this feedback.

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8.10: Critical Thinking Case

Motivating Employees at JCPenney, Walmart, and Amazon in the Age of Online Shopping

In the 1980s, Walmart had killed (or was killing) the mom-and-pop store. “Buy local” signs were seen, urging consumers to buy from their local retailers rather than from the low-cost behemoth. Markets have continued to shift and the “buy local” signs are still around, but now the battleground has shifted with the disruptive growth of e-commerce. Even mighty Walmart is feeling some growing pains.

Census Bureau data for 2017 shows that e-commerce, or online shopping, accounted for 8.9 percent of all retail sales in the United States, accounting for $111.5 billion (U.S. Census Bureau 2017). Feeling the pinch, many malls across the country are closing their doors, and their empty retail spaces are being repurposed. Credit Suisse predicts that due to competition from online shopping, 20 to 25 percent of American malls will close within the next five years (Dying Malls Make Room for New Condos Apartment 2017). Furthermore, according to a 2017 study, 23 percent of Americans already purchase their groceries online (Embrace the Internet, Skip the Checkout 2017).

Whether face-to-face with customers or filling orders in a warehouse, motivated employees are essential to business success. And company culture helps drive that motivation. As a 2015 *Harvard Business Review* article put it, “Why we work determines how well we work” (McGregor & Doshi 2015). Adapting earlier research for the modern workplace, the study found six reasons that people work: play, purpose, potential, emotional pressure, economic pressure, and inertia. The first three are positive motives while that later three are negative. The researchers found that role design, more than any other factor, had the highest impact on employee motivation.

Anecdotally, using role design to motivate employees can be seen across industries. Toyota allows factory workers to innovate new processes on the factory floor. Southwest Airlines encourages a sense of "play" among crewmembers who interact directly with passengers (which has resulted in some humorous viral videos). A sense of the organization’s identity (and a desire to be part of it) and how the career ladder within the company is perceived are second and third in their impact on employee motivation. Unhealthy competition for advancement can do more harm than good to employee motivation, and as a result many large companies are restructuring their performance review and advancement systems (McGregor & Doshi 2015). Conversely, costs from unmotivated employees can be high. In August 2017, retailer JCPenney had an employee arrested who had allegedly cost the company more than $10,000 in stolen cash and under-rung merchandise at a mall store. Another employee had stolen more than $1,000 of clothes from the store less than a month earlier.

Brick-and-mortar retail outlets from Macy’s to Walmart have come under pressure by increased online shopping, particularly at Amazon.com. Walmart has responded by both trying to improve the shopping experience in its stores and creating an online presence of its own. A recent study funded by Walmart found that 60 percent of retails workers lack proficiency in reading and 70 percent have difficulty with math (Class is in session at Walmart Academy 2017). Increasing math and team skills for the employees would increase efficiency and certainly help improve employee self-image and motivation. With this in mind, Walmart has created one of the largest employer training programs in the country, Walmart Academy (McGregor & Doshi 2015). The company expects to graduate more than 225,000 of its supervisors and managers from a program that covers topics such as merchandising and employee motivation. In another program, Pathways, Walmart has created a course that covers topics such as merchandising, communication, and retail math (Walmart 2016 Global Responsibility Report 2016). The Pathways program was expected to see 500,000 entry-level workers take part in 2016 (Walmart 2016). All employees who complete the course receive a dollar an hour pay increase. Educating employees pays off by recognizing that the effort put in pays off with better-motivated and better-educated employees. In the case of Walmart, “upskilling” has become a priority.

Walmart has gone beyond education to motivate or empower employees. In 2016, pay raises for 1.2 million employees took effect as part of a new minimum-wage policy, and it streamlined its paid time off program that same year (Schmid 2017). In its 2016 Global Responsibility Report, Walmart points out that over the course of two years, the company has invested $2.7 billion in wages, benefits, and training in the United States (Staley 2017).

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Critical Thinking Questions:

1. A 2015 *New York Times* article described Amazon as “a soulless, dystopian workplace where no fun is had and no laughter heard” (Cook 2015 n.p.). Employees themselves came to the company’s defense (Ciubotariu 2015). Does this reputation continue to haunt Amazon, or has it been addressed?
2. How do employees differ between a Walmart retail location and an Amazon order fulfillment center? How many white-collar or skilled jobs does Amazon have compared to Walmart?
3. With Amazon moving into the retail market with the purchase of Whole Foods, and with Walmart expanding its e-commerce, how are employee motivation challenges going to shift?

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9: DESIGNING A MOTIVATING WORK ENVIRONMENT



Learning Objectives

1. Analyze different approaches to empower employees.
2. Describe why goal setting motivates employees.
3. Describe basic characteristics and biases inherent in performance appraisals.
4. Understand the benefits and tradeoffs of different types of incentive systems, such as piece rate and merit pay.
5. Discuss the role of job design, goals, and reward systems in ethical behavior.

9.1: The Case of Nucor

9.2: Motivating Employees Through Job Design

9.3: Motivating Employees Through Goal Setting

9.4: Motivating Employees Through Performance Appraisals

9.5: Motivating Employees Through Performance Incentives

9.6: The Role of Ethics and National Culture

9.7: The Case of Xerox

9.8: Conclusion

9.9: Exercises

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9.1: The Case of Nucor

Manufacturing steel is not a glamorous job. The industry is beset by many problems, and more than 40 steel manufacturers have filed for bankruptcy in recent years. Most young employees do not view working at a steel mill as their dream job. Yet, one company distinguished itself from all the rest by remaining profitable for over 130 quarters and by providing an over 350% return on investment (ROI) to shareholders. The company is clearly doing well by every financial metric available and is the most profitable in its industry.

How do they achieve these amazing results? For one thing, every one of Nucor Corporation's (NYSE: NUE) 12,000 employees acts like an owner of the company. Employees are encouraged to fix the things they see as wrong and have real power on their jobs. When there is a breakdown in a plant, a supervisor does not have to ask employees to work overtime; employees volunteer for it. In fact, the company is famous for its decentralized structure and for pushing authority and responsibility down to lower levels in the hierarchy. Tasks that previously belonged to management are performed by line workers. Management listens to lower level employees and routinely implements their new ideas.



Figure 9.1.1: Wikimedia Commons – public domain.

The reward system in place at Nucor is also unique, and its employees may be the highest paid steelworkers in the world. In 2005, the average Nucor employee earned $79,000, followed by a $2,000 bonus decided by the company's annual earnings and $18,000 in the form of profit sharing. At the same time, a large percentage of these earnings are based on performance. People have the opportunity to earn a lot of money if the company is doing well, and there is no upward limit to how much they can make. However, they will do much worse than their counterparts in other mills if the company does poorly. Thus, it is to everyone's advantage to help the company perform well. The same incentive system exists at all levels of the company. CEO pay is clearly tied to corporate performance. The incentive system penalizes low performers while increasing commitment to the company as well as to high performance.

Nucor's formula for success seems simple: align company goals with employee goals and give employees real power to make things happen. The results seem to work for the company and its employees. Evidence of this successful method is that the company has one of the lowest employee turnover rates in the industry and remains one of the few remaining nonunionized environments in manufacturing. Nucor is the largest U.S. minimill and steel scrap recycler.

Based on information from Byrnes, N., & Arndt, M. (2006, May 1). The art of motivation. *BusinessWeek*. Retrieved April 30, 2010, from http://www.businessweek.com/magazine/content/06_18/b3982075.htm; Foust, D. (2008, April 7). The best performers of 2008. *BusinessWeek*. Retrieved April 30, 2010, from http://www.businessweek.com/magazine/toc/08_14/B4078bw50.htm?chan=magazine+channel_top+stories; Jennings, J. (2003). Ways to really motivate people: Authenticity is a huge hit with Gen X and Y. *The Secured Lender, 59*, 62–70; Marks, S. J. (2001). Incentives that really reward and motivate. *Workforce, 80*, 108–114.

Discussion Questions

1. What are some potential problems with closely tying employee pay to company performance?
2. Nucor has one of the lowest turnover rates in the industry. How much of the organization's employee retention is related to the otherwise low pay of the steel working industry?
3. What would Nucor's strategy look like in a nonmanufacturing environment (e.g., a bank)?
4. Would Nucor's employee profit-sharing system work at a much larger company? At what point does a company become too large for profit sharing to make a difference in employee motivation?
5. Imagine that the steel industry is taking a major economic hit and Nucor's profits are way down. Employees are beginning to feel the pinch of substantially reduced pay. What can Nucor do to keep its employees happy?

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9.2: Motivating Employees Through Job Design

Learning Objectives

1. Learn about the history of job design approaches.
2. Consider alternatives to job specialization.
3. Identify job characteristics that increase motivating potential.
4. Learn how to empower employees.

Importance of Job Design

Many of us assume the most important motivator at work is pay. Yet, studies point to a different factor as the major influence over worker motivation—job design. How a job is designed has a major impact on employee motivation, job satisfaction, commitment to an organization, absenteeism, and turnover.

The question of how to properly design jobs so that employees are more productive and more satisfied has received attention from managers and researchers since the beginning of the 20th century. We will review major approaches to job design starting from its early history.

Scientific Management and Job Specialization

Perhaps the earliest attempt to design jobs came during the era of scientific management. Scientific management is a philosophy based on the ideas of Frederick Taylor as presented in his 1911 book, *Principles of Scientific Management*. Taylor's book is among the most influential books of the 20th century; the ideas presented had a major influence over how work was organized in the following years. Taylor was a mechanical engineer in the manufacturing industry. He saw work being done haphazardly, with only workers in charge. He saw the inefficiencies inherent in employees' production methods and argued that a manager's job was to carefully plan the work to be performed by employees. He also believed that scientific methods could be used to increase productivity. As an example, Taylor found that instead of allowing workers to use their own shovels, as was the custom at the time, providing specially designed shovels increased productivity. Further, by providing training and specific instructions, he was able to dramatically reduce the number of laborers required to handle each job (Taylor, 1911; Wilson, 1999).

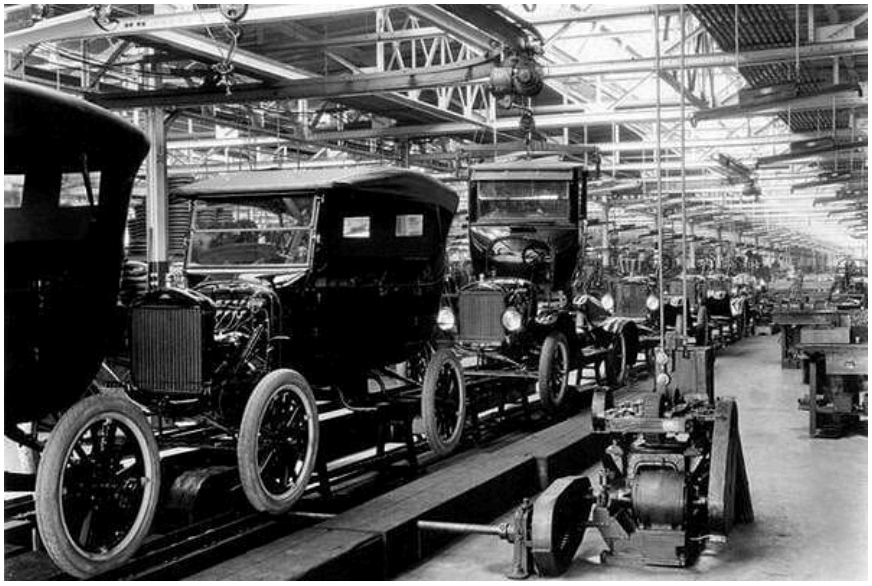


Figure 9.2.2: This Ford panel assembly line in Berlin, Germany, is an example of specialization. Each person on the line has a different job. Kyle Harris – This old #Model T assembly line is awesome! – CC BY 2.0.

Scientific management proposed a number of ideas that have been influential in job design in the following years. An important idea was to minimize waste by identifying the most efficient method to perform the job. Using time–motion studies, management could determine how much time each task would require and plan the tasks so that the job could be performed as efficiently as possible. Therefore, standardized job performance methods were an important element of scientific management techniques. Each job would be carefully planned in advance, and employees would be paid to perform the tasks in the way specified by management.

Furthermore, job specialization was one of the major advances of this approach. Job specialization entails breaking down jobs into their simplest components and assigning them to employees so that each person would perform a select number of tasks in a repetitive manner. There are a number of advantages to job specialization. Breaking tasks into simple components and making them repetitive reduces the skill requirements of the jobs and decreases the effort and cost of staffing. Training times for simple, repetitive jobs tend to be shorter as well. On the other hand, from a motivational perspective, these jobs are boring and repetitive and therefore associated with negative outcomes such as absenteeism (Campion & Thayer, 1987). Also, job specialization is ineffective in rapidly changing environments where employees may need to modify their approach according to the demands of the situation (Wilson, 1999).

Today, Taylorism has a bad reputation, and it is often referred to as the “dark ages” of management when employees’ social motives were ignored. Yet, it is important to recognize the fundamental change in management mentality brought about by Taylor’s ideas. For the first time, managers realized their role in influencing the output levels of employees. The concept of scientific management has had a lasting impact on how work is organized. Taylor’s work paved the way to automation and standardization that is virtually universal in today’s workplace. Assembly lines where each worker performs simple tasks in a repetitive manner are a direct result of job specialization efforts. Job specialization eventually found its way to the service industry as well. One of the biggest innovations of the famous McDonald brothers’ first fast-food restaurant was the application of scientific management principles to their operations. They divided up the tasks so that one person took the orders while someone else made the burgers, another person applied the condiments, and yet another wrapped them. With this level of efficiency, customers generally received their order within 1 minute (Spake, 2001; Business heroes, 2005).

Rotation, Job Enlargement, and Enrichment

One of the early alternatives to job specialization was job rotation. Job rotation involves moving employees from job to job at regular intervals. When employees periodically move to different jobs, the monotonous aspects of job specialization can be relieved. For example, Maids International Inc., a company that provides cleaning services to households and businesses, utilizes job rotation so that maids cleaning the kitchen in one house would clean the bedroom in a different one (Denton, 1994). Using this technique, among others, the company is able to reduce its turnover level. In a supermarket study, cashiers were rotated to work in different departments. As a result of the rotation, employees’ stress levels were reduced, as measured by their blood pressure. Moreover, they experienced less pain in their neck and shoulders (Rissen et al., 2002).

Job rotation has a number of advantages for organizations. It is an effective way for employees to acquire new skills and in turn for organizations to increase the overall skill level of their employees (Campion, Cheraskin, & Stevens, 1994). When workers move to different positions, they are cross-trained to perform different tasks, thereby increasing the flexibility of managers to assign employees to different parts of the organization when needed. In addition, job rotation is a way to transfer knowledge between departments (Kane, Argote, & Levine, 2005). Rotation may also have the benefit of reducing employee boredom, depending on the nature of the jobs the employee is performing at a given time. From the employee standpoint, rotation is a benefit, because they acquire new skills that keep them marketable in the long run.

Is rotation used only at lower levels of an organization? Anecdotal evidence suggests that companies successfully rotate high-level employees to train managers and increase innovation in the company. For example, Nokia uses rotation at all levels, such as assigning lawyers to act as country managers or moving network engineers to handset design. This approach is thought to bring a fresh perspective to old problems (Wylie, 2003). Wipro Ltd., India’s information technology giant that employs about 80,000 workers, uses a 3-year plan to groom future leaders of the company by rotating them through different jobs (Ramamurti, 2001).

Job enlargement refers to expanding the tasks performed by employees to add more variety. By giving employees several different tasks to be performed, as opposed to limiting their activities to a small number of tasks, organizations hope to reduce boredom and monotony as well as utilize human resources more effectively. Job enlargement may have similar benefits to job rotation, because it may also involve teaching employees multiple tasks. Research indicates that when jobs are enlarged, employees view themselves as being capable of performing a broader set of tasks (Parker, 1998). There is some evidence that job enlargement is beneficial, because it is positively related to employee satisfaction and higher quality customer services, and it increases the chances of catching mistakes (Campion & McClelland, 1991). At the same time, the effects of job enlargement

may depend on the *type* of enlargement. For example, job enlargement consisting of adding tasks that are very simple in nature had negative consequences on employee satisfaction with the job and resulted in fewer errors being caught. Alternatively, giving employees more tasks that require them to be knowledgeable in different areas seemed to have more positive effects (Campion & McClelland, 1993).

Job enrichment is a job redesign technique that allows workers more control over how they perform their own tasks. This approach allows employees to take on more responsibility. As an alternative to job specialization, companies using job enrichment may experience positive outcomes, such as reduced turnover, increased productivity, and reduced absences (McEvoy & Cascio, 1985; Locke, Sirota, & Wolfson, 1976). This may be because employees who have the authority and responsibility over their work can be more efficient, eliminate unnecessary tasks, take shortcuts, and increase their overall performance. At the same time, there is evidence that job enrichment may sometimes cause dissatisfaction among certain employees (Locke, Sirota, & Wolfson, 1976). The reason may be that employees who are given additional autonomy and responsibility may expect greater levels of pay or other types of compensation, and if this expectation is not met they may feel frustrated. One more thing to remember is that job enrichment is not suitable for everyone (Cherrington & Lynn, 1980; Hulin & Blood, 1968). Not all employees desire to have control over how they work, and if they do not have this desire, they may become frustrated with an enriched job.

Job Characteristics Model

The job characteristics model is one of the most influential attempts to design jobs with increased motivational properties (Hackman & Oldham, 1975). Proposed by Hackman and Oldham, the model describes five core job dimensions leading to three critical psychological states, resulting in work-related outcomes.

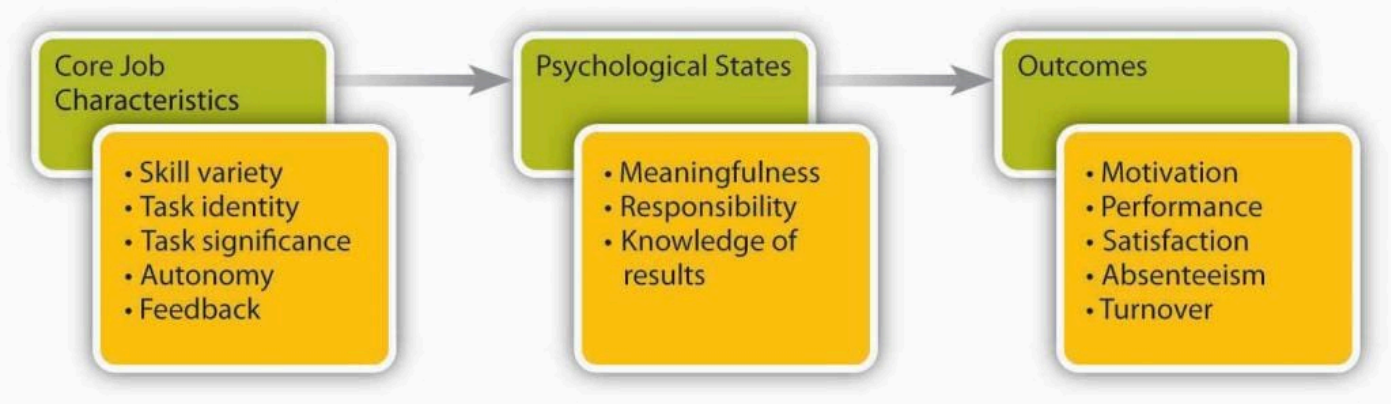


Figure 9.2.3: The Job Characteristics Model has five core job dimensions. Source: Adapted from Hackman, J. R., & Oldham, G. R. (1975). Development of the job diagnostic survey. *Journal of Applied Psychology*, 60, 159–170.

Skill variety refers to the extent to which the job requires a person to utilize multiple high-level skills. A car wash employee whose job consists of directing customers into the automated car wash demonstrates low levels of skill variety, whereas a car wash employee who acts as a cashier, maintains carwash equipment, and manages the inventory of chemicals demonstrates high skill variety.

Task identity refers to the degree to which a person is in charge of completing an identifiable piece of work from start to finish. A Web designer who designs parts of a Web site will have low task identity, because the work blends in with other Web designers' work; in the end it will be hard for any one person to claim responsibility for the final output. The Web master who designs an entire Web site will have high task identity.

Task significance refers to whether a person's job substantially affects other people's work, health, or well-being. A janitor who cleans the floors at an office building may find the job low in significance, thinking it is not a very important job. However, janitors cleaning the floors at a hospital may see their role as essential in helping patients get better. When they feel that their tasks are significant, employees tend to feel that they are making an impact on their environment, and their feelings of self-worth are boosted (Grant, 2008).

Autonomy is the degree to which a person has the freedom to decide how to perform his or her tasks. As an example, an instructor who is required to follow a predetermined textbook, covering a given list of topics using a specified list of classroom activities, has low autonomy. On the other hand, an instructor who is free to choose the textbook, design the course content, and use any relevant materials when delivering lectures has higher levels of autonomy. Autonomy increases motivation at work, but it also

has other benefits. Giving employees autonomy at work is a key to individual as well as company success, because autonomous employees are free to choose how to do their jobs and therefore can be more effective. They are also less likely to adopt a "this is not my job" approach to their work environment and instead be proactive (do what needs to be done without waiting to be told what to do) and creative (Morgeson, Delaney-Klinger, & Hemingway, 2005; Parker, Wall, & Jackson, 1997; Parker, Williams, & Turner, 2006; Zhou, 1998). The consequence of this resourcefulness can be higher company performance. For example, a Cornell University study shows that small businesses that gave employees autonomy grew four times more than those that did not (Davermann, 2006). Giving employees autonomy is also a great way to train them on the job. For example, Gucci's CEO Robert Polet points to the level of autonomy he was given while working at Unilever PLC as a key to his development of leadership talents (Gumbel, 2008). Autonomy can arise from workplace features, such as telecommuting, company structure, organizational climate, and leadership style (Gajendran & Harrison, 2007; Garnier, 1982; Lyon & Ivancevich, 1974; Parker, 2003).

Feedback refers to the degree to which people learn how effective they are being at work. Feedback at work may come from other people, such as supervisors, peers, subordinates, and customers, or it may come from the job itself. A salesperson who gives presentations to potential clients but is not informed of the clients' decisions, has low feedback at work. If this person receives notification that a sale was made based on the presentation, feedback will be high.

The relationship between feedback and job performance is more controversial. In other words, the mere presence of feedback is not sufficient for employees to feel motivated to perform better. In fact, a review of this literature shows that in about one-third of the cases, feedback was detrimental to performance (Kluger & DeNisi, 1996). In addition to whether feedback is present, the sign of feedback (positive or negative), whether the person is ready to receive the feedback, and the manner in which feedback was given will all determine whether employees feel motivated or demotivated as a result of feedback.

According to the job characteristics model, the presence of these five core job dimensions leads employees to experience three psychological states: They view their work as *meaningful*, they feel *responsible* for the outcomes, and they acquire *knowledge of results*. These three psychological states in turn are related to positive outcomes such as overall job satisfaction, internal motivation, higher performance, and lower absenteeism and turnover (Brass, 1985; Humphrey, Nahrgang, & Morgeson, 2007; Johns, Xie, & Fang, 1992; Renn & Vandenberg, 1995). Research shows that out of these three psychological states, experienced meaningfulness is the most important for employee attitudes and behaviors, and it is the key mechanism through which the five core job dimensions operate.

Are all five job characteristics equally valuable for employees? Hackman and Oldham's model proposes that the five characteristics will not have uniform effects. Instead, they proposed the following formula to calculate the motivating potential of a given job (Hackman & Oldham, 1975):

Equation 6.1

MPS = ((Skill Variety + Task Identity + Task Significance) ÷ 3) × Autonomy × Feedback

According to this formula, autonomy and feedback are the more important elements in deciding motivating potential compared to skill variety, task identity, or task significance. Moreover, note how the job characteristics interact with each other in this model. If someone's job is completely lacking in autonomy (or feedback), regardless of levels of variety, identity, and significance, the motivating potential score will be very low.

Note that the five job characteristics are not objective features of a job. Two employees working in the same job may have very different perceptions regarding how much skill variety, task identity, task significance, autonomy, or feedback the job affords. In other words, motivating potential is in the eye of the beholder. This is both good and bad news. The bad news is that even though a manager may design a job that is supposed to motivate employees, some employees may not find the job to be motivational. The good news is that sometimes it is possible to increase employee motivation by helping employees change their perspective about the job. For example, employees laying bricks at a construction site may feel their jobs are low in significance, but by pointing out that they are building a home for others, their perceptions about their job may be changed.

Do all employees expect to have a job that has a high motivating potential? Research has shown that the desire for the five core job characteristics is not universal. One factor that affects how much of these characteristics people want or need is growth need strength. Growth need strength describes the degree to which a person has higher order needs, such as self-esteem and self-actualization. When an employee's expectation from his job includes such higher order needs, employees will have high-growth need strength, whereas those who expect their job to pay the bills and satisfy more basic needs will have low-growth need strength. Not surprisingly, research shows that those with high-growth need strength respond more favorably to jobs with a high motivating potential (Arnold & House, 1980; Hackman & Lawler, 1971; Hackman & Oldham, 1975; Oldham, Hackman, &

Pearce, 1976). It also seems that an employee's career stage influences how important the five dimensions are. For example, when employees are new to an organization, task significance is a positive influence over job satisfaction, but autonomy may be a negative influence (Katz, 1978).

OB Toolbox: Increase the Feedback You Receive: Seek It!

- *If you are not receiving enough feedback on the job, it is better to seek it instead of trying to guess how you are doing*. Consider seeking regular feedback from your boss. This also has the added benefit of signaling to the manager that you care about your performance and want to be successful.
- *Be genuine in your desire to learn*. When seeking feedback, your aim should be improving yourself as opposed to creating the impression that you are a motivated employee. If your manager thinks that you are managing impressions rather than genuinely trying to improve your performance, seeking feedback may hurt you.
- *Develop a good relationship with your manager*. This has the benefit of giving you more feedback in the first place. It also has the upside of making it easier to ask direct questions about your own performance.
- *Consider finding trustworthy peers who can share information with you regarding your performance*. Your manager is not the only helpful source of feedback.
- *Be gracious when you receive feedback*. If you automatically go on the defensive the first time you receive negative feedback, there may not be a next time. Remember, even if receiving feedback, positive or negative, feels uncomfortable, it is a gift. You can improve your performance using feedback, and people giving negative feedback probably feel they are risking your good will by being honest. Be thankful and appreciative when you receive any feedback and do not try to convince the person that it is inaccurate (unless there are factual mistakes).

Sources: Adapted from ideas in Jackman, J. M., & Strober, M. H. (2003, April). Fear of feedback. *Harvard Business Review*, *81*(4), 101–107; Wing, L., Xu, H., Snape, E. (2007). Feedback-seeking behavior and leader-member exchange: Do supervisor-attributed motives matter? *Academy of Management Journal*, *50*, 348–363; Lee, H. E., Park, H. S., Lee, T. S., & Lee, D. W. (2007). Relationships between LMX and subordinates' feedback-seeking behaviors. *Social Behavior & Personality: An International Journal*, *35*, 659–674.

Empowerment

One of the contemporary approaches to motivating employees through job design is empowerment. The concept of empowerment extends the idea of autonomy. Empowerment may be defined as the removal of conditions that make a person powerless (Conger & Kanugo, 1988). The idea behind empowerment is that employees have the ability to make decisions and perform their jobs effectively if management removes certain barriers. Thus, instead of dictating roles, companies should create an environment where employees thrive, feel motivated, and have discretion to make decisions about the content and context of their jobs. Employees who feel empowered believe that their work is meaningful. They tend to feel that they are capable of performing their jobs effectively, have the ability to influence how the company operates, and can perform their jobs in any way they see fit, without close supervision and other interference. These liberties enable employees to feel powerful (Spreitzer, 1995; Thomas & Velthouse, 1990). In cases of very high levels of empowerment, employees decide what tasks to perform and how to perform them, in a sense managing themselves.

Research has distinguished between *structural* elements of empowerment and *felt* empowerment. Structural empowerment refers to the aspects of the work environment that give employees discretion, autonomy, and the ability to do their jobs effectively. The idea is that the presence of certain structural factors helps empower people, but in the end empowerment is a perception. The following figure demonstrates the relationship between structural and felt empowerment. For example, at Harley-Davidson Motor Company, employees have the authority to stop the production line if they see a blemish on the product (Lustgarten, 2004). Leadership style is another influence over experienced empowerment (Kark, Shamir, & Chen, 2003). If the manager is controlling, micromanaging, and bossy, chances are that empowerment will not be possible. A company's structure has a role in determining empowerment as well. Factories organized around teams, such as the Saturn plant of General Motors Corporation, can still empower employees, despite the presence of a traditional hierarchy (Ford & Fottler, 1995). Access to information is often mentioned as a key factor in empowering employees. If employees are not given information to make an informed decision, empowerment attempts will fail. Therefore, the relationship between access to information and empowerment is well established. Finally, empowering individual employees cannot occur in a bubble, but instead depends on creating a climate of empowerment throughout the entire organization (Seibert, Silver, & Randolph, 2004).

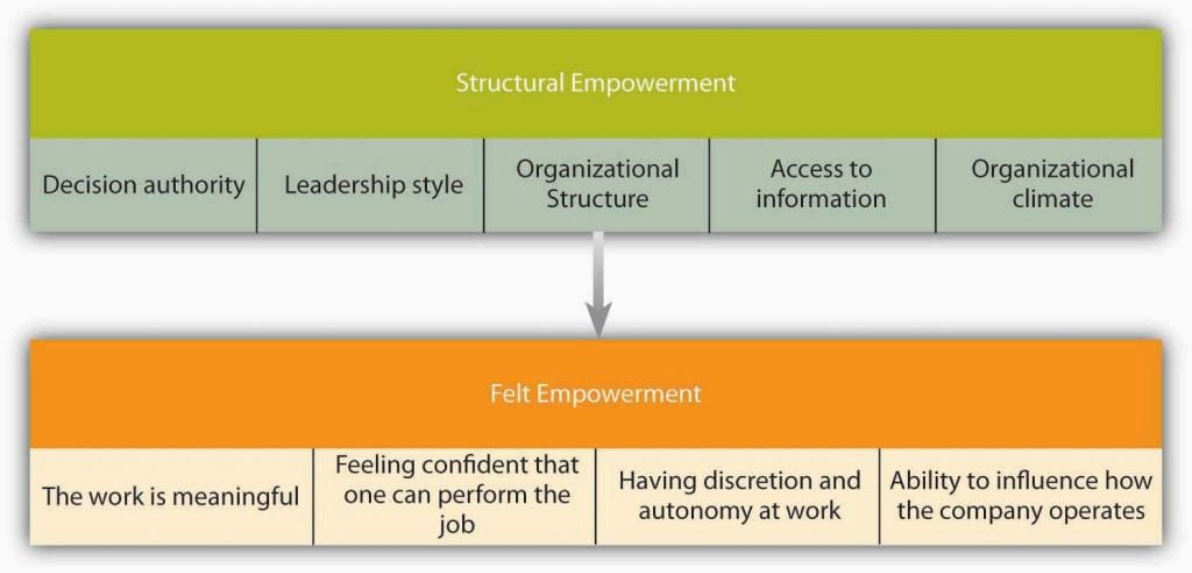


Figure 9.2.4: The empowerment process starts with structure that leads to felt empowerment. Source: Based on the ideas in Seibert, S. E., Silver, S. R., & Randolph, W. A. (2004). Taking empowerment to the next level: A multiple-level model of empowerment, performance, and satisfaction. *Academy of Management Journal*, *47*, 332–349; Spreitzer, G. M. (1995). Psychological empowerment in the workplace: Dimensions, measurement, and validation. *Academy of Management Journal*, *38*, 1442–1465; Spreitzer, G. M. (1996). Social structural characteristics of psychological empowerment. *Academy of Management Journal*, *39*, 483–504.

Empowerment of employees tends to be beneficial for organizations, because it is related to outcomes such as employee innovativeness, managerial effectiveness, employee commitment to the organization, customer satisfaction, job performance, and behaviors that benefit the company and other employees (Ahearne, Mathieu, & Rapp, 2005; Alge et al., 2006; Chen et al., 2007; Liden, Wayne, & Sparrowe, 2000; Spreitzer, 1995). At the same time, empowerment may not necessarily be suitable for all employees. Those individuals with low growth strength or low achievement need may not benefit as strongly from empowerment. Moreover, the idea of empowerment is not always easy to implement, because some managers may feel threatened when subordinates are empowered. If employees do not feel ready for empowerment, they may also worry about the increased responsibility and accountability. Therefore, preparing employees for empowerment by carefully selecting and training them is important to the success of empowerment interventions.

OB Toolbox: Tips for Empowering Employees

- *Change the company structure so that employees have more power on their jobs*. If jobs are strongly controlled by organizational procedures or if every little decision needs to be approved by a superior, employees are unlikely to feel empowered. Give them discretion at work.
- *Provide employees with access to information about things that affect their work*. When employees have the information they need to do their jobs well and understand company goals, priorities, and strategy, they are in a better position to feel empowered.
- *Make sure that employees know how to perform their jobs*. This involves selecting the right people as well as investing in continued training and development.
- *Do not take away employee power*. If someone makes a decision, let it stand unless it threatens the entire company. If management undoes decisions made by employees on a regular basis, employees will not believe in the sincerity of the empowerment initiative.
- *Instill a climate of empowerment in which managers do not routinely step in and take over*. Instead, believe in the power of employees to make the most accurate decisions, as long as they are equipped with the relevant facts and resources.

Sources: Adapted from ideas in Forrester, R. (2000). Empowerment: Rejuvenating a potent idea. *Academy of Management Executive*, *14*, 67–79; Spreitzer, G. M. (1996). Social structural characteristics of psychological empowerment. *Academy of Management Journal*, *39*, 483–504.

Key Takeaways

Job specialization is the earliest approach to job design, originally described by the work of Frederick Taylor. Job specialization is efficient but leads to boredom and monotony. Early alternatives to job specialization include job rotation, job enlargement, and job enrichment. Research shows that there are five job components that increase the motivating potential of a job: Skill variety, task identity, task significance, autonomy, and feedback. Finally, empowerment is a contemporary way of motivating employees through job design. These approaches increase worker motivation and have the potential to increase performance.

Exercises

1. Is job rotation primarily suitable to lower level employees, or is it possible to use it at higher levels in the organization?
2. What is the difference between job enlargement and job enrichment? Which of these approaches is more useful in dealing with the boredom and monotony of job specialization?
3. Consider a job you held in the past. Analyze the job using the framework of the job characteristics model.
4. Does a job with a high motivating potential motivate all employees? Under which conditions is the model less successful in motivating employees?
5. How would you increase the empowerment levels of employees?

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9.3: Motivating Employees Through Goal Setting

Learning Objectives

1. Describe why goal setting motivates employees.
2. Identify characteristics of a goal that make it effective.
3. Identify limitations of goals.
4. Understand how to tie individual goals to strategic goals.

Goal-Setting Theory

Goal-setting theory (Locke & Latham, 1990) is one of the most influential and practical theories of motivation. In fact, in a survey of organizational behavior scholars, it has been rated as the most important (out of 73 theories) (Miner, 2003). The theory has been supported in over 1,000 studies with employees ranging from blue-collar workers to research-and-development employees, and there is strong support that setting goals is related to performance improvements (Ivancevich & McMahon, 1982; Latham & Locke, 2006; Umstot, Bell, & Mitchell, 1976). According to one estimate, goal setting improves performance at least 10%–25% (Pritchard et al., 1988). Based on this evidence, thousands of companies around the world are using goal setting in some form, including Coca Cola Company, PricewaterhouseCoopers International Ltd., Nike Inc., Intel Corporation, and Microsoft Corporation, to name a few.

Setting SMART Goals

Are you motivated simply because you have set a goal? The mere presence of a goal does not motivate individuals. Think about New Year's resolutions that you made but failed to keep. Maybe you decided that you should lose some weight but then never put a concrete plan in action. Maybe you decided that you would read more but didn't. Why did your goal fail?

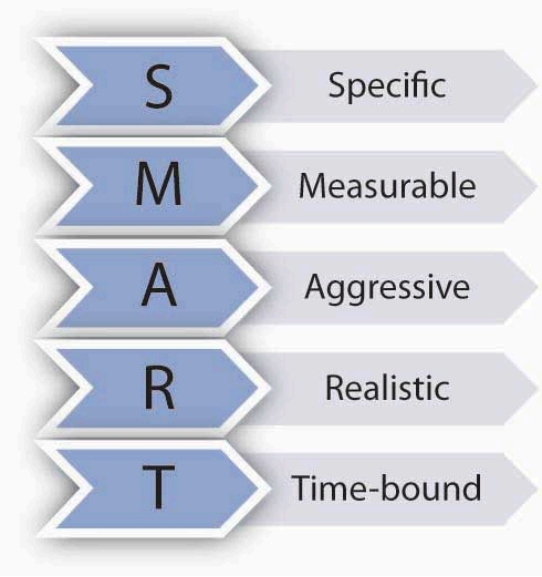


Figure 9.3.5: SMART goals help people achieve results.

Accumulating research evidence indicates that effective goals are SMART. A SMART goal is a goal that is **s**pecific, **m**easurable, **a**ggressive, **r**ealistic, and **t**ime-bound.

Specific and Measurable

Effective goals are specific and measurable. For example, “increasing sales to a region by 10%” is a specific goal, whereas deciding to “delight customers” is not specific or measurable. When goals are specific, performance tends to be higher (Tubbs, 1986). Why? If goals are not specific and measurable, how would you know whether you have reached the goal? A wide distribution of performance levels could potentially be acceptable. For the same reason, “doing your best” is not an effective goal, because it is not measurable and does not give you a specific target.

Certain aspects of performance are easier to quantify. For example, it is relatively easy to set specific goals for productivity, sales, number of defects, or turnover rates. However, not everything that is easy to measure should be measured. Moreover, some of the most important elements of someone’s performance may not be easily quantifiable (such as employee or customer satisfaction). So how do you set specific and measurable goals for these soft targets? Even though some effort will be involved, metrics such as satisfaction can and should be quantified. For example, you could design a survey for employees and customers to track satisfaction ratings from year to year.

Aggressive

This may sound counterintuitive, but effective goals are difficult, not easy. Aggressive goals are also called stretch goals. According to a Hay Group study, one factor that distinguishes companies that are ranked as “Most Admired Companies” in *Fortune* magazine is that they set more difficult goals (Stein, 2000). People with difficult goals outperform those with easier goals (Mento, Steel, & Karren, 1987; Phillips & Gully, 1997; Tubbs, 1986; Yukl & Latham, 1978). Why? Easy goals do not provide a challenge. When goals are aggressive and require people to work harder or smarter, performance tends to be dramatically higher. Research shows that people who have a high level of self-efficacy and people who have a high need for achievement tend to set more difficult goals for themselves (Phillips & Gully, 1997).

Realistic

While goals should be difficult, they should also be based in reality. In other words, if a goal is viewed as impossible to reach, it will not have any motivational value. In fact, setting impossible goals and then punishing people for not reaching these goals is cruel and will demotivate employees.

Time-Bound

The goal should contain a statement regarding when the proposed performance level will be reached. For example, “increasing sales to a region by 10%” is not a time-bound goal, because there is no time limit. Adding a limiter such as “by December of the current fiscal year” gives employees a sense of time urgency.

Here is a sample SMART goal: Wal-Mart Stores Inc. recently set a goal to eliminate 25% of the solid waste from U.S. stores by the year 2009. This goal meets all the conditions of being SMART (as long as 25% is a difficult yet realistic goal) (Heath & Heath, 2008). Even though it seems like a simple concept, in reality many goals that are set within organizations may not be SMART. For example, Microsoft recently conducted an audit of its goal setting and performance review system and found that only about 40% of the goals were specific and measurable (Shaw, 2004).

Why Do SMART Goals Motivate?

There are at least four reasons why goals motivate (Latham, 2004; Seijts & Latham, 2005; Shaw, 2004). First, goals give us direction. When you have a goal of reducing shipment of defective products by 5% by September, you know that you should direct your energy toward defects. The goal tells you what to focus on. For this reason, goals should be set carefully. Giving employees goals that are not aligned with company goals will be a problem, because goals will direct employees’ energies to a certain end. Second, goals energize people and tell them not to stop until the goal is accomplished. If you set goals for yourself such as “I will have a break from reading this textbook when I finish reading this section,” you will not give up until you reach the end of the section. Even if you feel tired along the way, having this specific goal will urge you to move forward. Third, having a goal provides a challenge. When people have goals and proceed to reach them, they feel a sense of accomplishment. Finally, SMART goals urge people to think outside the box and rethink how they are working. If the goal is not very difficult, it only motivates people to work faster or longer. If a goal is substantially difficult, merely working faster or longer will not get you the results. Instead, you will

need to rethink the way you usually work and devise a creative way of working. It has been argued that this method resulted in designers and engineers in Japan inventing the bullet train. Having a goal that went beyond the speed capabilities of traditional trains prevented engineers from making minor improvements and inspired them to come up with a radically different concept (Kerr & Landauer, 2004).

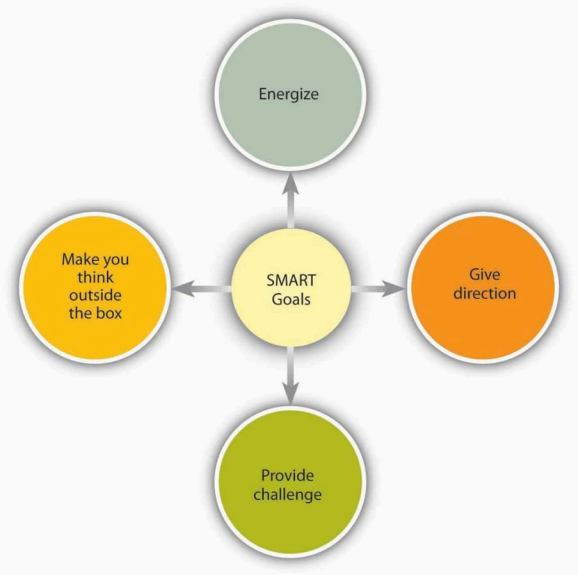


Figure 9.3.6: SMART goals motivate for a variety of reasons. Sources: Based on information contained in Latham, G. P. (2004). The motivational benefits of goal-setting. *Academy of Management Executive*, *18*, 126–129; Seijts, G. H., & Latham, G. P. (2005). Learning versus performance goals: When should each be used? *Academy of Management Executive*, *19*, 124–131; Shaw, K. N. (2004). Changing the goal-setting process at Microsoft. *Academy of Management Executive*, *18*, 139–142.

When Are Goals More Effective?

Even when goals are SMART, they are not always equally effective. Sometimes, goal setting produces more dramatic effects compared to other methods. At least three conditions that contribute to effectiveness have been identified (Latham, 2004; Latham & Locke, 2006).

Feedback

To be more effective, employees should receive feedback on the progress they are making toward goal accomplishment. Providing employees with quantitative figures about their sales, defects, or other metrics is useful for feedback purposes.

Ability

Employees should have the skills, knowledge, and abilities to reach their goals. In fact, when employees are lacking the necessary abilities, setting specific outcome goals has been shown to lead to lower levels of performance (Seijts & Latham, 2005). People are likely to feel helpless when they lack the abilities to reach a goal, and furthermore, having specific outcome goals prevents them from focusing on learning activities. In these situations, setting goals about learning may be a better idea. For example, instead of setting a goal related to increasing sales, the goal could be identifying three methods of getting better acquainted with customers.

Goal Commitment

SMART goals are more likely to be effective if employees are committed to the goal (Donovan & Radosevich, 1998; Klein et al., 1999; Wofford, Goodwin, & Premack, 1993). As a testament to the importance of goal commitment, Microsoft actually calls employee goals “commitments” (Shaw, 2004). Goal commitment refers to the degree to which a person is dedicated to reaching the goal. What makes people dedicated or committed to a goal? It has been proposed that making goals public may

increase commitment to the goal, because it creates accountability to peers. When individuals have a supportive and trust-based relationship with managers, goal commitment tends to be higher. When employees participate in goal setting, goal commitment may be higher. Last, but not least, rewarding people for their goal accomplishment may increase commitment to future goals (Klein & Kim, 1998; Latham, 2004; Pritchard et al., 1988).

Are There Downsides to Goal Setting?

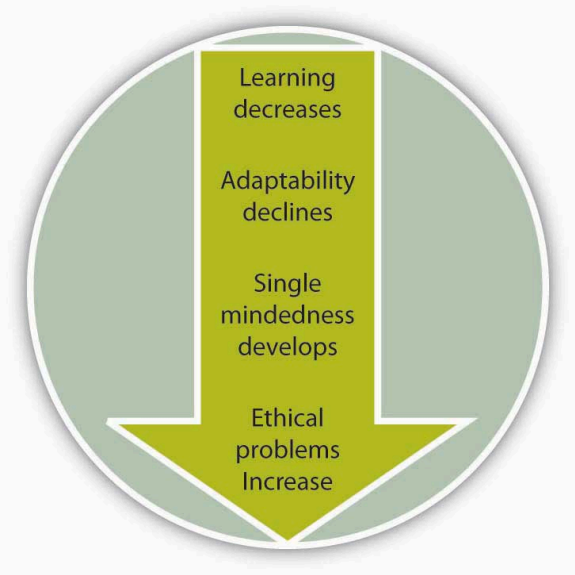


Figure 9.3.7: Potential Downsides of Goal Setting Sources: Based on LePine, J. A. (2005). Adaptation of teams in response to unforeseen change: Effects of goal difficulty and team composition in terms of cognitive ability and goal orientation. *Journal of Applied Psychology*, *90*, 1153–1167; Locke, E. A. (2004). Linking goals to monetary incentives. *Academy of Management Executive*, *18*, 130–133; Pritchard, R. D., Roth, P. L., Jones, S. D., Galgay, P. J., & Watson, M. D. (1988). Designing a goal-setting system to enhance performance: A practical guide. *Organizational Dynamics*, *17*, 69–78; Seijts, G. H., & Latham, G. P. (2005). Learning versus performance goals: When should each be used? *Academy of Management Executive*, *19*, 124–131.

As with any management technique, there may be some downsides to goal setting (Locke, 2004; Pritchard et al., 1988; Seijts & Latham, 2005). First, as mentioned earlier, setting goals for specific outcomes may hamper employee performance if employees are lacking skills and abilities needed to reach the goals. In these situations, setting goals for behaviors and learning may be more effective than setting goals for outcomes. Second, goal setting may prevent employees from adapting and changing their behaviors in response to unforeseen threats. For example, one study found that when teams had difficult goals and employees within the team had high levels of performance expectations, teams had difficulty adapting to unforeseen circumstances (LePine, 2005). Third, goals focus employee attention on the activities that are measured. This focus may lead to sacrificing other important elements of performance. If goals are set for production numbers, quality may suffer. As a result, it is important to set goals touching on all critical aspects of performance. Finally, an aggressive pursuit of goals may lead to unethical behaviors. If employees are rewarded for goal accomplishment but there are no rewards for coming very close to reaching the goal, employees may be tempted to cheat.

Ensuring Goal Alignment Through Management by Objectives (MBO)

Goals direct employee attention toward a common end. Therefore, it is crucial for individual goals to support team goals and team goals to support company goals. A systematic approach to ensure that individual and organizational goals are aligned is Management by Objectives (MBO). First suggested by Peter Drucker (Greenwood, 1981; Muczyk & Reimann, 1989; Reif & Bassford, 1975), MBO involves the following process:

1. Setting companywide goals derived from corporate strategy
2. Determining team- and department-level goals
3. Collaboratively setting individual-level goals that are aligned with corporate strategy
4. Developing an action plan
5. Periodically reviewing performance and revising goals

A review of the literature shows that 68 out of the 70 studies conducted on this topic displayed performance gains as a result of MBO implementation (Rodgers & Hunter, 1991). It also seems that top management commitment to the process is the key to successful implementation of MBO programs (Rodgers, Hunter, & Rogers, 1993). Even though formal MBO programs have fallen out of favor since the 1980s, the idea of linking employee goals to corporate-wide goals is a powerful idea that benefits organizations.

Key Takeaways

Goal-setting theory is one of the most influential theories of motivation. In order to motivate employees, goals should be SMART (specific, measurable, aggressive, realistic, and time-bound). SMART goals motivate employees because they energize behavior, give it direction, provide a challenge, force employees to think outside the box, and devise new and novel methods of performing. Goals are more effective in motivating employees when employees receive feedback on their accomplishments, have the ability to perform, and are committed to goals. Poorly derived goals have the downsides of hampering learning, preventing adaptability, causing a single-minded pursuit of goals at the exclusion of other activities, and encouraging unethical behavior. Companies tie individual goals to company goals using management by objectives.

Exercises

1. Give an example of a SMART goal.
2. If a manager tells you to "sell as much as you can," is this goal likely to be effective? Why or why not?
3. How would you ensure that employees are committed to the goals set for them?
4. A company is interested in increasing customer loyalty. Using the MBO approach, what would be the department- and individual-level goals supporting this organization-wide goal?
5. Discuss an experience you have had with goals. Explain how goal setting affected motivation and performance.

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9.4: Motivating Employees Through Performance Appraisals

Learning Objectives

1. Understand why companies use performance appraisals.
2. Describe basic characteristics of performance appraisals.
3. List the characteristics of an effective performance appraisal.
4. Compare the advantages and disadvantages of relative versus absolute appraisals.
5. Learn how to conduct a performance appraisal meeting.
6. Understand the biases inherent in performance appraisals.

What Is a Performance Appraisal?

When employees have goals, they tend to be more motivated if they also receive feedback about their progress. Feedback may occur throughout the workday, but many organizations also have a formal, companywide process of providing feedback to employees, called the performance appraisal. A performance appraisal is a process in which a rater or raters evaluate the performance of an employee. More specifically, during a performance appraisal period, rater(s) observe, interact with, and evaluate a person's performance. Then, when it is time for a performance appraisal, these observations are documented on a form. The rater usually conducts a meeting with the employee to communicate performance feedback. During the meeting, the employee is evaluated with respect to success in achieving last year's goals, and new goals are set for the next performance appraisal period.

Even though performance appraisals can be quite effective in motivating employees and resolving performance problems, in reality, only a small number of organizations use the performance appraisal process to its full potential. In many companies, a performance appraisal takes the form of a bureaucratic activity that is mutually despised by employees and managers. The problems a poor appraisal process can create may be so severe that many experts, including the founder of the total quality movement, Edward Deming, have recommended abolishing appraisals altogether (Carson & Carson, 1993). On the other hand, creating and executing an effective appraisal system actually leads to higher levels of trust in management (Mayer & Davis, 1999). Therefore, identifying ways of increasing appraisal effectiveness is important.

Giving employees feedback is not synonymous with conducting a performance appraisal, because employees may (and should) receive frequent feedback. The most effective feedback immediately follows high or low performance. Therefore, waiting for a formal process to give feedback would be misguided. A formal appraisal is often conducted once a year, even though there are some organizations that conduct them more frequently. For example, there are advantages to conducting quarterly appraisals, such as allowing managers to revise goals more quickly in the face of changing environmental demands (Odiorne, 1990). Conducting appraisals once a year has the advantage of being more convenient for managers and for effectively tying performance to annual pay raises or bonuses.

What Is the Purpose of a Performance Appraisal?

Performance appraisals can be important tools to give employees feedback and aid in their development. Yet feedback is only one reason why companies perform appraisals. In many companies, appraisals are used to distribute rewards such as bonuses, annual pay raises, and promotions. They may also be used to document termination of employees. Research shows that performance appraisals tend to be viewed as more effective when companies tie them to reward decisions and to terminate lower performers (Lawler, 2003). This is not surprising in light of motivation theories such as reinforcement theory, which indicates that behavior that is rewarded is repeated. Tying appraisal results to rewards may lead to the perception that performance is rewarded. However, if performance appraisal ratings are not accurate, it is possible for appraisals to be a major cause of reward unfairness.

Who Is the Rater?

Traditionally, the rater has been the supervisor. Supervisors have more at stake when an employee is not performing well and they have access to greater resources that can be used to improve performance. However, relying solely on supervisors may lead to a

biased appraisal system. Many aspects of a person's performance may remain hidden from managers, particularly in team-based settings or organizations where supervisors do not work in the same physical setting as the employees. Therefore, organizations are introducing additional raters into the system, such as peers, customers, and subordinates. As organizations become more flat, introducing more perspectives may provide richer feedback to employees in question. Organizations using supervisors, peers, subordinates, and sometimes even customers are using 360-degree feedback. In this system, feedback is gathered from all these sources, and shared with the employee for developmental purposes. It is important to note that 360-degree appraisals are not often used in determining pay or promotion decisions and instead are treated as feedback tools. Using 360-degree feedback in reward decisions may be problematic, because individuals may avoid giving objective feedback if it means causing a peer to lose a bonus. Since not all feedback will necessarily be positive, if competition or jealousy exists among peers, some feedback may be retaliatory and too negative. Keeping these problems in mind, organizations may benefit from using only supervisor ratings in reward decisions and using feedback from other sources for developmental purposes (Toegel & Conger, 2003).

What Makes an Effective Appraisal System?

What are the characteristics of an effective appraisal system? Research identified at least three characteristics of appraisals that increase the perception that they are fair. These characteristics include adequate notice, fair hearing, and judgment based on evidence. Adequate notice involves letting employees know what criteria will be used during the appraisal. Unfortunately, in many companies the first time employees see the appraisal form may be when they are being evaluated. Therefore, they may be rated low on something they didn't understand was part of their performance. Fair hearing means ensuring that there is two-way communication during the appraisal process and the employee's side of the story is heard. Judgment based on evidence involves documenting performance problems and using factual evidence as opposed to personal opinions when rating performance (Taylor et al., 1995).

Absolute Rating versus Relative Ranking Appraisals

As a student, would you rather be evaluated with respect to some objective criteria? For example, you could get an A if you correctly answer 90% of the questions in the exam, but would get a B if you answered only 80%. We are calling this type of appraisal an absolute rating because the grade you get depends only on your performance with respect to the objective criteria. The alternative to this approach is relative ranking. In this system, you would get an A if you are one of the top 10% of the students in class, but you would get a B if you are between 10% and 20%. In a relative ranking system, your rating depends on how your objective performance (test grade) compares with the rest of the students' grades in your class.

If you say you would prefer an absolute rating, you are not alone. Research shows that ranking systems are often viewed more negatively by employees. However, many major corporations such as General Electric Company (GE), Intel, and Yahoo! Inc. are using relative rankings and truly believe in its advantages. For example, Jack Welch, the former CEO of General Electric, instituted a forced ranking system at GE in which 20% of employees would be in the top category, 70% would be in the middle, and 10% would be at the bottom rank. Employees who are repeatedly ranked at the lowest rank would be terminated. Relative rankings may create a culture of performance by making it clear that low performance is not tolerated; however, there are several downsides to rankings. First, these systems carry the danger of a potential lawsuit. Organizations such as Ford Motor Company and Microsoft faced lawsuits involving relative rankings, because employees who were older, female, or minority members were systematically being ranked in the lowest category with little justification. Second, relative rankings are also not consistent with creating a team spirit and may create a competitive, cutthroat environment. Enron Corporation was an organization that used relative rankings to its detriment. Third, relative systems have limited value in giving employees concrete feedback about what to do next year to get a better ranking. Despite their limitations, using them for a few years may help the organization become more performance-oriented and eliminate stagnation by weeding out some employees with persistent performance problems. As long as these systems fit with the company culture, are not used in a rigid manner, and are used for a short period of time, they may be beneficial to the organization (Boyle, 2001; Lawler, 2003; McGregor, 2006).

Conducting the Appraisal Meeting



Figure 9.4.8: A performance appraisal meeting serves as a medium through which the rater gives positive and negative feedback to the ratee, helps the ratee solve performance problems, and recognizes effective performance. Reynermedia – Businessmen shaking hands – CC BY 2.0.

A performance appraisal meeting is the most important component of a performance appraisal. After the rater uses the company's appraisal form to evaluate the performance of the ratee, both sides meet to discuss positive and negative instances of performance. Thus, the meeting serves as the key medium through which the rater gives feedback to the ratee. The goal of providing performance feedback is to help the ratee solve performance problems and to motivate the employee to change behavior. Conducting this meeting is often stressful for both parties, and training managers in providing performance feedback may be useful to deal with the stress of the managers as well as creating a more positive experience for both parties (Davis & Mount, 1984).

In the most effective meetings, feedback is presented in a constructive manner. Instead of criticizing the person, the focus should be on discussing the performance problems and aiding the employee in resolving these problems. By moving the focus of the conversation from the person to the behaviors, employee defensiveness may be reduced. When the supervisor is constructive, employees develop a more positive view of the appraisal system. Another approach to increasing the effectiveness of appraisal meetings is to increase employee participation. When employees have the opportunity to present their side of the story, they react more positively to the appraisal process and feel that the system is fair. Finally, supervisors should be knowledgeable about the employee's performance. When it becomes clear that the person doing the evaluation has little understanding of the job being performed by the employee, reactions tend to be more negative (Cawley, Keeping, & Levy, 1998; Cederblom 1982; Burke, Weitzel, & Weir, 1978).

OB Toolbox: Conducting an Effective Performance Appraisal Meeting

Before the meeting

- *Ask the person to complete a self-appraisal*. This is a great way of making sure that employees become active participants in the process and get their voice heard.
- *Complete the performance appraisal form*. Document your rating using many examples. Have more examples handy.
- *Avoid recency bias*. Be sure that your review covers the entire year's performance, not just recent events.
- *Handle the logistics*. Be sure that you devote sufficient time to each meeting. If you schedule appraisals back to back, you may lose your energy in later meetings. Be sure that the physical location is conducive to a private conversation.

During the meeting

- *Be sure to recognize effective performance*. Give specific praise.
- *Do not start the meeting with a criticism*. Starting with positive instances of performance helps establish a better mood and shows that you recognize what the employee is doing right.

- *Give employees lots of opportunities to talk*. Ask them about their greatest accomplishments, as well as opportunities for improvement. If they touch on an area you wanted to cover, provide your thoughts.
- *Show empathy and support*. Remember: your job as a manager is to help the person solve performance problems. Identify areas where you can help.
- *Set goals and create an action plan*. The outcome of the meeting should be a written agreement about what the employee will do in the near future and how the manager will help.

After the meeting

- *Continue to give the employee periodic and frequent feedback*. Effective feedback immediately follows key incidents of performance. Do not wait until the next appraisal to discuss important issues.
- *Follow through on the goals that were set*. Provide continuous support to the employee to help him or her achieve the goals.

Sources: Make employee appraisals more productive. (2007, September). *HR Focus*, *84*(9), 1, 11–15; Ryan, L. (2007, January 17). Coping with performance-review anxiety. *Business Week Online*, *6*; Stone, D. L. (1984). The effects of feedback sequence and expertise of the rater on perceived feedback accuracy. *Personnel Psychology*, *37*, 487–506; Sulkowicz, K. (2007, September 10). Straight talk at review time. *Business Week*, *16*.

Managing Potential Bias in Performance Appraisals

Performance appraisal is by nature a subjective event. Unless the performance appraisal is purely relying on objective criteria such as sales, it requires one or more human beings to observe and evaluate another and arrive at a consensus. Raters, intentionally or unintentionally, make mistakes or exhibit biases. These biases trickle down into the appraisal system and can affect other decisions that are based on appraisals, such as pay and promotion. Therefore, being aware of these tendencies is the first step to managing their influence over the appraisal system.

Liking

A performance appraisal does not occur between strangers. The rater and ratee have an existing relationship. If they like or dislike each other, these feelings may bias the ratings. For example, research shows that regardless of their objective performance levels, managers give employees they have a good relationship with higher ratings (Duarte, Goodson, & Klich, 1994). It is possible that sometimes liking is not a bias and a manager likes an employee *because* of high performance levels (Varma, DeNisi, & Peters, 1996). Still, for some managers, liking someone may mean ignoring the faults of the person and selectively remembering the positive things that person has done. One way of dealing with this problem may be journaling. By recording positive and negative performance incidents throughout the year for each employee, managers may recall each employee's performance more accurately (DeNisi, Robbins, & Cafferty, 1989).

Leniency

One of the common problems in appraisals is that managers give employees ratings higher than warranted. There may be many reasons for this, such as the desire to avoid confrontation with the employee, having a very agreeable personality, the desire to avoid hurting the chances of the employee to get a bonus, the desire to motivate employees by giving them high ratings, or liking the employee as a person. Regardless of the reason, leniency is a problem because it makes ratings relatively useless for determining raises, bonuses, or promotions. At the same time, leniency makes it harder for employees to change their behaviors. One way of dealing with this problem could be using relative rankings or at least giving managers a suggested distribution. If managers are asked to grade on a curve, they may end up being less lenient. Moreover, making managers accountable for the ratings they give may be a good idea. For example, if managers are evaluated based on how well they recognize different levels of performance, they may be less tempted to be lenient in appraisals (Bernardin, Cooke, & Villanova, 2000; Jawahar & Williams, 1997; Longenecker, 1989).

Stereotypes

One of the factors that create bias in appraisals is the stereotypes that raters may have regarding the gender, race, age or another

characteristic of the person being rated. Beliefs about different groups may be generalized to the person in question even though they may have little basis in reality. For example, research shows that women in stereotypically male jobs were rated lower than women in stereotypically female jobs. Similarly, attractive women were rated higher if they held nonmanagement jobs, but they were rated lower if they held management jobs. When factors that have no bearing on one's job performance are used to evaluate the person, employees, overall, will be demoralized, the appraisals will lose their effectiveness, and the company may face costly lawsuits (Heilman & Stopeck 1985; Lyness & Heilman, 2006). Understanding the importance of eliminating stereotypes from performance appraisals and training managers to accurately observe and evaluate performance may be beneficial in limiting exposure to this type of bias.

Key Takeaways

Performance appraisals involve observing and measuring an employee's performance during an appraisal period, recording these observations, communicating results to the employee, and recognizing high performance while devising ways of improving deficiencies. Most appraisals are conducted by the supervisor, but there are many advantages to using 360-degree appraisals. Appraisals that are more effective give employees adequate notice, fair hearing, and judgment based on evidence. Some companies use relative rankings in which employees are compared to each other, but this system is not suitable to all companies. A performance appraisal meeting should be planned and executed carefully, with the supervisor demonstrating empathy and supportiveness. There are intentional and unintentional biases inherent in appraisals and being aware of them, increasing rater accountability, and training managers may be useful in dealing with some of them.

Exercises

1. What are the disadvantages of using only supervisors as the rater? What are the disadvantages of using peers, subordinates, and customers as raters?
2. Do you believe that self-appraisals are valid? Why would it be helpful to add self-appraisals to the appraisal process? Can you think of any downsides to using them?
3. Why do some managers intentionally give an employee a higher rating than deserved? What are the disadvantages of biased ratings? How could this tendency be prevented?
4. Some recommend that performance appraisals be abolished altogether. What do you think about this approach? What are the downsides of eliminating appraisals altogether?
5. If your objective is to minimize the effects of rater biases, what type of appraisal system would you design?

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9.5: Motivating Employees Through Performance Incentives

Learning Objectives

1. Learn the importance of financial and nonfinancial incentives to motivate employees.
2. Understand the benefits of different types of incentive systems, such as piece rate and merit pay.
3. Learn why nonfinancial incentives can be effective motivators.
4. Understand the tradeoffs involved in rewarding individual, group, and organizational performance.

Performance Incentives

Perhaps the most tangible way in which companies put motivation theories into action is by instituting incentive systems. Incentives are reward systems that tie pay to performance. There are many incentives used by companies, some tying pay to individual performance and some to companywide performance. Pay-for-performance plans are very common among organizations. For example, according to one estimate, 80% of all American companies have merit pay, and the majority of *Fortune* 1000 companies use incentives (Luthans & Stajkovic, 1999). Using incentives to increase performance is a very old idea. For example, Napoleon promised 12,000 francs to whoever found a way to preserve food for the army. The winner of the prize was Nicolas Appert, who developed a method of canning food (Vision quest, 2008). Research shows that companies using pay-for-performance systems actually achieve higher productivity, profits, and customer service. These systems are more effective than praise or recognition in increasing retention of higher performing employees by creating higher levels of commitment to the company (Cadsby, Song, & Tapon, 2007; Peterson & Luthans, 2006; Salamin & Hom, 2005). Moreover, employees report higher levels of pay satisfaction under pay-for-performance systems (Heneman, Greenberger, & Strasser, 1988).

At the same time, many downsides of incentives exist. For example, it has been argued that incentives may create a risk-averse environment that diminishes creativity. This may happen if employees are rewarded for doing things in a certain way, and taking risks may negatively affect their paycheck. Moreover, research shows that incentives tend to focus employee energy to goal-directed efforts, and behaviors such as helping team members or being a good citizen of the company may be neglected (Breen, 2004; Deckop, Mengel, & Cirka, 1999; Wright et al., 1993). Despite their limitations, financial incentives may be considered powerful motivators if they are used properly and if they are aligned with companywide objectives. The most frequently used incentives are listed as follows.

Piece Rate Systems

Under piece rate incentives, employees are paid on the basis of individual output they produce. For example, a manufacturer may pay employees based on the number of purses sewn or number of doors installed in a day. In the agricultural sector, fruit pickers are often paid based on the amount of fruit they pick. These systems are suitable when employee output is easily observable or quantifiable and when output is directly correlated with employee effort. Piece rate systems are also used in white-collar jobs such as check-proofing in banks. These plans may encourage employees to work very fast, but may also increase the number of errors made. Therefore, rewarding employee performance minus errors might be more effective. Today, increases in employee monitoring technology are making it possible to correctly measure and observe individual output. For example, technology can track the number of tickets an employee sells or the number of customer complaints resolved, allowing a basis for employee pay incentives (Conlin, 2002). Piece rate systems can be very effective in increasing worker productivity. For example, Safelite AutoGlass, a nationwide installer of auto glass, moved to a piece rate system instead of paying workers by the hour. This change led to an average productivity gain of 20% per employee (Koretz, 1997).

Individual Bonuses

Bonuses are one-time rewards that follow specific accomplishments of employees. For example, an employee who reaches the quarterly goals set for her may be rewarded with a lump sum bonus. Employee motivation resulting from a bonus is generally related to the degree of advanced knowledge regarding bonus specifics.

Merit Pay

In contrast to bonuses, merit pay involves giving employees a permanent pay raise based on past performance. Often the company's performance appraisal system is used to determine performance levels and the employees are awarded a raise, such as a 2% increase in pay. One potential problem with merit pay is that employees come to expect pay increases. In companies that give annual merit raises without a different raise for increases in cost of living, merit pay ends up serving as a cost-of-living adjustment and creates a sense of entitlement on the part of employees, with even low performers expecting them. Thus, making merit pay more effective depends on making it truly dependent on performance and designing a relatively objective appraisal system.

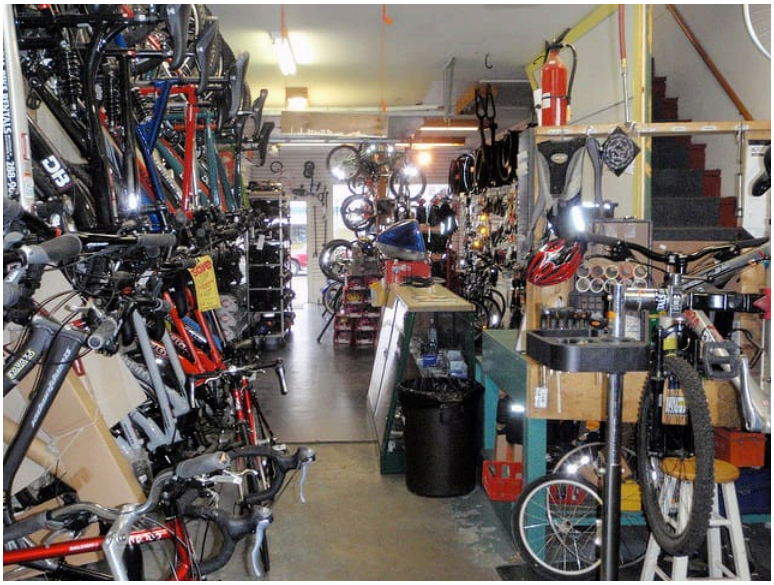


Figure 9.5.9: Properly designed sales commissions are widely used to motivate sales employees. The blend of straight salary and commissions should be carefully balanced to achieve optimum sales volume, profitability, and customer satisfaction. Rossbeane – the bike shop – CC BY-SA 2.0.

Sales Commissions

In many companies, the paycheck of sales employees is a combination of a base salary and commissions. Sales commissions involve rewarding sales employees with a percentage of sales volume or profits generated. Sales commissions should be designed carefully to be consistent with company objectives. For example, employees who are heavily rewarded with commissions may neglect customers who have a low probability of making a quick purchase. If only sales volume (as opposed to profitability) is rewarded, employees may start discounting merchandise too heavily, or start neglecting existing customers who require a lot of attention (Sales incentive plans, 2006). Therefore, the blend of straight salary and commissions needs to be managed carefully.

Awards



Figure 9.5.10: Plaques and other recognition awards may motivate employees if these awards fit with the company culture and if they reflect a sincere appreciation of employee accomplishments. Steve B – Scenic District Recognition Banquet 1985 – CC BY-NC-ND 2.0.

Some companies manage to create effective incentive systems on a small budget while downplaying the importance of large bonuses. It is possible to motivate employees through awards, plaques, or other symbolic methods of recognition to the degree these methods convey sincere appreciation for employee contributions. For example, Yum! Brands Inc., the parent company of brands such as KFC and Pizza Hut, recognizes employees who go above and beyond job expectations through creative awards such as the seat belt award (a seat belt on a plaque), symbolizing the roller-coaster-like, fast-moving nature of the industry. Other awards include things such as a plush toy shaped like a jalapeño pepper. Hewlett-Packard Development Company LP has the golden banana award, which came about when a manager wanted to reward an employee who solved an important problem on the spot and handed him a banana lying around the office. Later, the golden banana award became an award bestowed on the most innovative employees (Nelson, 2009). Another alternative way of recognizing employee accomplishments is awarding gift cards. These methods are more effective if employees have a choice among alternatives (such as between restaurants, or between a restaurant or a retailer). The advantage of gift cards over pay is that instead of paying for life's necessities such as mortgage or college, employees can enjoy the gift of going out to dinner, going on a vacation to a fun place, or acquiring a cool gadget they may not have purchased with their own money. Thus, these awards may help create a sense of commitment to the company by creating positive experiences that are attributed to the company.

Team Bonuses

In situations in which employees should cooperate with each other and isolating employee performance is more difficult, companies are increasingly resorting to tying employee pay to team performance. For example, in 2007, Wal-Mart gave bonuses to around 80% of their associates based on store performance. If employees have a reasonable ability to influence their team's performance level, these programs may be effective.

Gainsharing

Gainsharing is a companywide program in which employees are rewarded for performance gains compared to past performance. These gains may take the form of reducing labor costs compared to estimates or reducing overall costs compared to past years' figures. These improvements are achieved through employee suggestions and participation in management through employee committees. For example, Premium Standard Farms LLC, a meat processing plant, instituted a gainsharing program in which employee-initiated changes in production processes led to a savings of $300,000 a month. The bonuses were close to $1,000 per person. These programs can be successful if the payout formula is generous, employees can truly participate in the management of the company, and if employees are able to communicate and execute their ideas (Balu & Kirchenbaum, 2000; Collins, Hatcher, & Ross, 1993; Imberman, 1996).

Profit Sharing

Profit sharing programs involve sharing a percentage of company profits with all employees. These programs are companywide incentives and are not very effective in tying employee pay to individual effort, because each employee will have a limited role in influencing company profitability. At the same time, these programs may be more effective in creating loyalty and commitment to the company by recognizing all employees for their contributions throughout the year.

Stock Options

A stock option gives an employee the right, but not the obligation, to purchase company stocks at a predetermined price. For example, a company would commit to sell company stock to employees or managers 2 years in the future at $30 per share. If the company's actual stock price in 2 years is $60, employees would make a profit by exercising their options at $30 and then selling them in the stock market. The purpose of stock options is to align company and employee interests by making employees owners. However, options are not very useful for this purpose, because employees tend to sell the stock instead of holding onto it. In the past, options were given to a wide variety of employees, including CEOs, high performers, and in some companies all employees. For example, Starbucks Corporation was among companies that offered stock to a large number of associates. Options remain popular in start-up companies that find it difficult to offer competitive salaries to employees. In fact, many employees in high-tech companies such as Microsoft and Cisco Systems Inc. became millionaires by cashing in stock options after these companies went public. In recent years, stock option use has declined. One reason for this is the changes in options accounting. Before 2005, companies did not have to report options as an expense. After the changes in accounting rules, it became more expensive for companies to offer options. Moreover, options are less attractive or motivational for employees when the stock market is going down, because the cost of exercising their options may be higher than the market value of the shares. Because of these and other problems, some companies started granting employees actual stock or using other incentives. For example, PepsiCo Inc. replaced parts of the stock options program with a cash incentive program and gave managers the choice of getting stock options coupled with restricted stocks (Brandes et al., 2003; Rafter, 2004; Marquez, 2005).

Key Takeaways

Companies use a wide variety of incentives to reward performance. This is consistent with motivation theories showing that rewarded behavior is repeated. Piece rate, individual bonuses, merit pay, and sales commissions tie pay to individual performance. Team bonuses are at the department level, whereas gainsharing, profit sharing, and stock options tie pay to company performance. While these systems may be effective, people tend to demonstrate behavior that is being rewarded and may neglect other elements of their performance. Therefore, reward systems should be designed carefully and should be tied to a company's strategic objectives.

Exercises

1. Have you ever been rewarded under any of the incentive systems described in this chapter? What was your experience with them?
2. What are the advantages and disadvantages of bonuses compared to merit pay? Which one would you use if you were a manager at a company?
3. What are the advantages of using awards as opposed to cash as an incentive?
4. How effective are stock options in motivating employees? Why do companies offer them?
5. Which of the incentive systems in this section do the best job of tying pay to individual performance? Which ones do the worst job?

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9.6: The Role of Ethics and National Culture

Learning Objectives

1. Consider the role of job design, goals, and reward systems in ethical behavior.
2. Consider the role of national culture on job design, goals, and reward systems.

Designing a Motivating Work Environment and Ethics

The design components of an organization's internal environment, such as the presence of goal setting, performance appraisals, and the use of incentive-based reward systems, have a direct connection with the level of ethical or unethical behaviors demonstrated within a company. Although a large number of companies successfully use goal setting and rewarding employees based on goal accomplishment, there is an unintended consequence to using goals: Goal setting may lead to unethical behaviors on the part of employees. When goal accomplishment is rewarded, and when rewards are desirable, employees will have two basic options: Work hard to reach the goals, or cheat.

The connection between goal setting and unethical behaviors has been well documented. For example, teachers rewarded for their students' success were more likely to cheat by giving the answers to students. Sanitation workers on an incentive scheme were more likely to take their trucks to the landfill with loads exceeding legal limits (Pfeffer, 2004). Salespeople working on commissions may push customers to make a purchase beyond their budget. At higher levels within companies, a CEO's method of payment has been related to the ethical behaviors of companies. For example, when a large percentage of a CEO pay package consists of stock options, companies are more likely to misrepresent the financial situation of the company, particularly when the CEO is also the head of the board of directors (Harris & Bromiley, 2007; Priem, Coombs, & Gilley, 2006).

This does not mean that goal setting always causes unethical behavior. People who behave unethically tend to constitute a small percentage of the workforce. However, for this small percentage, goal setting and incentives act as motivation to behave unethically. The tendency to behave unethically under these systems also increases when goals are not met, but instead, employees come close to reaching them, particularly when they are competing against each other to receive the rewards (Bellizzi, 1995; Schweitzer, Ordonez, & Douma 2004). There are several ways companies can reduce the temptation to behave unethically. Specifically rewarding ethical behavior within the company is related to lower levels of unethical behaviors (Trevino & Youngblood, 1990). Also, instead of only rewarding people who reach a high goal and not giving anything to those who come close, companies may consider creating multiple levels of goals and distribute rewards corresponding to the goal that is achieved (Locke, 2004). Enforcing an ethical code of conduct and withholding rewards from those who are not demonstrating ethical behaviors are other ways of preventing goal setting from leading to unethical behaviors.

Designing a Motivating Work Environment Around the Globe

The effectiveness of methods such as job design, goal setting, performance appraisals, and the use of incentives is likely to be culturally determined. For example, research conducted in Western countries suggests that empowering employees is an effective method of motivating them. However, not all employees around the world respond favorably to concepts such as autonomy or empowerment. For example, it has been noted that the use of self-managing teams, a method of increasing employee empowerment in the workplace, is difficult to execute in Mexican companies because of the traditionally paternalistic and hierarchical nature of many Mexican organizations. In such a context, employees may not be willing or ready to take responsibility for individual action, while managers may be unwilling to share real power with employees (Nicholls, Lane, & Brechu, 1999). Researchers also found in a four-country study that while employees in the United States, Mexico, and Poland responded positively to empowerment, Indian employees were actually less satisfied when they were empowered (Robert et al., 2000). In other words, we may expect both greater levels of difficulty and potentially different reactions to empowerment depending on the cultural context.

Are all employees around the globe motivated by goal setting? Even though there is limited research in this area, existing findings point to some differences. For example, we know that American employees respond negatively to goals when these goals are perceived to be extremely difficult. However, Chinese employees actually were most motivated when the goals were very difficult. This may be because Chinese employees believe that their performance depends on their effort, and therefore, they are able to

respond to goals that are very difficult with very high effort. On the other hand, there is some evidence that while specific goals motivate Western salespeople, in China goals low in specificity were more motivational (Fang, Palmatier, & Evans, 2004).

How about performance appraisals? You may predict that concepts such as 360-degree appraisal are not suitable to all cultures. The 360-degree appraisals require a climate of openness and social equality in the workplace. Therefore, countries high in power distance and authoritarianism may respond negatively to appraisal systems where lower level employees give performance feedback to their managers. Likewise, in cultures high in collectivism, using peer appraisals may not be as effective, because employees might be hesitant to give accurate performance feedback to their colleagues with the fear that negative feedback may damage interpersonal relationships.

Key Takeaways

Goal setting and reward systems influence the level of ethics in the work environment. When employees come close to reaching their goals but fall short, they are more likely to behave unethically. The type of incentive system used in a company may generate unethical behaviors. Moreover, job design, goal setting, performance appraisals, and incentives should be designed while considering the national culture context, because they may not be universally valid.

Exercises

1. Do you have any experience with goal setting leading to unethical behaviors?
2. Many observers and employees are concerned about the spread between CEO pay and average employee pay. Is it ethical for CEOs to be paid so much more than other employees? Under which conditions would it be unethical?
3. How would you determine whether a certain incentive scheme or a type of performance appraisal could be transferred to a different culture?

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9.7: The Case of Xerox



Figure 9.7.11: Anne Mulcahy, Former Xerox Chairman of the Board (left), and Ursula Burns, Xerox CEO (right) Fortune Live Media – Fortune Most Powerful Women 2012 – CC BY-NC-ND 2.0; Fortune Live Media – Fortune Most Powerful Women 2013 – CC BY-NC-ND 2.0.

As of 2010, Xerox Corporation (NYSE: XRX) is a $22 billion, multinational company founded in 1906 and operating in 160 countries. Xerox is headquartered in Norwalk, Connecticut, and employs 130,000 people. How does a company of such size and magnitude effectively manage and motivate employees from diverse backgrounds and experiences? Such companies depend on the productivity and performance of their employees. The journey over the last 100 years has withstood many successes and failures. In 2000, Xerox was facing bankruptcy after years of mismanagement, piles of debt, and mounting questions about its accounting practices.

Anne Mulcahy turned Xerox around. Mulcahy joined Xerox as an employee in 1976 and moved up the corporate ladder, holding several management positions until she became CEO in 2001. In 2005, Mulcahy was named by *Fortune* magazine as the second most powerful woman in business. Based on a lifetime of experience with Xerox, she knew that the company had powerful employees who were not motivated when she took over. Mulcahy believed that among other key businesses changes, motivating employees at Xerox was a key way to pull the company back from the brink of failure. One of her guiding principles was a belief that in order to achieve customer satisfaction, employees must be interested and motivated in their work. Mulcahy not only successfully saw the company through this difficult time but also was able to create a stronger and more focused company.

In 2009, Mulcahy became the chairman of Xerox's board of directors and passed the torch to Ursula Burns, who became the new CEO of Xerox. Burns became not only the first African American woman CEO to head a Standard & Poor's (S&P) company but also the first woman to succeed another woman as the head of an S&P 100 company. Burns is also a lifetime Xerox employee who has been with the company for over 30 years. She began as a graduate intern and was hired full time after graduation. Because of her tenure with Xerox, she has close relationships with many of the employees, which provides a level of comfort and teamwork. She describes Xerox as a nice family. She maintains that Mulcahy created a strong and successful business but encouraged individuals to speak their mind, to not worry about hurting one another's feelings, and to be more critical.

Burns explains that she learned early on in her career, from her mentors at Xerox, the importance of managing individuals in different ways and not intentionally intimidating people but rather relating to them and their individual perspectives. As CEO, she wants to encourage people to get things done, take risks, and not be afraid of those risks. She motivates her teams by letting them know what her intentions and priorities are. The correlation between a manager's leadership style and the productivity and motivation of employees is apparent at Xerox, where employees feel a sense of importance and a part of the process necessary to maintain a successful and profitable business. In 2010, Anne Mulcahy retired from her position on the board of directors to pursue new projects.

Based on information from Tompkins, N. C. (1992, November 1). Employee satisfaction leads to customer service. *AllBusiness*.

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Discussion Questions

1. How do you think Xerox was able to motivate its employees through the crisis it faced in 2000?
2. How does a CEO with such a large number of employees communicate priorities to a worldwide workforce?
3. How might Ursula Burns motivate employees to take calculated risks?
4. Both Anne Mulcahy and Ursula Burns were lifetime employees of Xerox. How does an organization attract and keep individuals for such a long period of time?

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9.8: Conclusion

In this chapter, we reviewed specific methods with which companies attempt to motivate their workforce. Designing jobs to increase their motivating potential, empowering employees, setting goals, evaluating performance using performance appraisals, and tying employee pay to individual, group, or organizational performance using incentive systems are methods through which motivation theories are put into action. Even though these methods seem to have advantages, every method could have unintended consequences, and therefore, application of each method should be planned and executed with an eye to organizational fairness.

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9.9: Exercises

Ethical Dilemma

James is about to conduct a performance appraisal for Maria. Maria has exhibited some performance problems in the past 6 months. She has been coming in late and leaving early, and she missed two important deadlines. At the same time, she is a very likeable and nice person who gets along well with others in the office. James also knows that Maria has a significant amount of debt and getting a bonus after this appraisal would really help her. James does not want to jeopardize his relationship with her and he does not want to prevent her from getting the bonus. Therefore, he is considering giving her a “good” rating in the appraisal. What would be your advice to James regarding this situation?

Individual Exercise

- A call center is using the metric of average time per call when rewarding employees. In order to keep their average time low, employees are hanging up on customers when they think that the call will take too long to answer.
- In a department store, salespeople are rewarded based on their sales volume. The problem is that they are giving substantial discounts and pressuring customers to make unnecessary purchases.
- All employees at a factory are receiving a large bonus if there are no reported injuries for 6 months. As a result, some employees are hiding their injuries so that they do not cause others to lose their bonus.

What are the reasons for the negative consequences of these bonus schemes? Modify these schemes to solve the problems.

Group Exercise

Performance Appraisal Role Play

This role play will involve three students. One student will be the supervisor and the second will be the subordinate. The supervisor and the subordinate will conduct a formal performance appraisal interview. The third role is of an observer who should provide feedback to both parties regarding how they could have improved their effectiveness.

Be sure to read only the role sheet assigned to you by your professor.

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10: PERFORMANCE APPRAISAL AND REWARDS



Performance Appraisal and Rewards

Learning Outcomes

After reading this chapter, you should be able to answer these questions:

1. How do organizations effectively use performance appraisals to improve individual job performance, and what are the limitations inherent in the use of various appraisal systems?
2. What practices are used in the performance appraisal process?
3. How do managers give effective feedback to subordinates?
4. How do organizations choose the best appraisal system for their organization?
5. How do managers and organizations use incentives and rewards effectively to secure the best possible performance from employees?

10.1: Performance Appraisal Systems

10.2: Techniques of Performance Appraisal

10.3: Feedback

10.4: Reward Systems in Organizations

10.5: Individual and Group Incentive Plans

10.6: Glossary

10.7: Summary of Learning Outcomes

10.8: Chapter Review Questions

10.9: Management Skills Application Exercises

10.10: Managerial Decision Exercises

10.11: Critical Thinking Case

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10.1: Performance Appraisal Systems

exploring managerial careers: Two Performance Appraisal Interviews

"Janet, thanks for coming in. As you know, it's that time of year again. I've been going over this performance appraisal form and have written in my evaluation. I'd like you to look it over and then sign it."

Janet looked over her ratings, which were nearly all in the "satisfactory" range. Even the category of dependability was marked "satisfactory"; yet, it was Janet who came in on three different occasions to cover for workers in her group who were absent for one reason or another. Janet mentioned this issue to her boss, Ken.

"Well, Janet, you're right and that's exactly what I expect of my employees. You know this is your first year here and you can't expect to reach the top in one jump. But I like your style and if you keep it up, who knows how far you'll go."

Twenty-four minutes after the interview began, Janet left, bewildered and disappointed. She had worked hard during her first year; in fact, she had gone the extra mile on a few occasions, and now she was more confused than ever about what was expected of her and what constituted good performance. "Maybe it just doesn't pay to work hard."

Two weeks before their scheduled interview, Mary asked Ron to review his goals and accomplishments for the last six months and to note any major changes in his job that had taken place during that period. In the meantime, Mary pulled out the file in which she had periodically recorded both positive and negative specific incidents over the last six months concerning Ron's performance. She also reviewed the goals they had jointly set at the end of the last review and thought carefully about not only the possible goals for the next six months but longer-term development needs and goals that might be appropriate for Ron.

On the day of the interview, both Mary and Ron came well prepared to review the past six months as well as to think about and plan for the next performance period and beyond. The interview took nearly two hours. After candidly discussing Ron's past performance and the extent to which both sides felt he had or had not accomplished the goals for that period, they began to focus on what should be accomplished in the future. The discussion caused both sides to make changes in their original evaluations and ideas about targets for the future. When it was over, Ron left more motivated than before and confident that even though he had areas in which he could improve, he had a bright future ahead of him if he continued to be motivated and work hard.

1. How do organizations effectively use performance appraisals to improve individual job performance, and what are the limitations inherent in the use of various appraisal systems?

Performance appraisals are one of the most important and often one of the most mishandled aspects of management. Typically, we think of performance appraisals as involving a boss evaluating a subordinate. However, performance appraisals increasingly involve subordinates appraising bosses through a feedback process known as 360 feedback,1 customers appraising providers, and peers evaluating coworkers.

Whether appraisals are done by subordinates, peers, customers, or superiors, the process itself is vital to the lifeblood of the organization. Performance appraisal systems provide a means of systematically evaluating employees across various performance dimensions to ensure that organizations are getting what they pay for. They provide valuable feedback to employees and managers, and they assist in identifying promotable people as well as problems. However, such appraisals are meaningless unless they are accompanied by an effective feedback system that ensures that the employee gets the right messages concerning performance.

Reward systems represent a powerful motivational force in organizations, but this is true only when the system is fair and tied to performance. Because a variety of approaches to appraising performance exists, managers should be aware of the advantages and disadvantages of each. In turn, an understanding of reward systems will help managers select the system best suited to the needs and goals of the organization.

Performance appraisal systems serve a variety of functions of central importance to employees. Appraisal techniques practiced today are not without problems, though. Managers should keep abreast of recent developments in compensation and reward

systems so they can modify existing systems when more appropriate alternatives become available.

A key management responsibility has always been to oversee and develop subordinates. In fact, it has been said that every manager is a human resource manager. Nowhere is this truer than with regard to evaluating and rewarding subordinates. Managers are consistently involved with employee training and development, monitoring employee performance, providing job-related feedback, and administering rewards.

In this chapter, we examine three interrelated aspects of the performance appraisal and reward process. As **Exhibit 8.2** shows, this process moves from evaluating employee performance to providing adequate and constructive feedback to determining discretionary rewards. Where effort and performance are properly evaluated and rewarded, we would expect to see more stable and consistent job performance. On the other hand, where such performance is only evaluated intermittently or where the appraisal and review process is poorly done, we would generally see less consistent performance. We begin our discussion with a look at the nature of appraisals.

We begin by examining three aspects of performance appraisal systems: (1) the uses of performance appraisals, (2) problems found in performance appraisals, and (3) methods for reducing errors in the appraisal system. This overview will provide a foundation for studying specific techniques of performance appraisal. Those interested in more detailed information on performance appraisal systems may wish to consult books on personnel administration or compensation.

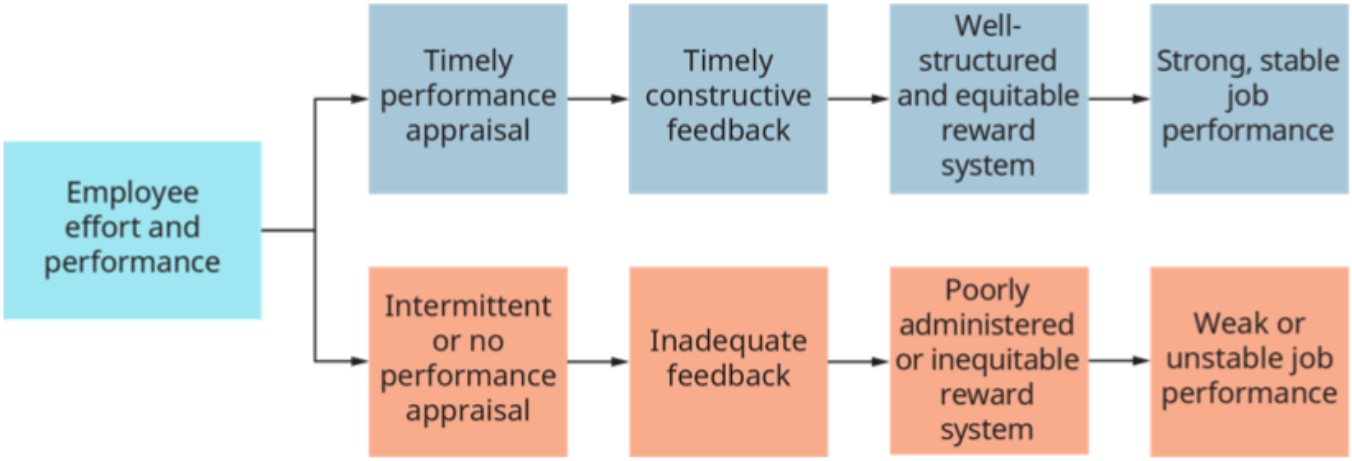


Exhibit 8.2 The Performance Appraisal and Reward Process (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)

Uses of Performance Appraisals

In most work organizations, performance appraisals are used for a variety of reasons. These reasons range from improving employee productivity to developing the employees themselves. This diversity of uses is well documented in a study of why companies use performance appraisals.[2] Traditionally, compensation and performance feedback have been the most prominent reasons organizations use performance appraisals.

Feedback to employees. Performance appraisals provide feedback to employees about quantity and quality of job performance. Without this information, employees have little knowledge of how well they are doing their jobs and how they might improve their work.

Self-development. Performance appraisals can also serve as an aid to employee self-development. Individuals learn about their strengths and weaknesses as seen by others and can initiate self-improvement programs (see discussion on behavioral self-management programs).

Reward systems. In addition, appraisals may form the bases of organizational reward systems—particularly merit-based compensation plans.

Personnel decisions. Performance appraisals serve personnel-related functions as well. In making personnel decisions, such as those relating to promotions, transfers, and terminations, they can be quite useful. Employers can make choices on the

basis of information about individual talents and shortcomings. In addition, appraisal systems help management evaluate the effectiveness of its selection and placement functions. If newly hired employees generally perform poorly, managers should consider whether the right kind of people are being hired in the first place.

Training and development. Finally, appraisals can help managers identify areas in which employees lack critical skills for either immediate or future performance. In these situations, new or revised training programs can be established to further develop the company's human resources.

It is apparent that performance appraisal systems serve a variety of functions in organizations. In light of the importance of these functions, it is imperative that the accuracy and fairness of the appraisal be paramount considerations in the evaluation of a system. Many performance appraisal systems exist. It is the manager's job to select the technique or combination of techniques that best serves the particular needs (and constraints) of the organization. Before considering these various techniques, let us look at some of the more prominent problems and sources of error that are common to several of them.

Problems with Performance Appraisals

A number of problems can be identified that pose a threat to the value of appraisal techniques. Most of these problems deal with the related issues of the validity and reliability of the instruments or techniques themselves. **Validity** is the extent to which an instrument actually measures what it intends to measure, whereas **reliability** is the extent to which the instrument consistently yields the same results each time it is used. Ideally, a good performance appraisal system will exhibit high levels of both validity and reliability. If not, serious questions must be raised concerning the utility (and possibly the legality) of the system.

It is possible to identify several common sources of error in performance appraisal systems. These include: (1) central tendency error, (2) strictness or leniency error, (3) halo effect, (4) recency error, and (5) personal biases.

Central Tendency Error. It has often been found that supervisors rate most of their employees within a narrow range. Regardless of how people actually perform, the rater fails to distinguish significant differences among group members and lumps everyone together in an "average" category. This is called **central tendency error** and is shown in **Exhibit 8.3**. In short, the central tendency error is the failure to recognize either very good or very poor performers.

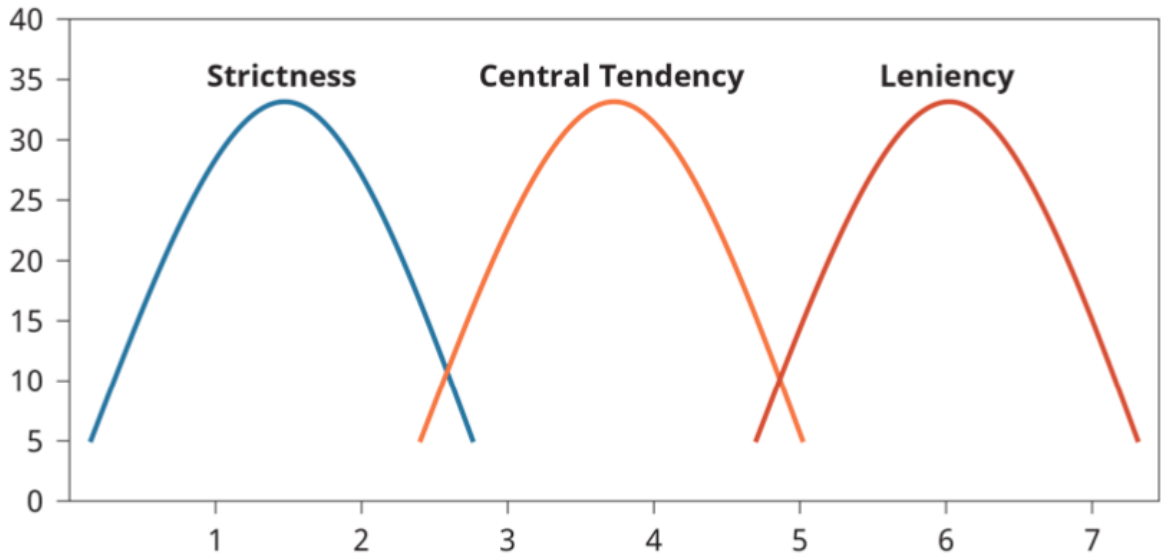


Exhibit 8.3 Examples of Strictness, Central Tendency, and Leniency Errors (Attribution: Copyright Rice University, OpenStax, under CC BY- NC-SA 4.0 license)

Strictness or Leniency Error. A related rating problem exists when a supervisor is overly strict or overly lenient in evaluations (see **Exhibit 8.3**). In college classrooms, we hear of professors who are "tough graders" or, conversely, "easy A's." Similar situations exist in the workplace, where some supervisors see most subordinates as not measuring up to their high standards, whereas other supervisors see most subordinates as deserving of a high rating. As with central tendency error, **strictness error** and **leniency error** fail to distinguish adequately between good and bad performers and instead relegate almost everyone to the same or related categories.

Halo Effect. The **halo effect** exists where a supervisor assigns the same rating to each factor being evaluated for an individual. For example, an employee rated above average on quantity of performance may also be rated above average on quality of performance, interpersonal competence, attendance, and promotion readiness. In other words, the supervisor cannot effectively differentiate between relatively discrete categories and instead gives a global rating.

These types of bias are based on our perceptions of others. The halo effect occurs when managers have an overly positive view of a particular employee. This can impact the objectivity of reviews, with managers consistently giving an employee high ratings and failing to recognize areas for improvement.

Whether positive or negative, we also have a natural tendency to confirm our preconceived beliefs about people in the way we interpret or recall performance, which is known as confirmatory bias.

For example, a manager may have a preconception that her male report is more assertive. This could cause her to recall instances more easily in which her report asserted his position during a meeting. On the other hand, she may perceive her female report to be less assertive, predisposing her to forget when the report suggested an effective strategy or was successful in a tough negotiation.

The halo effect is often a consequence of people having a similarity bias for certain types of people. We naturally tend to favor and trust people who are similar to us. Whether it's people who also have a penchant for golf or people who remind us of a younger version of ourselves, favoritism that results from a similarity bias can give certain employees an unfair advantage over others. This can impact a team to the point that those employees may receive more coaching, better reviews and, as a result, more opportunities for advancements.[3]

Recency Error. Oftentimes evaluators focus on an employee's most recent behavior in the evaluation process. This is known as the **recency error**. That is, in an annual evaluation, a supervisor may give undue emphasis to performance during the past months—or even weeks—and ignore performance levels prior to this. This practice, if known to employees, leads to a situation where employees may "float" for the initial months of the evaluation period and then overexert themselves in the last few months or weeks prior to evaluation. This practice leads to uneven performance and contributes to the attitude of "playing the game."

Personal Biases. Finally, it is not uncommon to find situations in which supervisors allow their own personal biases to influence their appraisals. Such biases include like or dislike for someone, as well as racial and sexual biases. Personal biases can interfere with the fairness and accuracy of an evaluation and are illegal in many situations.

Reducing Errors in Performance Appraisals

A number of suggestions have been advanced recently to minimize the effects of various biases and errors on the performance appraisal process.[4] When errors are reduced, more accurate information is available for personnel decisions and personal development. These methods for reducing error include

- ensuring that each dimension or factor on a performance appraisal form represents a single job activity instead of a group of job activities.
- avoiding terms such as *average*, because different evaluators define the term differently.
- ensuring that raters observe subordinates on a regular basis throughout the evaluation period. It is even helpful if the rater takes notes for future reference.
- keeping the number of persons evaluated by one rater to a reasonable number. When one person must evaluate many subordinates, it becomes difficult to discriminate. Rating fatigue increases with the number of rates.
- ensuring that the dimensions used are clearly stated, meaningful, and relevant to good job performance.
- training raters so they can recognize various sources of error and understand the rationale underlying the evaluation process.
- Using mechanisms like these, better employee ratings that can have greater meaning both for the individual employee and the organization will result.

concept check

- What are performance appraisals, and how are they used in organizations?
- How are performance appraisals used as a reward system, and what problems can they cause?

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10.2: Techniques of Performance Appraisal

2. What practices are used in the performance appraisal process?

Organizations use numerous methods to evaluate personnel. We will summarize several popular techniques. Although countless variations on these themes can be found, the basic methods presented provide a good summary of the commonly available techniques. Following this review, we will consider the various strengths and weaknesses of each technique. Six techniques are reviewed here: (1) graphic rating scales, (2) critical incident technique, (3) behaviorally anchored rating scales, (4) behavioral observation scales, (5) management by objectives, and (6) assessment centers.

Graphic Rating Scales

Certainly, the most popular method of evaluation used in organizations today is the **graphic rating scale**. One study found that 57 percent of the organizations surveyed used rating scales, and another study found the figure to be 65 percent.[5] Although this method appears in many formats, the supervisor or rater is typically presented with a printed or online form that contains both the employee's name and several evaluation dimensions (quantity of work, quality of work, knowledge of job, attendance). The rater is then asked to rate the employee by assigning a number or rating on each of the dimensions. An example of a graphic rating scale is shown in **Table 8.1**.

A Sample of a Typical Graphic Rating Scale					
Name _____Dept. _____Date _____					
Quantity of work	**Outstanding**	**Good**	**Satisfactory**	**Fair**	**Unsatisfactory**
Volume of acceptable work under normal conditions					
Comments:					
Quality of work	**Outstanding**	**Good**	**Satisfactory**	**Fair**	**Unsatisfactory**
Thoroughness, neatness, and accuracy of work					
Comments:					
Knowledge of job	**Outstanding**	**Good**	**Satisfactory**	**Fair**	**Unsatisfactory**
Clear understanding of the facts or factors pertinent to the job					
Comments:					
Personal qualities	**Outstanding**	**Good**	**Satisfactory**	**Fair**	**Unsatisfactory**
Personality, appearance, sociability, leadership, integrity					
Comments:					

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A Sample of a Typical Graphic Rating Scale					
Name _____Dept. _____Date _____					
Cooperation	**Outstanding**	**Good**	**Satisfactory**	**Fair**	**Unsatisfactory**
Ability and willingness to work with associates, supervisors, and subordinates toward common goal					
Comments:					
Dependability	**Outstanding**	**Good**	**Satisfactory**	**Fair**	**Unsatisfactory**
Conscientious, thorough, accurate, reliable with respect to attendance, lunch periods, reliefs, etc.					
Comments:					
Initiative	**Outstanding**	**Good**	**Satisfactory**	**Fair**	**Unsatisfactory**
Earnestness in seeking increased responsibilities Self-starting, unafraid to proceed alone					
Comments:					

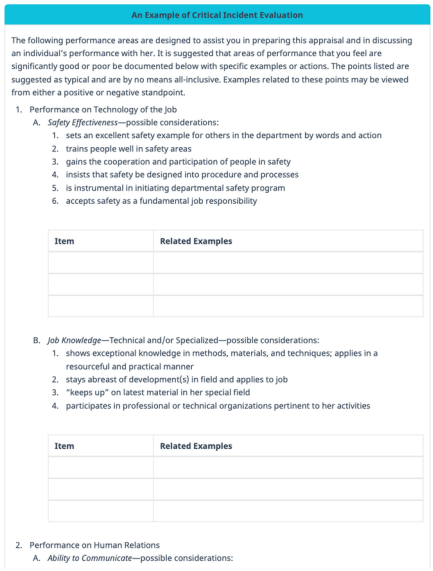
Table 8.1 (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)

By using this method, if we assume that evaluator biases can be minimized, it is possible to compare employees objectively. It is also possible to examine the relative strengths and weaknesses of a single employee by comparing scores on the various dimensions.

However, one of the most serious drawbacks of this technique is its openness to central tendency, strictness, and leniency errors. It is possible to rate almost everyone in the middle of the scale or, conversely, at one end of the scale. In order to control for this, some companies have assigned required percentage distributions to the various scale points. Supervisors may be allowed to rate only 10 percent of their people outstanding and are required to rate 10 percent unsatisfactory, perhaps assigning 20 percent, 40 percent, and 20 percent to the remaining middle categories. By doing this, a distribution is forced within each department. However, this procedure may penalize a group of truly outstanding performers or reward a group of poor ones.

Critical Incident Technique

With the **critical incident technique** of performance appraisal, supervisors record incidents, or examples, of each subordinate's behavior that led to either unusual success or unusual failure on some aspect of the job. These incidents are recorded in a daily or weekly log under predesignated categories (planning, decision- making, interpersonal relations, report writing). The final performance rating consists of a series of descriptive paragraphs or notes about various aspects of an employee's performance (see **Table 8.2**).



An Example of Critical Incident Evaluation

The following performance areas are designed to assist you in preparing this appraisal and in discussing an individual's performance with her. It is suggested that areas of performance that you feel are significantly good or poor be documented below with specific examples or actions. The points listed are suggested as typical and are by no means all-inclusive. Examples related to these points may be viewed from either a positive or negative standpoint.

1. Performance on Technology of the Job
   A. *Safety Effectiveness*—possible considerations:
      1. sets an excellent safety example for others in the department by words and action
      2. trains people well in safety areas
      3. gains the cooperation and participation of people in safety
      4. insists that safety be designed into procedure and processes
      5. is instrumental in initiating departmental safety program
      6. accepts safety as a fundamental job responsibility

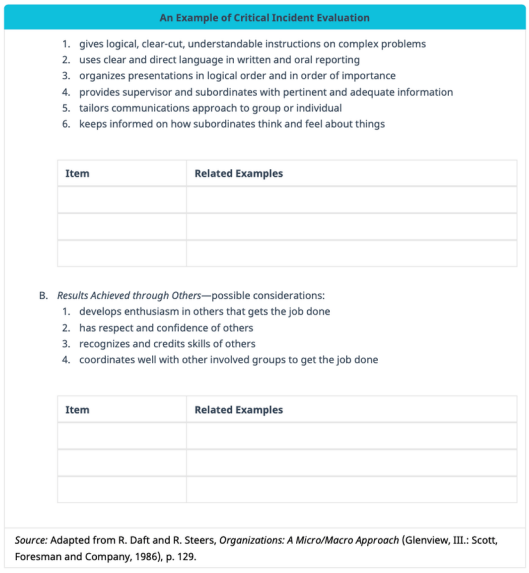
Item	Related Examples

   B. *Job Knowledge*—Technical and/or Specialized—possible considerations:
      1. shows exceptional knowledge in methods, materials, and techniques; applies in a resourceful and practical manner
      2. stays abreast of development(s) in field and applies to job
      3. "keeps up" on latest material in her special field
      4. participates in professional or technical organizations pertinent to her activities

Item	Related Examples

2. Performance on Human Relations
   A. *Ability to Communicate*—possible considerations:

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An Example of Critical Incident Evaluation

1. gives logical, clear-cut, understandable instructions on complex problems
2. uses clear and direct language in written and oral reporting
3. organizes presentations in logical order and in order of importance
4. provides supervisor and subordinates with pertinent and adequate information
5. tailors communications approach to group or individual
6. keeps informed on how subordinates think and feel about things

Item	Related Examples

B. *Results Achieved through Others*—possible considerations:
   1. develops enthusiasm in others that gets the job done
   2. has respect and confidence of others
   3. recognizes and credits skills of others
   4. coordinates well with other involved groups to get the job done

Item	Related Examples

Source: Adapted from R. Daft and R. Steers, *Organizations: A Micro/Macro Approach* (Glenview, III.: Scott, Foresman and Company, 1986), p. 129.

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The critical incident method provides useful information for appraisal interviews, and managers and subordinates can discuss specific incidents. Good qualitative information is generated. However, because little quantitative data emerge, it is difficult to use this technique for promotion or salary decisions. The qualitative output here has led some companies to combine the critical incident technique with one of the quantitative techniques, such as the rating scale, to provide different kinds of feedback to the employees.

Behaviorally Anchored Rating Scales

An appraisal system that has received increasing attention in recent years is the **behaviorally anchored rating scale** (BARS). This system requires considerable work prior to evaluation but, if the work is carefully done, can lead to highly accurate ratings with high inter-rater reliability. Specifically, the BARS technique begins by selecting a job that can be described in observable behaviors. Managers and personnel specialists then identify these behaviors as they relate to superior or inferior performance.

An example of this is shown in **Exhibit 8.4**, where the BARS technique has been applied to the job of college professor. As shown, as one moves from extremely poor performance to extremely good performance, the performance descriptions, or behavioral anchors, increase. Oftentimes, six to ten scales are used to describe performance on the job. **Exhibit 8.4** evaluates the professor's

organizational skills. Other scales could relate to the professor's teaching effectiveness, knowledge of the material, availability to students, and fairness in grading. Once these scales are determined, the evaluator has only to check the category that describes what she observes on the job, and the employee's rating is simultaneously determined. The BARS technique has several purported advantages. In particular, many of the sources of error discussed earlier (central tendency, leniency, halo) should be significantly reduced because raters are considering verbal descriptions of specific behaviors instead of general categories of behaviors, such as those used in graphic rating scales. In addition, the technique focuses on job-related behaviors and ignores less relevant issues such as the subordinate's personality, race, or gender. This technique should also lead to employees being less defensive during performance appraisals, because the focus of the discussion would be actual measured behaviors, not the person. Finally, BARS can aid in employee training and development by identifying those domains needing most attention.

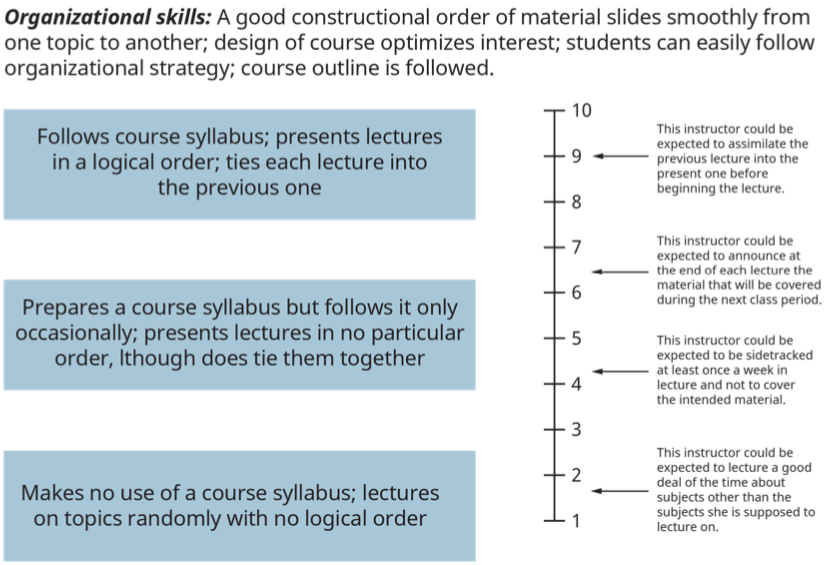


Exhibit 8.4 A Behaviorally Anchored Scale for Rating College Professors *Source:* Reprinted by permission of H. John Bernardin. (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)

On the negative side, as noted above, considerable time and effort in designing the forms are required before the actual rating. Because a separate BARS is required for each distinct job, it is only cost-efficient for common jobs. Finally, because the technique relies on observable behaviors, it may have little applicability for such jobs in such areas as research science (and sometimes management), where much of the work is mental and relevant observable behaviors are difficult to obtain.

Behavioral Observation Scales

The **behavioral observation scale** (BOS) is similar to BARS in that both focus on identifying observable behaviors as they relate to performance. It is, however, less demanding of the evaluator. Typically, the evaluator is asked to rate each behavior on a scale from 1 to 5 to indicate the frequency with which the employee exhibits the behavior. Evaluation of an employee's performance on a particular dimension is derived by summing the frequency ratings for the behaviors in each dimension.

For example, in **Table 8.3** we can see an example of a form to evaluate a manager's ability to overcome resistance to change. The rater simply has to circle the appropriate numbers describing observed behaviors and get a summary rating by adding the results. The BOS technique is easier to construct than the BARS and makes the evaluator's job somewhat simpler. Even so, this is a relatively new technique that is only now receiving some support in industry.

Example of a Behavioral Observation Scale for Managers: Overcoming Resistance to Change					
	Almost Never				Almost Always
1. Describes the details of the change to subordinates	1	2	3	4	5
2. Explains why the change is necessary	1	2	3	4	5
3. Discusses how the change will affect the employee	1	2	3	4	5
4. Listens to the employee's concerns	1	2	3	4	5
5. Asks the employee for help in making the change work	1	2	3	4	5
6. If necessary, specifies the date for a follow-up meeting to respond to employee's concerns	1	2	3	4	5
Total:	6–10	11–15	16–20	21–25	26–30
	Below adequate	Adequate	Full	Excellent	Superior
Source: Adapted from K. Wexley and G. Latham, *Increasing Productivity Through Performance Appraisal,* 3rd ed. Englewood Cliffs, NJ: Prentice Hall, 2001.					

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Management by Objectives

A popular technique for evaluating employees who are involved in jobs that have clear quantitative output is **management by objectives** (MBO). Although the concept of MBO encompasses much more than just the appraisal process (incorporating an organization-wide motivation, performance, and control system), we will focus here on its narrower application to evaluating employee performance. MBO is closely related to the goal-setting theory of motivation.

Under MBO, individual employees work with their supervisor to establish goals and objectives for which they will be responsible during the coming year. These goals are stated in clear language and relate to tasks that are within the domain of the employee. An example of these goals for a sales representative is shown in **Table 8.4**. Following a specified period of time, the employee's performance is compared to the preset goals to determine the extent to which the goals have been met or exceeded.

MBO Evaluation Report for Sales Representative			
Goals Categories	Goal	Actual Performance	Variance
1. Number of sales calls	40	38	95%
2. Number of new customers contacted	10	10	100%
3. Number of customer complaints	5	10	50%
4. Sales of product #1	10,000 units	11,000 units	110%
5. Sales of product #2	15,000 units	14,000 units	93%
6. Sales of product #3	25,000 units	30,000 units	120%

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Several advantages of MBO have been observed. These include the ability to do better planning; improved motivation, because of knowledge of results; fairer evaluations, done on the basis of results rather than personality; improved commitment through participation; and improved supervisory skills in such areas as listening, counseling, and evaluating. On the negative side, however, MBO has been criticized because it emphasizes quantitative goals at the expense of qualitative goals and often

creates too much paperwork. It is difficult to compare performance levels among employees because most are responsible for different goals. Sometimes the implementation of MBO goals are autocratic and therefore ineffective or even counterproductive. As discussed in the study of motivation, goals must be accepted to be effective. Finally, in order to be successful, MBO implementation must have constant attention and support from top management; MBO does not run itself. In the absence of this support, the technique loses legitimacy and often falls into disrepair.

Assessment Centers

A relatively new method of evaluation is the **assessment center**. Assessment centers are unique among appraisal techniques in that they focus more on evaluating an employee's long-range potential to an organization than on her performance over the past year. They are also unique in that they are used almost exclusively among managerial personnel.

An assessment center consists of a series of standardized evaluations of behavior based on multiple inputs. Over a two- or three-day period (away from the job), trained observers make judgments on managers' behavior in response to specially developed exercises. These exercises may consist of in-basket exercises, role- playing, and case analyses, as well as personal interviews and psychological tests. An example of an assessment center program is shown in **Table 8.5**.

Example of Two-Day Assessment Center Schedule			
Day #1		**Day #2**	
8:00–9:00 A.M.	Orientation session	8:00–10:30 A.M.	In-basket exercise
9:00 –10:30 A.M.	Psychological testing	10:30–10:45 A.M.	Coffee break
10:30–10:45 A.M.	Coffee break	10:45–12:30 P.M.	Role-playing exercise
10:45–12:30 P.M.	Management simulation game	12:30–1:30 P.M.	Lunch
12:30–1:30 P.M.	Lunch	1:30–3:15 P.M.	Group problem-solving exercise
1:30–3:15 P.M.	Individual decision-making exercise	3:15–3:30 P.M.	Coffee break
3:15–3:30 P.M.	Coffee break	3:30–4:30 P.M.	Debriefing by raters
3:30–4:30 P.M.	Interview with raters		

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On the basis of these exercises, the trained observers make judgments on employees' potential for future managerial assignments in the organization. More specifically, information is obtained concerning employees' interpersonal skills, communication ability, creativity, problem-solving skills, tolerance for stress and ambiguity, and planning ability. This technique has been used successfully by some of the largest corporations in the United States, including AT&T, IBM, and General Electric.

Results from a series of assessment center programs appear promising, and the technique is growing in popularity as a means of identifying future managerial potential. For example, Coca-Cola USA experimented with using assessment centers to select its managerial personnel. After a detailed study, the company found that those selected in this way were only one-third as likely to leave the company or be fired than those selected in the traditional way. Although the assessment center approach added about 6 percent to the cost of hiring, the lower turnover rate led to large overall savings.[6]

Some problems with the technique have been noted. In particular, because of the highly stressful environment created in assessment centers, many otherwise good managers may simply not perform to their potential. Moreover, the results of a poor evaluation in an assessment center may be far-reaching; individuals may receive a "loser" image that will follow them for a long time. And, finally, there is some question concerning exactly how valid and reliable assessment centers really are in predicting future managerial success.[7] Despite these problems, assessment centers remain a popular vehicle in some companies for developing and appraising managerial potential.

ethics in practice

Tesla's Performance Review

At Tesla, the automotive giant, the standards are set extremely high for their employees. In 2017, Tesla conducted its annual performance reviews as it does each year. Due to the review process, the company sees both voluntary and involuntary departures. During the review process, the managers discuss "results that were achieved, as well as how those results were achieved" with their employees.* Tesla also has a performance recognition and compensation program that includes equity rewards as well as promotions in some cases, along with the constructive feedback.

The departure of employees during the review period is not unique to Tesla; however, in 2017 there was a large exodus of approximately 700 employees following their employee reviews. Elon Musk, who recently has stepped down from the role of chairman and has been under scrutiny for his behavior,* saw the media coverage of this news as "ridiculous."

"You have two boxes of equal ability, and one's much smaller, the big guy's going to crush the little guy, obviously," states Musk. "So, the little guy better have a heck of a lot more skill or he's going to get clobbered. So that is why our standards are high . . . if they're not high, we will die."

Overall, approximately 17 percent of their employees were promoted, almost half in manufacturing. As Tesla continues to grow and develop new vehicles, it is consistently pushing the boundaries and pushing its employees to new limits. Performance reviews are of the highest importance for Tesla's business to succeed; the company needs the best people with the best skills. It is constantly growing and attempting to "suck the labor pool dry" to fill positions at many of its locations and factories.

Questions:

1. What factors do you feel could have changed in Tesla's approach to its performance reviews?
2. How can a high-pressure environment affect an employee's performance? What factors should be considered to combat these issues?

Sources: K. Korosec. "Tesla Fires Hundreds of Workers After Their Annual Performance Review." *Fortune*, October 14, 2017, http://fortune.com/2017/10/13/tesla-fires-employees/; D. Muoio. "Tesla fired 700 employees after performance reviews in the third quarter." *Business Insider*, November 1, 2017, https://www.businessinsider.com/tesl...eviews-2017-11; J. Wattles. "Elon Musk agrees to pay $20 million and quit as Tesla chairman in deal with SEC." *Money*, September 30, 2018, https://money.cnn.com/2018/09/29/tec...ec-settlement/ index.html.

Comparison of Appraisal Techniques

It is important to consider which appraisal technique or set of techniques may be most appropriate for a given situation. Although there is no simple answer to this question, we can consider the various strengths and weaknesses of each technique. This is done in **Table 8.6**. It is important to keep in mind that the appropriateness of a particular appraisal technique is in part a function of the purpose for the appraisal. For example, if the purpose of the appraisal is to identify high potential executives, then assessment centers are more appropriate than rating scales.

Major Strengths and Weaknesses of Appraisal Techniques						
	Rating Scales	Critical Incidents	BARS	BOS	MBO	Assessment Centers
Meaningful dimensions	Sometimes	Sometimes	Usually	Usually	Usually	Usually
Amount of time required	Low	Medium	High	Medium	High	High
Development costs	Low	Low	High	Medium	Medium	High
Potential for rating errors	High	Medium	Low	Low	Low	Low
Acceptability to subordinates	Low	Medium	High	High	High	High
Acceptability to superiors	Low	Medium	High	High	High	High
Usefulness for allocating rewards	Poor	Fair	Good	Good	Good	Fair
Usefulness for employee counseling	Poor	Fair	Good	Good	Good	Good
Usefulness for identifying promotion potential	Poor	Fair	Fair	Fair	Fair	Good

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As would be expected, the easiest and least expensive techniques are also the least accurate. They are also the least useful for purposes of personnel decisions and employee development. Once again, it appears that managers and organizations get what they pay for. If performance appraisals represent an important aspect of organizational life, clearly the more sophisticated—and more time-consuming—techniques are preferable. If, on the other hand, it is necessary to evaluate employees quickly and with few resources, techniques such as the graphic rating scale may be more appropriate. Managers must make cost-benefit decisions about the price (in time and money) they are willing to pay for a quality performance appraisal system.

concept check

- What are the techniques and scales used in performance appraisals?
- What are MBOs, and how do they relate to performance appraisals?
- What are assessment centers?

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10.3: Feedback

3. How do managers give effective feedback to subordinates?

As previously noted, feedback represents a critical variable in determining the success or failure of the goal-setting process. The same applies to the performance appraisal process. Without effective knowledge of results, the motivational impact of the appraisal process is lost. To better understand how feedback in work settings affects employee behavior, consider the model shown in **Exhibit 8.5**.[8]

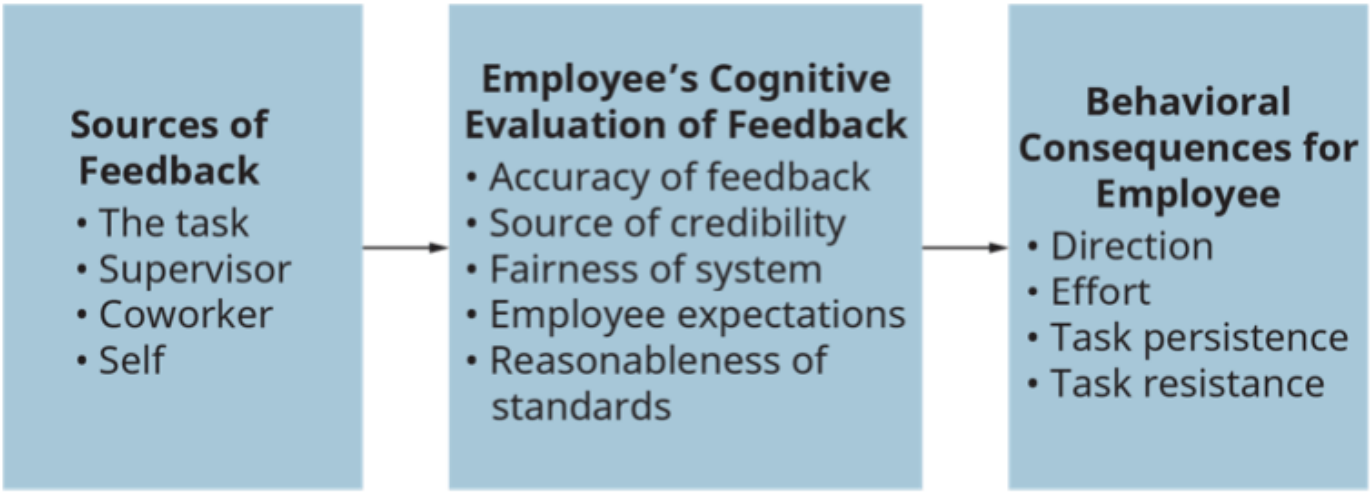


Exhibit 8.5 Effects of Feedback on Job Performance (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)

Feedback comes from many sources, including the task at hand, the supervisor, coworkers, and oneself. This input is then cognitively evaluated by the employee, who considers such factors as the perceived *accuracy* of the feedback (e.g., does the employee consider the information to be correct?); the *credibility of the source* of the feedback (e.g., does the employee trust the supervisor's opinion?); the employee's opinion concerning the *fairness* of the evaluation-process; the extent to which the feedback met the employee's *expectations* (e.g., does the employee think she could have done better?); and the *reasonableness* of the performance standards.

If one or more of these evaluations prove negative (for example, the employee believes she is being unfairly evaluated), the credibility of the feedback is dismissed, and the employee may increase her resistance to task effort. On the other hand, where the feedback is accepted, it reinforces the employee's direction, effort on the task, and persistence on the task. Thus, although feedback is essential, it is the nature and quality of the feedback that ultimately determines employee response.

concept check

- What types of feedback do performance appraisals provide to all organization members?

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10.4: Reward Systems in Organizations

4. How do organizations choose the best appraisal system for their organization?

After a company has designed and implemented a systematic performance appraisal system and provided adequate feedback to employees, the next step is to consider how to tie available corporate rewards to the outcomes of the appraisal. Behavioral research consistently demonstrates that performance levels are highest when rewards are contingent upon performance. Thus, in this section, we will examine five aspects of reward systems in organizations: (1) functions served by reward systems, (2) bases for reward distribution, (3) intrinsic versus extrinsic rewards, (4) the relationship between money and motivation and, finally, (5) pay secrecy.

Functions of Reward Systems

Reward systems in organizations are used for a variety of reasons. It is generally agreed that reward systems influence the following:

- **Job effort and performance.** Following expectancy theory, employees' effort and performance would be expected to increase when they felt that rewards were contingent upon good performance. Hence, reward systems serve a very basic motivational function.
- **Attendance and retention.** Reward systems have also been shown to influence an employee's decision to come to work or to remain with the organization. This was discussed in the previous chapter.
- **Employee commitment to the organization**. It has been found that reward systems in no small way influence employee commitment to the organization, primarily through the exchange process.[9] That is, employees develop ties with organizations when they perceive that the organization is interested in their welfare and willing to protect their interests. This exchange process is shown in **Exhibit 8.6**. To the extent that employee needs and goals are met by the company, we would expect commitment to increase.
- **Job satisfaction**. Job satisfaction has also been shown to be related to rewards, as discussed in the previous chapter. Edward E. Lawler, a well-known researcher on employee compensation, has identified four conclusions concerning the relationship between rewards and satisfaction: (1) satisfaction with a reward is a function of both how much is received and how much the individual feels should have been received; (2) satisfaction is influenced by comparisons with what happens to others, especially one's coworkers; (3) people differ with respect to the rewards they value; and (4) some rewards are satisfying because they lead to other rewards.[10]
- **Occupational and organizational choice**. Finally, the selection of an occupation by an individual, as well as the decision to join a particular organization within that occupation, are influenced by the rewards that are thought to be available in the occupation or organization. To prove this, simply look at the classified section of your local newspaper and notice how many jobs highlight beginning salaries.

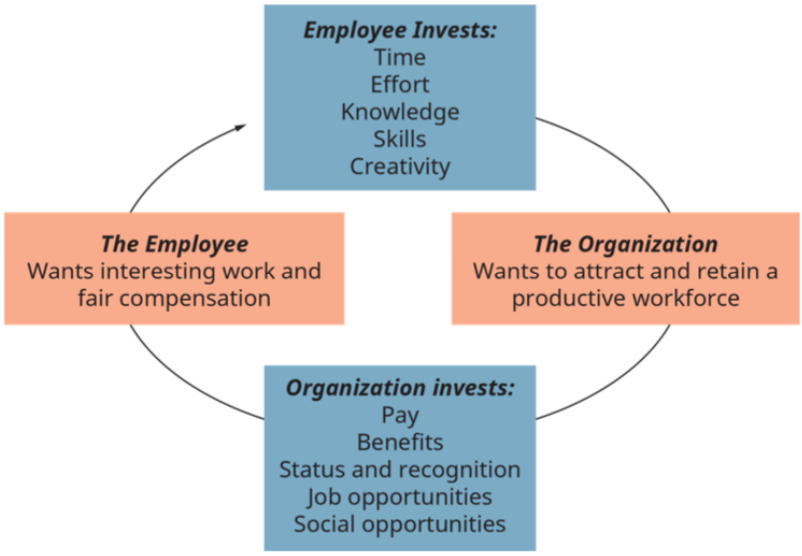


Exhibit 8.6 The Exchange Process Between Employee and Organization (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)

Reward systems in organizations have far-reaching consequences for both individual satisfaction and organizational effectiveness. Unfortunately, cases can easily be cited where reward systems have been distorted to punish good performance or inhibit creativity. Consider, for example, the Greyhound Bus Company driver who was suspended for 10 days without pay for breaking a company rule against using a CB radio on his bus. The bus driver had used the radio to alert police that his bus, with 32 passengers on board, was being hijacked by an armed man. The police arrested the hijacker, and the bus driver was suspended for breaking company rules.[11] Such incidents hardly encourage employees to focus their efforts on responsible performance.

Bases for Reward Distribution

A common reality in many contemporary work organizations is the inequity that exists in the distribution of available rewards. One often sees little correlation between those who perform well and those who receive the greatest rewards. At the extreme, it is hard to understand how a company could pay its president $10 to $20 million per year (as many large corporations do) while it pays its secretaries and clerks less than $15,000. Each works approximately 40 hours per week, and both are important for organizational performance. Is it really possible that the president is 1,000 times more important than the secretary, as the salary differential suggests?

How do organizations decide on the distribution of available rewards? At least four mechanisms can be identified. In more cases than we choose to admit, rewards go to those with the greatest **power** (either market power or personal power). In many of the corporations whose presidents earn eight-figure incomes, we find that these same people are either major shareholders in the company or have certain abilities, connections, or status that the company wants. Indeed, a threat of resignation from an important or high-performing executive often leads to increased rewards.

A second possible basis for reward distribution is **equality**. Here, all individuals within one job classification would receive the same, or at least similar, rewards. The most common example here can be found among unionized workers, where pay rates are established and standardized with little or no reference to actual performance level. Instead of ability or performance, these systems usually recognize seniority as the key factor in pay raises or promotions.

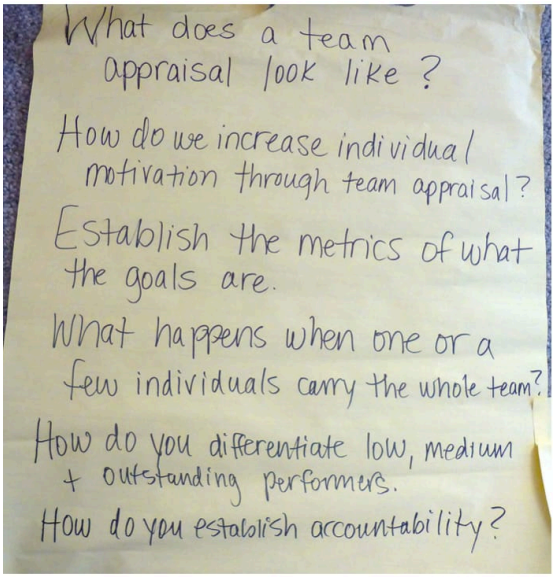


Exhibit 8.7 Team Based Rewards Performance appraisals, whether team or individual, provide feedback to workers or organizational teams. Traditionally, performance evaluations provide information to help improve individual performance, increase efficiency and define management's expectations. Performance appraisals compare work performed against measurable objectives that the employee and supervisor agreed to at the beginning of the appraisal period. As work has become more team oriented, performance appraisals now measure how a team of workers perform rather than just how an individual performs his job. (Attribution; Deb Nystrom/ flickr/ Attribution 2.0 Generic (CC BY 2.0))

The basis for the social welfare reward system in this country is need. In large part, the greater the need, the greater the level of support. It is not uncommon to see situations in business firms where need is taken into account in layoff situations—where an employee is not laid off because she is the sole support of a family.

A fourth mechanism used by organizations in allocating rewards is **distributive justice**. Under this approach, employees receive (at least a portion of) their rewards as a function of their level of contribution to the organization. The greater the contribution (such as performance), the greater the reward. This mechanism is most prominent in merit-based incentive programs, where pay and bonuses are determined by performance levels.

Extrinsic and Intrinsic Rewards

The variety of rewards that employees can receive in exchange for their contributions of time and effort can be classified as either *extrinsic* or *intrinsic* rewards. **Extrinsic rewards** are external to the work itself. They are administered externally—that is, by someone else (usually management). Examples of extrinsic rewards include wages and salary, fringe benefits, promotions, and recognition and praise from others.

On the other hand, **intrinsic rewards** represent those rewards that are related directly to performing the job. In this sense, they are often described as “self-administered” rewards, because engaging in the task itself leads to their receipt. Examples of intrinsic rewards include feelings of task accomplishment, autonomy, and personal growth and development that come from the job.

In the literature on employee motivation, there is considerable controversy concerning the possible interrelationship of these two kinds of reward. It has been argued (with some research support) that extrinsic rewards tend to drive out the positive effects of some intrinsic rewards and can lead to unethical behavior.[12] Consider, for example, the child next door who begs you to let her help you wash your car. For a young child, this task can carry considerable excitement (and intrinsic motivation). Now, consider what happens on a Saturday afternoon when you need your car washed but the child has other options. What do you do? You offer to pay her this time to help wash your car. What do you think will happen the next time you ask the neighbor to help you wash the car for free? In other words, when extrinsic rewards such as pay are tied closely to performance (called performance-reward contingency), **intrinsic motivation**—the desire to do a task because you enjoy it—can decrease.

Also, it is important to keep in mind that because extrinsic rewards are administered by sources external to the individual, their effectiveness rests on accurate and fair monitoring, evaluating, and administration. Implementation can be expensive, and the

timing of performance and rewards may not always be close. For example, you may perform well on a task, but unless there is a way for that to be noticed, evaluated, recorded, and rewarded within a reasonable time frame, an extrinsic reward may not have a significant impact. Intrinsic rewards are a function of self-monitoring, evaluation, and administration; consequently, these rewards often are less costly and more effectively administered. For example, even if no one else notices or rewards you for superior performance on a task, you can still reward yourself with a mental pat on the back for a job well done or a sense of satisfaction for overcoming a challenge. The implications of this finding will become apparent when exploring efforts to enrich employees' jobs.

Money and Motivation: A Closer Look

A recurring debate among managers focuses on the issue of whether money is a primary motivator. Some argue that most behavior in organizational settings is motivated by money (or at least monetary factors), whereas others argue that money is only one of many factors that motivate performance. Whichever group is correct, we must recognize that money can have important motivational consequences for many people in many situations. In fact, money serves several important functions in work settings.[13] These include serving as (1) a goal or incentive, (2) a source of satisfaction, (3) an instrument for gaining other desired outcomes, (4) a standard of comparison for determining relative standing or worth, and (5) a conditional reinforcer where its receipt is contingent upon a certain level of performance. Even so, experience tells us that the effectiveness of pay as a motivator varies considerably. Sometimes there seems to be an almost direct relationship between pay and effort, whereas at other times no such relationship is found. Why? Lawler suggests that certain conditions must be present in order for pay to act as a strong motivator:[14]

- Trust levels between managers and subordinates must be high.
- Individual performance must be able to be accurately measured.
- Pay rewards to high performers must be substantially higher than those to poor performers.
- Few, if any, negative consequences for good performance must be perceived.

Under these conditions, a climate or culture is created in which employees have reason to believe that significant performance-reward contingencies truly exist. Given this perception (and assuming the reward is valued), we would expect performance to be increased.[15]

Pay Secrecy

Secrecy about pay rates seems to be a widely accepted practice in work organizations, particularly among managerial personnel. It is argued that salary is a personal matter and we should not invade another's privacy. Available evidence, however, suggests that pay secrecy may have several negative side effects. To begin, it has been consistently found that in the absence of actual knowledge, people have a tendency to *over*estimate the pay of coworkers and those above them in the hierarchy. As a result, much of the motivational potential of a differential reward system is lost.[16] Even if an employee receives a relatively sizable salary increase, she may still perceive an inequity compared to what others are receiving. This problem is highlighted in the results of a study by Lawler. In considering the effects of pay secrecy on motivation, Lawler noted:

Almost regardless of how well the individual manager was performing, he felt he was getting less than the average raise. This problem was particularly severe among high performers, since they believed that they were doing well yet received minimal reward. They did not believe that pay was in fact based upon merit. This was ironic, since their pay did reflect performance. . . . Thus, even though pay was tied to performance, these managers were not motivated because they could not see the connection.[17]

Pay secrecy also affects motivation via feedback. Several studies have shown the value of feedback in motivating performance (see previous discussion). The problem is that for managers, money represents one of the most meaningful forms of feedback. Pay secrecy eliminates the feedback.

When salary information is open (or at least when the range of percentage increases within a job classification are made known to the people in that group), employees are generally provided with more recognition for satisfactory performance and are often more motivated to perform on subsequent tasks. It is easier to establish feelings of pay equity and trust in the salary administration system. On the other hand, publicizing pay rates and pay raises can cause jealousy among employees and create pressures on managers to reduce perceived inequities in the system. There is no correct position concerning whether pay rates should be secret or open. The point is that managers should not assume a priori that pay secrecy—or pay openness—is a good thing. Instead, careful consideration should be given to the possible consequences of either approach in view of the particular situation in the organization at the time.

concept check

- What is the best appraisal system for organizations to adopt?
- How are rewards tied to performance appraisals?

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10.5: Individual and Group Incentive Plans

5. How do managers and organizations use incentives and rewards effectively to secure the best possible performance from employees?

We now turn to an examination of various employee incentive programs used by organizations. First, we consider the relative merits of individuals versus group incentive programs. Next, we focus on several relatively new approaches to motivation and compensation. Finally, we suggest several guidelines for effective incentive systems.

Individual versus Group Incentives

Companies usually have choices among various compensation plans and must make decisions about which is most effective for its situation. Incentive systems in organizations are usually divided into two categories on the basis of whether the unit of analysis—and the recipient of the reward—is the individual or a group. Among individual incentive plans, several approaches can be identified, including merit-based compensation (commonly known as merit compensation), piece-rate incentive programs (where people are paid according to the quantity of output), bonus systems of various sorts, and commissions. In each case, rewards are tied fairly directly to the performance level of the individual.

Although individual incentive systems often lead to improved performance, some reservations have been noted. In particular, these programs may at times lead to employees competing with one another, with undesirable results. For instance, department store salespeople on commission may fight over customers, thereby chasing the customers away. After all, customers don't care who they deal with, only that the service is good. Second, these plans typically are resisted by unions, which prefer compensation to be based on seniority or job classification. Third, where quality control systems are lax, individual incentives such as piece rates may lead employees to maximize units of output while sacrificing quality. And, finally, in order for these programs to be successful, an atmosphere of trust and cooperation is necessary.

In order to overcome some of these shortcomings, many companies have turned to group or organizational incentive plans. Group incentive programs base at least some of an employee's rewards on group or organization performance. Hence, employees are encouraged to cooperate with one another and with the corporation so that all employees can benefit. Programs such as profit-sharing or gain-sharing plans (discussed below) are designed to tie the employees' future rewards and prosperity to that of the company and reduce the age-old antagonism between the two. The results are often dramatic.

Creative Pay Practices

Recently, we have seen several innovations in the way corporations approach reward systems. These efforts are designed to facilitate the integration of employee and company interests in a way that maximizes both productivity and quality of working life. Five such creative pay practices should be noted: (1) gain-sharing plans, (2) skills-based incentives, (3) lump-sum pay increases, (4) participative pay decisions, and (5) flexible benefits programs. These approaches, along with their major advantages and drawbacks, are summarized in **Table 8.7**.

Advantages and Disadvantages of New Pay Practices		
Pay Practice	**Advantages**	**Disadvantages**
Gain sharing	Ties pay to performance; encourages group cooperation	Plans that focus exclusively on productivity may lead employees to ignore other important objectives, such as quality.
Skills-based incentives	More flexible and skilled workforce; increased satisfaction	Higher training and salary costs
Lump-sum increase	Greater visibility of pay increases; increased pay satisfaction	Cost of administration
Participative pay decisions	Increased trust in a satisfaction with pay decisions; better pay decisions	Time-consuming
Flexible benefits	Increased satisfaction with pay and benefits	Cost of administration

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Gain-Sharing Plans. Giving executives and senior managers bonuses to reflect their contributions to organizational effectiveness is commonplace. In fact, in some companies executive bonuses are often larger than salaries. Recently, companies have increasingly applied this same principle to all employees in the form of **gain-sharing** (profit-sharing) plans. Here, employees are given a chance to share in corporate productivity gains through increased earnings. The greater the productivity gains, the greater the earnings. Several variations on this theme can be found, including the Scanlon Plan, IMPROSHARE, the Ruker Plan, and the Lincoln Electric Plan. Regardless of the title, the basic plan is similar.

For example, under the Scanlon Plan (probably the oldest such program), three operating guidelines are used: (1) each department or division is treated as a business unit for purposes of performance measurement, (2) specific cost measures associated with the production process are identified and agreed to by all parties, and (3) bonuses are paid to all employees according to a predetermined formula tying the amount of the bonus to the actual cost savings realized during the time period. Under such a plan, it is clearly in the employees' best interest to contribute to cost savings, thereby increasing their own incomes.

expanding around the GLobe

Providing Feedback in Different Countries

Global workplaces are increasing within the world businesses, and it has become a trend to have managers from one country, most likely the country in which the headquarters arise, manage employees abroad. An important consideration when managing globally is how cultural differences can have a profound effect on performance evaluations, negotiations, and criticisms.

For example, oftentimes in the United States, a method of critical feedback in the "hamburger method" (Step 1: Identify tasks. As a group, identify technical steps that would be involved in implementing. Step 2: Identify options for tasks. Split the team into several small groups. Step 3: Combine results.) is acceptable, while other countries give their feedback with just the meal alone. This strategy in the Netherlands and Germany can be off-putting to other cultures, and when you read into another culture's technique with your own lens of reference, it can feel wrong.

Managing globally means that you need to do your research on which approach for feedback is best received for the employee's cultural differences. For example, being direct is key when communicating with a Dutch person. In contrast, in England or the United States, criticism is not delivered directly, but with positive pieces wrapped around the negative. In Asian countries, feedback is often avoided or the message is blurred in order to "save face." With all of these complications and considerations, it is ever more important to acutely understand the culture, the cultural understandings of employees who are direct reports, and also the lens through which feedback is being viewed as well.

Questions:

1. How can a new manager that is working with international employees ensure she is providing reviews in an appropriate manner?
2. What methods can a manager employ in her preparation for the review to be successful when providing feedback to employees of different cultures?

Sources: C. Solbach. “Feedback through cultural looking glass.” *Krauthammer*, September 16, 2015, www.krauthammer.com/en/publi...2/07/feedback- through-cultural-looking-glass; M. Abadi. “The exact same sentence from your boss can mean 'yes,' 'no,' or 'maybe' depending on the country where you work.” *Business Insider*, December 7, 2017, https://www.businessinsider.com/dire...ulture-2017-12; J. Windust. “An International Approach to 360-Degree Feedback.” *Cognology*, July 26, 2016, https://www.cognology.com.au/interna...gree-feedback/; “Giving Employee Feedback To A Culturally Diverse Workforce.” *Impraise Blog*, accessed January 26, 2019, blog.impraise.com/360-feedba...ences-between-branchescountries-in-feedback-behavior-performance-review.

Skills-Based Incentives. Typical compensation programs are tied to job evaluations. In these, jobs are analyzed to assess their characteristics, and then salary levels are assigned to each job on the basis of factors such as job difficulty and labor market scarcity. In other words, pay levels are set on the basis of the job, not the individual. This approach fails to encourage employees to improve their skills on the job, because there is no reward for the improvement. This thinking also keeps all employees in their places and minimizes the possibility of inter-job transfers.

Under the **skills-based incentive** program, employees are paid according to their skills level (that is, the *number* of jobs they can perform), regardless of the actual tasks they are allowed to perform. This approach has proved successful in organizations such as Procter & Gamble and General Foods. Employees are encouraged to learn additional skills and are appropriately rewarded. The organization is provided with a more highly trained and more flexible workforce. However, training and compensation costs are necessarily increased, so the program is appropriate only in some situations. The technique is most often seen as part of a larger quality-of-working-life program, where it is associated with job redesign efforts.

Lump-Sum Pay Increases. Another technique that has received some attention is to allow employees to decide how (that is, in what amounts) they wish to receive their pay raises for the coming year. Under the traditional program, pay raises are paid in equal amounts in each paycheck over the year. Under the alternate plan, employees can elect to receive equal amounts during the year, or they can choose to take the entire raise in one **lump-sum pay increase**. This plan allows employees greater discretion over their own financial matters. If an employee wants to use the entire pay raise for a vacation, it can be paid in a lump sum in June. Then, if the employee quits before the end of the year, the unearned part of the pay raise is subtracted from the final paycheck. This plan increases the visibility of the reward to the employee. The employee receives, for example, a $600 pay raise (a rather sizable amount) instead of twelve $50 monthly pay raises. As with the flexible rewards system discussed below, however, the administration costs of the lump-sum plan are greater than those of the traditional method.

Participative Pay Decisions. In addition, of concern to many managers is the extent to which employees should be involved in decisions over pay raises. This is the issue of **participative pay decisions**. Recently, several organizations have been experimenting with involving employees in pay raise decisions, and the results seem to be quite positive. By allowing employees to participate either in the design of the reward system or in actual pay raise decisions (perhaps through a committee), it is argued that decisions of higher quality are made on the basis of greater information. Also, employees then have greater reason to place confidence in the fairness of the decisions. On the negative side, this approach requires considerably more time for both the manager and the participating subordinates. Costs must be weighed against benefits to determine which approach is most suitable for the particular organization and its goals.

Flexible Benefits Systems. A typical fringe benefit package provides the same benefits—and the same number of benefits—to all employees. As a result, individual differences or preferences are largely ignored. Studies by Lawler indicate variations in benefit preferences.[18] For instance, young unmarried men prefer more vacation time, whereas young married men prefer to give up vacation time for higher pay. Older employees want more retirement benefits, whereas younger employees prefer greater income. Through a **flexible benefits program** (also called a “cafeteria benefits program”), employees are allowed some discretion in the determination of their own packages and can make trade-offs, within certain limits. Organizations such as PepsiCo, TRW, and the Educational Testing Service already use such programs. Although certain problems of administration exist with the programs, efforts in this direction can lead to increased need satisfaction among employees.

We have seen a number of different creative solutions to the compensation dilemma. Which approaches are most effective in motivating employees? This is obviously a difficult question to answer. However, one way to get relevant information on this question is to see what corporations actually use. One such study asked major employers which of a variety of approaches had

been used with a high success level. The results are shown in **Table 8.8**. As can be seen, skills-based compensation, earned time off, and **gain sharing** all received high marks from personnel executives, although other programs are also widely supported. It would appear from these results that many approaches can be useful; the choice of which one to use would depend upon the circumstances and goals of a particular organization.

Guidelines for Effective Incentive Programs

Whatever incentive plan is selected, care must be taken to ensure that the plan is appropriate for the particular organization and workforce. In fact, a simple test of the effectiveness of an incentive plan would be as follows:[19]

- *Does the plan capture attention?* Do employees discuss the plan and take pride in their early successes?
- *Do employees understand the plan?* Can employees explain how the plan works, and do they understand what they must do to earn the incentive?
- *Does the plan improve communication?* As a result of the plan, do employees understand more about corporate mission, goals, and objectives?
- *Does the plan pay out when it should?* Are incentives being paid for desired results, and are they withheld for undesirable results?
- *Is the company performing better as a result of the plan?* Are profits or market share up or down? Have any gains resulted in part from the incentive plan?

Companies Successfully Using Creative Incentive Plans	
Type of Incentive	Percent of Companies Reporting Success
Skills-based compensation	89%
Earned time off	85
Gain-sharing plans	81
Small-group incentives	75
Individual incentives	73
All-salaried workforce	67
Lump-sum bonus	66
Source: Data adapted from J. Horn, *Psychology Today,* July 1987, pp. 54–57.	

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If a new (or existing) pay plan can meet these tests, it is probably fairly effective in motivating employee performance and should be retained by the organization. If not, perhaps some other approach should be tried. On the basis of such a test, several specific guidelines can be identified to increase the effectiveness of the programs. These include the following:[20]

- Any reward system or incentive plan should be as *closely tied to actual job performance* as possible. This point was discussed earlier in this chapter.
- If possible, incentive programs should *allow for individual differences*. They should recognize that different people want different outcomes from a job. Flexible benefits programs such as the ones discussed here make an effort to accomplish this.
- Incentive programs should *reflect the type of work that is done* and the structure of the organization. This simply means that the program should be tailored to the particular needs, goals, and structures of a given organization. Individual incentive programs, for example, would probably be less successful among unionized personnel than would group programs such as the Scanlon plan. This point has been clearly demonstrated in research by Lawler, which points out that organizations with traditional management and those with more participative management might approach reward systems quite differently in order to be effective.21 As shown in **Table 8.9**, both types of company can be effective as long as their reward systems are congruent with their overall approach to management.

- The incentive program should *be consistent with the culture* and constraints of the organization. Where trust levels are low, for example, it may take considerable effort to get any program to work. In an industry already characterized by high levels of efficiency, basing an incentive system on increasing efficiency even further may have little effect, because employees may see the task as nearly impossible.
- Finally, incentive programs should *be carefully monitored over time* to ensure that they are being fairly administered and that they accurately reflect current technological and organizational conditions. For instance, it may be appropriate to offer sales clerks in a department store an incentive to sell outdated merchandise because current fashion items sell themselves. Responsibility falls on managers not to select the incentive program that is in vogue or used "next door," but rather to consider the unique situations and needs of their own organizations. Then, with this understanding, a program can be developed and implemented that will facilitate goal-oriented performance.

Matching Reward Systems to Management Style		
Reward System	Traditional	Participative
Fringe benefits	Vary according to organizational level	Cafeteria—same for all levels
Promotion	All decisions made by top management	Open posting for all jobs; peer group involvement in decision process
Status symbols	A great many, carefully allocated on the basis of job position	Few present, low emphasis on organization level
Pay type	Hourly and salary	All salary
Base rate	Based on job performed; high enough to attract job applicants	Based on skills; high enough to provide security and attract applicants
Incentive plan	Piece rate	Group and organization-wide bonus, lump-sum increase
Communication policy	Very restricted distribution of information	Individual rates, salary survey data, all other information made public
Decision-making locus	Top management	Close to location of person whose pay is being set
Source: Adapted from E. E. Lawler, *The Design of Effective Reward Systems,* Technical Report (Los Angeles:		

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Matching Reward Systems to Management Style

Reward System | Traditional | Participative

University of Southern California, 1983), p. 52.

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concept check

- What are the differences between individual and group incentives?
- What is the variety of reward incentives available to organizations?

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Assessment center Consists of a series of standardized evaluations of behavior based on multiple inputs.

Behavioral observation scale Identifies observable behaviors as they relate to performance and is less demanding of the evaluator.

Behaviorally anchored rating scale A system that requires considerable work prior to evaluation but, if the work is carefully done, can lead to highly accurate ratings with high inter-rater reliability.

Central tendency error The failure to recognize either very good or very poor performers.

Critical incident technique A technique where supervisors record incidents, or examples, of each subordinate's behavior that led to either unusual success or unusual failure on some aspect of the job.

Distributive justice Where employees receive (at least a portion of) their rewards as a function of their level of contribution to the organization.

Extrinsic rewards Rewards that are external to the work itself.

Flexible benefits system A rewards program where employees are allowed some discretion in the determination of their own packages and can make trade-offs, within certain limits.

Gain sharing An incentive plan in which employees or customers receive benefits directly as a result of cost-saving measures that they initiate or participate in.

Graphic rating scale A performance appraisal technique where the supervisor or rater is typically presented with a printed or online form that contains both the employee's name and several evaluation dimensions (quantity of work, quality of work, knowledge of job, attendance). The rater is then asked to rate the employee by assigning a number or rating on each of the dimensions.

Halo effect Results in a supervisor assigning the same rating to each factor being evaluated for an individual.

Intrinsic motivation The desire to do a task because you enjoy it.

Intrinsic rewards Rewards that are external to the work itself.

Leniency error Fails to distinguish adequately between good and bad performers and instead relegates almost everyone to the same or related categories.

Lump-sum pay increase A technique that allows employees to decide how (that is, in what amounts) they wish to receive their pay raises for the coming year.

Management by objectives Closely related to the goal-setting theory of motivation.

Participative pay decisions Involving employees in pay raise decisions.

Performance appraisals A system that provides a means of systematically evaluating employees across various performance dimensions to ensure that organizations are getting what they pay for.

Recency error Occurs when, in an evaluation, a supervisor may give undue emphasis to performance during the past months—or even weeks—and ignore performance levels prior to this.

Reliability The extent to which the instrument consistently yields the same results each time it is used.

Skills-based incentives Rewards employees on the basis of the skills they possess and not just the skills they are allowed to use at work.

Strictness error Fails to distinguish adequately between good and bad performers and instead relegates almost everyone to the same or related categories.

Validity The extent to which an instrument actually measures what it intends to measure.

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10.7: Summary of Learning Outcomes

10.7.1 Performance Appraisal Systems

How do organizations effectively use performance appraisals to improve individual job performance, and what are the limitations inherent in the use of various appraisal systems?

If performance is to be changed or improved, it must be rewarded. To be rewarded, it must be measured. However, great care must be taken to (1) measure important behaviors and outcomes (individual, group, or organizational) and not just those that are easy to measure, (2) measure them with the appropriate technique(s), and (3) tie appropriate rewards to the desired behaviors and outcomes.

Organizations use performance appraisals for several reasons: (1) to provide feedback to employees, (2) to allow for employee self-development, (3) to allocate rewards, (4) to gather information for personnel decisions, and (5) to guide them in developing training and development efforts.

10.7.2 Techniques of Performance Appraisal

What practices are used in the performance appraisal process?

Performance appraisals are subject to several problems, including central tendency error, strictness or leniency error, halo effect, recency error, and personal biases.

10.7.3 Feedback

How do managers give effective feedback to subordinates?

Among the most common appraisal systems are graphic rating scales, critical incident technique, behaviorally anchored rating scales, behavioral observation scales, management by objectives, and assessment centers. Assessment centers represent a special case of evaluations in that they focus on assessing an employee's long-term potential to an organization.

10.7.4 Reward Systems in Organizations

How do organizations choose the best appraisal system for their organization?

Rewards serve several functions, including (1) stimulating job effort and performance, (2) reducing absenteeism and turnover, (3) enhancing employee commitment, (4) facilitating job satisfaction, and (5) facilitating occupational and organizational choice.

Rewards may be distributed on the basis of power, equality, need, or distributive justice. Distributive justice rests on the principle of allocating rewards in proportion to employee contribution. Intrinsic rewards represent those outcomes that are administered by the employee (e.g., a sense of task accomplishment), whereas extrinsic rewards are administered by others (e.g., wages).

Gain-sharing incentive plans base some of the employees' pay on corporate profits or productivity. As a result, employees are generally more interested in facilitating corporate performance. **Skills-based incentives** reward employees on the basis of the skills they possess, not the skills they are allowed to use at work. As a result, employees are encouraged to continually upgrade their skill levels.

A lump-sum salary increase simply provides employees with their pay raises at one time (possibly shortly before summer vacation or a major holiday).

Participative pay decisions allow employees some input in determining their pay raises.

10.7.5 Individual and Group Incentive Plans

How do managers and organizations use incentives and rewards effectively to secure the best possible performance from employees?

Flexible benefits allow employees to choose the fringe benefits that best suit their needs.
A good reward system (1) is closely tied to performance, (2) allows for individual differences, (3) reflects the type of work that is being done, (4) is consistent with the corporate culture, and (5) is carefully monitored over time.

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10.8: Chapter Review Questions

1. Identify the various functions of performance appraisals. How are appraisals used in most work organizations?
2. What are some problems associated with performance appraisals?
3. Define *validity* and *reliability*. Why are these two concepts important from a managerial standpoint?
4. How can errors in appraisals be reduced?
5. Critically evaluate the advantages and disadvantages of the various techniques of performance appraisal.
6. Discuss the role of feedback in employee performance.
7. What is the difference between intrinsic and extrinsic rewards?
8. Identify the major bases of reward distribution.
9. How does money influence employee motivation?
10. Discuss the relative merits of individual and group incentive programs.
11. Describe the benefits and drawbacks of several of the new approaches to reward systems. Which ones do you feel would be most effective in work organizations?

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10.9: Management Skills Application Exercises

How Would You Rate Your Supervisor?

Instructions: Think of your current supervisor or one for any job you have held, and evaluate her on the following dimensions. Give a "1" for very poor, a "3" for average, a "5" for outstanding, etc.

	Very Poor		Average	Outstanding	
1. Your boss's knowledge of the job	1	2	3	4	5
2. Your boss's leadership skills	1	2	3	4	5
3. Your boss's communication skills	1	2	3	4	5
4. Your boss's ability to motivate subordinates	1	2	3	4	5
5. Your boss's attendance and promptness	1	2	3	4	5
6. Your boss's commitment to the organization	1	2	3	4	5
7. Your boss's long-term potential for promotion	1	2	3	4	5
8. What is your overall assessment of your supervisor?	1	2	3	4	5

Think of a current or previous job, and evaluate the source and quality of the feedback you received from your supervisor. When you are through, refer to **Appendix B** for scoring procedures.

How Much Feedback Are You Getting from Your Job?

Instructions: Think of a current or previous job. With this in mind, answer the following questions as accurately as possible.

1. My boss lets me know when I make a mistake.

Strongly Disagree				Strongly Agree		
1	2	3	4	5	6	7

2. My coworkers help me improve on the job.

Strongly Disagree				Strongly Agree		
1	2	3	4	5	6	7

3. I receive formal evaluations from the company on my job.

Strongly Disagree				Strongly Agree		
1	2	3	4	5	6	7

4. My boss always tells me when I do a good job.

Strongly Disagree				Strongly Agree		
1	2	3	4	5	6	7

5. This company really appreciates good performance.

Strongly Disagree				Strongly Agree		
1	2	3	4	5	6	7

6. When I do something especially well, I receive a “thanks” from my boss.

Strongly Disagree				Strongly Agree		
1	2	3	4	5	6	7

7. My coworkers are very appreciative when I do a good job.

Strongly Disagree				Strongly Agree		
1	2	3	4	5	6	7

8. My coworkers compliment me on the quality of my work.

Strongly Disagree				Strongly Agree		
1	2	3	4	5	6	7

9. My coworkers are very supportive of my efforts.

Strongly Disagree				Strongly Agree		
1	2	3	4	5	6	7

10. I know when I have done a good job.

Strongly Disagree				Strongly Agree		
1	2	3	4	5	6	7

11. My job provides me with solid feedback on my performance.

Strongly Disagree				Strongly Agree		
1	2	3	4	5	6	7

12. I can see the results when I learn to do something better.

Strongly Disagree				Strongly Agree		
1	2	3	4	5	6	7

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10.10: Managerial Decision Exercises

1. You are the general manager of a floral supplies distributor that provides independent florists with things that they need for their business, such as vases, ribbons, and balloons. You have read that many organizations use incentive pay plans that reward employees when the organization does well. You have 6 drivers, 12 warehouse workers, 3 inside salespeople, and an assistant that reports to you. What types of incentive plan would you propose for an organization like yours?
2. You are the HR manager at a midsized auto parts manufacturer. What are the pros and cons of establishing a 360-degree performance appraisal system in your organizations? Write a memo to the CEO outlining what you think should be done.

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10.11: Critical Thinking Case

HubSpot Focus on Flexible Benefits

What would your manager say to you if you came up with the idea of traveling with Justin Timberlake on tour for an entire year? This would not just be a work from home agreement but an actual out of office plan for one full-year sabbatical. That is exactly what happened at HubSpot when Rosalia Cefalu had a crazy idea that actually got approved.

HubSpot, a global inbound marketing company, has approximately 19,000 customers in over 90 countries and 1,960 employees, stretching from Cambridge, MA, to Sydney, Australia.

“We don’t think that culture is about free beer and ping-pong and dogs in the office, it’s about what you believe, why you do what you do, and who you choose to work with,” states CTO and cofounder Dharmesh Shah. Although HubSpot has plenty of free snacks on hand for their employees to enjoy, other flexible benefits HubSpotters enjoy are unlimited vacation time, tuition reimbursement, flexible hours, and an overall environment that balances freedom with accountability.

At HubSpot it goes deeper than just the perks. The focus from the top down instills pride and passion within its employees, which then translates into happy customers.

Although flexible benefits are a big perk of working at the third-best tech company to work for, according to Glassdoor’s annual Employee Choice awards, the culture isn’t for everyone. The company practices a sense of understanding, knowing that employees will move on and do not need to stay to be loyal and that sometimes someone is no longer needed—either because of performance, or changes in the company’s needs. This isn’t taken personally, and HubSpot is able to grow and continue to grow because it objectively sees the performance of its employees and what is best for the company and employee.

Questions:

1. How does HubSpot’s focus on culture affect employee performance?

2. What concerns would you have regarding giving employees countless flexible benefits such as HubSpot does; for example, a yearly sabbatical?

Sources: S. Leibowitz. “What it's like to work at HubSpot, one of the best workplaces of 2018.” *Business Insider*, January 21, 2018, https://www.businessinsider.com/hubs...-states-2018-1; K. M. Newman. “Inside the Company Culture of Hubspot.” *Tech.co*, April 5, 2013, tech.co/company-culture-of- hubspot-2013-04; InHerSight. “Company Profile: Hubspot.” *The Motley Fool*, October 5, 2016, https://www.fool.com/investing/2016/...t-hubspot.aspx.

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Part 3- Groups and Teams



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12: GROUP DYNAMICS



Group Dynamics

Learning Objectives

Explain group dynamics within organizations

- Explain and explore the tension between individual versus groups and group dynamics in organizational life.

12.1: Introduction to Group Dynamics
12.2: Types of Groups
12.3: Group Development
12.4: Group Structure
12.5: Group vs. Individuals
12.6: Putting It Together- Group Dynamics
12.7: Discussion- Group Dynamics

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12.1: Introduction to Group Dynamics

What you'll learn to do: Explain and explore the tension between individual versus groups and group dynamics in organizational life.

When it comes to completing work, managing projects and achieving goals, managers have many choices on how they manage the people they lead. They can deal with each of their subordinates individually, assigning individual goals and allowing them to work alone. Conversely, managers can look at their subordinates as one large group, or a subset of smaller groups, and set them on a course of solving organizational problems and achieving objectives.



What are the pros and cons of choosing to assemble a group? And how does it compare to assigning an issue to a single subordinate?

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12.2: Types of Groups

Learning Objectives

- Describe various types of groups

If you went to high school, then you already know more about groups than you think! Were you one of the cool kids? One of the brainy, studious ones? Did you join the chess club? French club? The football team? All of these, the clubs and cliques you were a part of, and the ones you weren't, are groups. And they can be classified in a number of ways. Let's talk about the types of groups one might encounter, in life and especially in the workplace.

A group is defined as two or more individuals, interacting and interdependent, who have come together to achieve a particular objective. Groups are either formal or informal. A formal group is a designated work group, one that is defined by an organization based on its hierarchical structure, with designated tasks related to its function. In the workplace, that might be the finance group or the human resources group.

Formal groups are relatively permanent and usually work under a single supervisor, although the structure of the formal group may vary. For example, the finance group works under the chief financial officer at an organization. There may be groups within the finance group, like the accounts payable group and the treasury group, each with their own supervisor as well.

Task forces and committees are also formal groups, because they've been created with formal authority within an organization. Task forces are usually temporary and set up for a particular purpose, while committees can be more permanent in nature, like a planning committee or a finance committee, and can be an integral part of an organization's operation.



An informal group is one that's not organizationally determined or influenced and usually formed by the members themselves in response to the need for social contact. For instance, your workplace might have a group of people who get together during the lunch hour to knit and help each other with yarn projects, or a group that is drawn together by cultural similarities and wants to introduce the rest of the organization to their traditions.

Informal groups are important in that they exist outside the formal hierarchy of an organization but are the structure of personal and social interactions that managers are wise to respect and understand. Employees motivate one another, informally (and formally) train one another and support one another in times of stress by providing guidance and sharing burdens. In fact, if one employee in an informal group is subject to an action by the organization that the others see as unfair, strikes can happen until that situation is corrected.

Within the group categories of formal and informal, there are sub-classifications:

- **Command group.** This is a formal group, determined by the organization's hierarchal chart and composed of the individuals that report to a particular manager. For instance, the manager of training has a command group of his employees, the training group.
- **Task group.** This is also a type of formal group, and the term is used to describe those groups that have been brought together to complete a task. This does not mean, though, that it's just a group of people reporting to a single supervisor. The training group, used in the last example, is not the same as the task group that provides onboarding training for a new employee. The training department might provide the outline for how a new employee is brought into the company, but an onboarding task group would include that employee's manager, an IT manager who equips the new employee with a computer and phone, and so on.
- **Interest group.** An interest group is usually informal, and is a group of people who band together to attain a specific objective with which each member is concerned. Within an organization, this might be a group of people who come together to demand better working conditions or a better employee evaluation process. Outside of an organization, this term is frequently used in political situations to describe groups that give a point of view a voice. This includes groups like the National Rifle Association, the AFL-CIO and the NAACP.
- **Friendship group.** These are groups of people who have come together because they share common ideals, common interests or other similarities, like age or ethnic background.

People join groups for a number of reasons. They might be looking for affiliation, a fulfillment of social needs. Groups also add to an individual's sense of security, status or self-esteem. Or perhaps a goal is easier to accomplish if a group of people concentrate on achieving it, pooling their talents and knowledge. Or, the sheer size of the group might provide the power and influence needed to accomplish the goal.

Groups are an inevitability in the workplace. Understanding how and why they come together is the first step in understanding how they function and how they can function well. However, there are plenty of arguments out there for individual work, and understanding the individual's need to succeed in the workplace independent of others. Which is right? We'll discuss that next.

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12.3: Group Development

Learning Objectives

- Define successful group development

The story of every feel-good sports movie—from *The Bad News Bears* to *Hoosiers* to *Miracle* to *The Mighty Ducks*—is one about a group that came together clumsily and without much hope and went on to win big. As moviegoers, we sit in the darkened theater and root them on as they meet, fight, cry, learn about each other, and finally gain an understanding of how to work well as a single unit. And when we think all hope is lost, and then that last goal/point/home run is scored . . . well, pass the tissues, please.

Now, you may think, "Those aren't good movies. They're all the same!" And you'd be right. But it's not because screenwriters set out to plagiarize a good idea. It's because the Bad News Bears, the Hoosiers, the USA Hockey players and yes, even the Mighty Ducks, went through all the normal stages of group development, and their group development is the basis for their story.

Groups generally proceed through a sequence during their evolution, and that sequence is called the five-stage model.

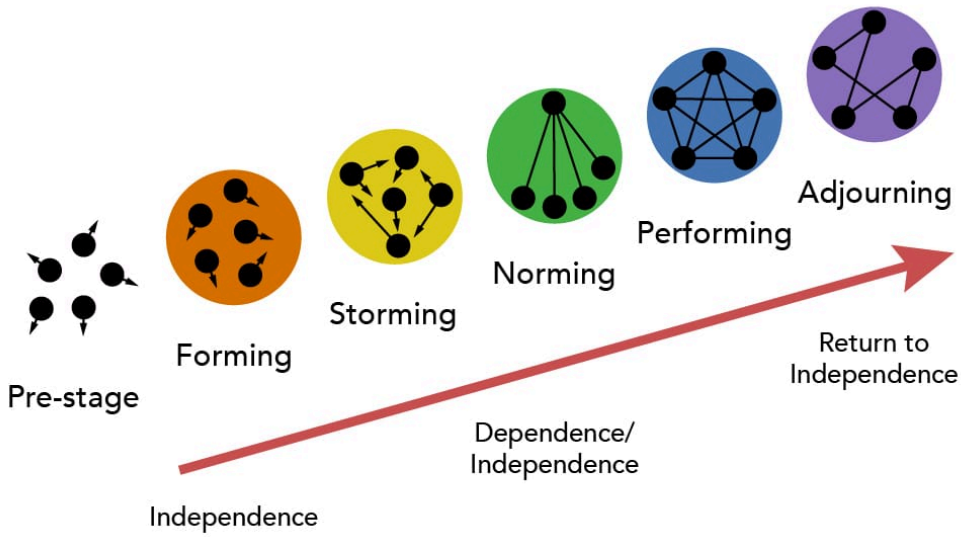


Figure 1

In the **pre-stage**, you have a group of people who have never met and probably do not yet know they're going to be a group.

But the minute they meet, either formally or informally, the members start to go through the **forming** stage. There's a whole lot of uncertainty in the forming stage. The members of the group don't necessarily know the group's purpose, who their leader is, or what the structure of the group is.

The **storming** stage is one of intragroup conflict. Members are resistant to the constraints the group imposes on them individually. The group may attempt tasks and fail. There is likely even conflict over who's the leader of the group.

All of a sudden, close relationships will start to develop between the group members, and a cohesive bond may start to form. A sense of camaraderie and purpose starts to develop. This is the **norming** stage. During the norming stage, the group will determine a correct set of behaviors that are expected of every group member, and group structure will solidify.

The fourth stage is **performing**. The structure of the group is fully accepted at this stage, and the group members are getting to know each other well, understanding how to work together to complete the task at hand. They are fully functional.

A permanent group will continue in the performing stage and stop there, but a temporary group, like a task force or a temporary

committee, may proceed on to the **adjourning** stage. In the adjourning stage, the group moves their focus from performing to wrapping up tasks. Members bask in the accomplishments of the group, or become depressed over the loss of camaraderie and friendship they found within the group.

Click through the following interactive to learn more about how these groups form. We'll follow the story of, Itzel, who is forming a team. Pay attention to what happens as her team progresses.

A link to an interactive elements can be found at the bottom of this page.

The five-stage model also doesn't account for organizational context. For instance, a group of three members of a cockpit crew can have never met but still jump immediately to high-level performance, due to the organizational context surrounding the tasks of a cockpit crew. Any group that needs a set of rules and tools, but can forego the time it takes to make plans, allocate resources and determine roles is going to jump a few steps on the model.

The five-stage model also doesn't seem to work well for temporary groups that face deadlines. These groups have their own set of sequences.

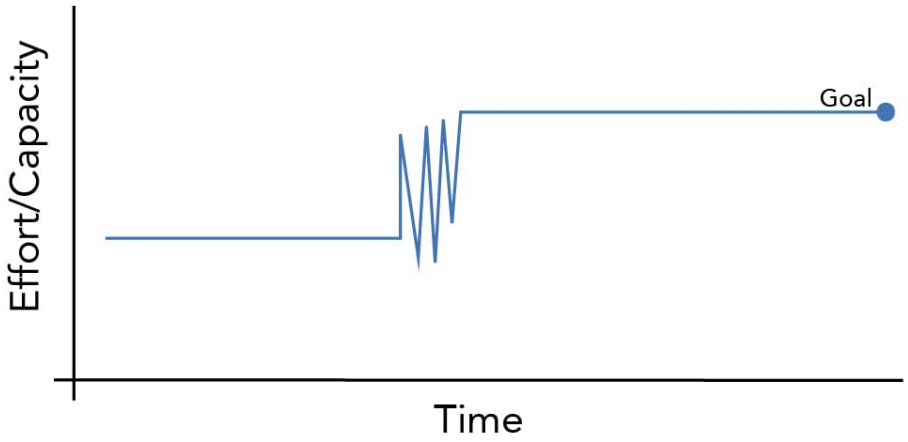
For instance, a committee of senior leaders and key organization members came together at a retail company to plan a large leadership event. The event was to be educational, and would drive home the point that their retail store leaders and their delivery of the customer's shopping experience was key to future success. Educational breakout sessions would underscore that message. The event team, under that instruction, began working on the agenda and started to contact possible speakers.

At the same time, the company's marketing department was getting ready to unleash a new brand strategy on the company. Originally set to be introduced in late spring, the event planning group saw an opportunity to unveil it with dramatic style at the leadership event. The senior leaders and key organization members got together again, and, after some discussion, entirely scrapped their original plans and started working on the best way to introduce their new brand to the group.

This is a classic case of punctuated equilibrium.

Punctuated equilibrium is a term borrowed from evolutionary science that states that once a species appears in a fossil record, it will be stable and show little change over its evolutionary history. The same is true for these temporary groups, who appear and become stable for the time it takes to complete their tasks. In this model, revolutionary change occurs in brief, punctuated bursts, generally catalyzed by a crisis or problem that breaks through the systemic inertia and shakes up the deep organizational structures in place. At this point, the organization or group has the opportunity to learn and create new structures that are better aligned with current realities. Whether the group does this is not guaranteed.

In sum, groups can repeatedly cycle through the storming and performing stages, with revolutionary change taking place during short transitional windows. For organizations and groups who understand that disruption, conflict, and chaos are inevitable in the life of a social system, these disruptions represent opportunities for innovation and creativity.



Source: http://www.betterprojects.net/2008/05/punctuated-equilibrium.html

Figure 2.

In Figure 2, the blue line represents a group. You can see that the first meeting of the group sets the group's direction. They move forward. Then, when half of their time is used up, a transition occurs that initiates major changes. This usually occurs at the same point in the calendar for all temporary groups. They reach the midpoint and, whether a member has been working for six hours or six months on the task, they all experience a kind of crisis around the impending deadline. The calendar heightens the members' awareness, and they transition.

The transition is usually characterized by an abandoning of prior habits and an adoption of new perspectives. A revised direction is set. After the transition, a second phase of "inertia" happens, as the group completes its goal, usually with a sudden burst of energy at the end. They feel like their task completed.

This is what happened to the event team at the retail organization. They got together with an initial set of plans and then, halfway through the process, abandoned their original plans for plans they'd not even considered the first time around. There was havoc and scrambling but, as the event planner commented soon after, "This seems right now. We were struggling a little bit to make the first plan a reality, but after the meeting last week, we're really going to move forward with the right message."

We understand now how a group develops, but to really understand how they work, we need to understand the structure of a group. What—or who—are the parts of the group that come together to storm, norm, and perform? We'll talk about that next.

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12.4: Group Structure

Learning Objectives

- Determine successful group structure

Work groups are not like a mob of people, storming through the streets setting couches on fire over a team win. Work groups are organized and have structural elements that help the members understand who is responsible for what tasks, what kind of behaviors are expected of group members, and more. These structural elements include roles, norms, and status. Groups are also influenced by size and the degree of group cohesiveness.

Let's take a look at how each of those elements creates a structure that helps the members understand the purpose of and function within the group.

Roles

Bill Gates is perhaps best known as the principal founder of Microsoft. He was the CEO, then the chairman, a board member and now, a technical advisor to the current CEO. He's also husband of Melinda Gates, father of their three children, the head of their foundation and a media influencer. These are all roles that Bill Gates has to manage in his everyday life.

A role is a set of expected behavior patterns attributed to someone occupying a given position in a social unit. Within a role there is

- **Role identity:** the certain actions and attitudes that are consistent with a particular role.
- **Role perception:** our own view of how we ourselves are supposed to act in a given situation. We engage in certain types of performance based on how we feel we're supposed to act.
- **Role expectations:** how others believe one should act in a given situation
- **Role conflict:** conflict arises when the duties of one role conflict with the duties of another role.

Bill Gates

Let's look at this through the lens of a day in the life of Bill Gates. First, let's look at him in the role of fundraiser. When he's looking for corporate donations to the Bill and Melinda Gates Foundation, he may visit the CEOs of other successful corporations. He may shake hands, have some lunches, get some commitments for money from these CEOs. That's role identity. The actions and attitudes that are consistent with a fundraiser.

Bill Gates may choose to wear a suit and tie when he visits these CEOs looking for donations. He may use "corporate speak" that's familiar to them. He may purchase the lunch. That might be Bill Gates' role perception. It's the way he thinks he should behave in the fundraiser role.

Later, he and Melinda may hold a press conference where he announces to the world that they've funded textbooks for 250 schools across the nation. Responses include headlines of "Yay, Bill and Melinda!" People talk on Facebook about how Bill and Melinda are really helping communities. They are meeting our role expectations for them.

Finally, Bill and Melissa race out of the press conference, fight traffic to the airport, and try to get home to the violin recital of their oldest child. This is role conflict. The duties of one of Bill's and Melissa's roles is in conflict with another—demands arise from both and need to be managed.

Norms

Norms are the acceptable standards of behavior within a group that are shared by the members.

When we learned about motivation, we talked a little about the Hawthorne Studies. To jog your memory, Hawthorne Electric hired researchers to do a study to determine if higher levels of light increased the production of a work group.

A full-scale appreciation of group behavior and its influence on work groups was uncovered by the Hawthorne Studies in the 1930s. What was discovered was that groups established a set of behaviors. Some of these behaviors were spurred on simply because they were being observed. In other situations, the group collectively established a group norm of production—and those individuals that violated the norm by overachieving were ridiculed for not following the established, albeit unspoken, norms.

There are common classes of norms:

- **Performance norms:** the group will determine what is an acceptable level of effort, product and outcome should exist in the workplace.
- **Appearance norms:** the group will determine how members should dress, when they should be busily working and when they can take a break, and what kind of loyalty is shown to the leader and company.
- **Social arrangement norms:** the group regulates interaction between its members.
- **Allocation of resources norms:** the group or the organization originates the standards by which pay, new equipment, and even difficult tasks are assigned.

If you wish to be accepted by a particular group, you may conform to that group's norms even before you've become a part of it. Conformity is adjusting one's behavior to align with the norms of a particular group. By watching and observing that group to better understand its expectations, you are using the group as a reference group. A reference group is an important group to which individuals belong or hope to belong and with whose norms individuals are likely to conform.

When people act outside a group's norms—perhaps a manager makes sexual advances to his assistant, or one co-worker spreads vicious rumors about another—this is referred to as deviant workplace behavior.

Status

The socially defined position or rank given to groups or group members by others is called status. Status seems to be something we cannot escape. No matter what the economic approach, we always seem to have classes of people. Even the smallest of groups will be judged by other small groups, opinions will be made, reputations will be earned, and status will be assigned.

Status characteristics theory suggests that difference in status characteristics create status hierarchies within groups. People who lead the group, control its resources, or make enormous contributions to its success tend to have high status. People who are attractive or talented may also have high status.

High status members are often given more leeway when it comes to the group's norms, too, and it makes them more at ease about resisting conformity. If you ever watched television's medical drama *House*, the very talented, intelligent and curmudgeonly main character is allowed to act unconventionally and often inappropriately, largely because the diagnostic talents he brings to the group are so rare and valued. He is often assertive and outspoken with the other group members. He's addicted to pain medications, he hates people and lets everyone know it, and yet his behaviors are tolerated. He's a high status contributor to the group and they need his talents badly, so they overlook his failure to conform to their norms.

In spite of the high status members taking advantage of the norms and dominating group interactions, equity is an important part of status. We talked a bit about how perceived equity is a motivator for people. If status is observed when rewards and resources are distributed among the group members, then usually all is well.

Size

Does the size of a group affect its dynamics? You bet! But how size affects the group depends on where you're looking.

As a rule, smaller groups are faster than their larger counterparts. But when it comes to decision making, larger groups end up scoring higher marks. So, if there's a decision to be made, it's wise to poll a larger group . . . and then give the input to a smaller group so they can act on it.

A side note about size: groups with odd numbers of people tend to operate better than those that have an even number, as it eliminates the issue of a tie when votes are taken. Groups of five or seven tend to be an ideal size, because they're still nimble like a smaller group, but they make solid decisions like a larger group does.

Cohesiveness

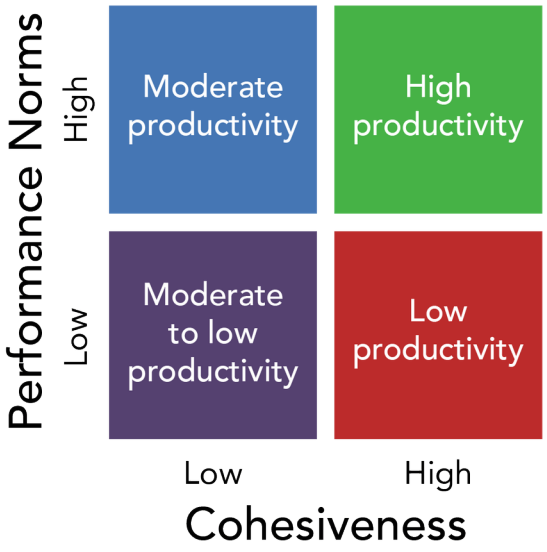


Figure 1.

Cohesiveness is the degree to which group members enjoy collaborating with the other members of the group and are motivated to stay in the group.

Cohesiveness is related to a group's productivity. In fact, the higher the cohesiveness, the more there's a chance of low productivity, if norms are not established well. If the group established solid, productive performance norms and their cohesiveness is high, then their productivity will ultimately be high. If the group did not establish those performance norms and their cohesiveness is high, then their productivity is doomed to be low. Think about a group of high school friends getting together after school to work on a project. If they have a good set of rules and tasks divided amongst them, they'll get the project done and enjoy the work. And, without those norms, they will end up eating Hot Pockets and playing video games until it's time to go home for dinner.

Figure 1 shows the relationship between performance norms and cohesiveness. In the workplace, there are ways to increase cohesiveness within a group.

A group leader can:

- shrink the size of the group to encourage its members get to know each other and can interact with each other.
- increase the time the group spends together, and even increase the status of the group by making it seem difficult to gain entry to it.
- help the group come to agreement around its goals.
- reward the entire group when those goals are achieved, rather than the individuals who made the biggest contributions to it.
- stimulate competition with other groups.
- isolate the group physically.

All of these actions can build the all-important cohesiveness that impacts productivity.

Now that we fully understand what a group is and what its dynamics are, shall we go build one to work on a project? Or . . . wait. Are we better off letting one individual person tackle that particular task? We'll next talk about making the choice between assigning an individual to work on a project, versus assigning a group.

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12.5: Group vs. Individuals

Learning Objectives

- Discuss the advantages and disadvantages of working as a group rather than as an individual



Are two heads better than one? We've talked a lot about groups—how they come together and operate, what elements need to be in place to ensure they're successful—but we've yet to talk about making choices between a group and an individual when it comes to a particular task.

Managers are faced with these choices all the time. After reading all this, you may not understand how there can be a better choice than a cohesive, highly productive group to tackle any problem.

Let's look at some comparisons.

Group vs. Individual Effort

In the late 1920s, Max Ringelmann, a German psychologist, set out to determine if individuals put forth the same level of effort in a group as they did when they were working alone. He set out to examine athletes engaged in a rope tug-o-war, and found that, in a one-on-one match, each player averaged an effort equal to 63 kilograms of force. In a group of three, that force dropped to 53 kilograms, and in a group of eight . . . only 31 kilograms of force.

This effect is referred to as social loafing, the tendency for individuals to expend less effort when working collectively than when working individually. What causes it? Well, for one, there may be a perception that some group members are not putting out their fair share of effort, and so others are purposely pulling back on their own contribution. Or, it may be attributed to the fact that the entire group shares responsibility for an outcome, so no one person is held accountable for work that is (or is not) done.

It's worth noting that social loafing isn't common across all cultures—it actually has a western bias. It's pretty consistent in individualistic cultures like the US and Canada, but collective societies, like China, do not exhibit as many social loafing tendencies.

If managers want to make sure that individual effort among their group doesn't drop, they need to provide means by which individual contributions can be measured.

Decision Making

There are pros and cons when it comes to group decision making as well. The benefits of a decision made by a group are:

- It is made with more complete information and knowledge.
- It considers diverse points of view.
- It is a higher quality decision, because a group will almost always outperform an individual.
- It will lead to a wider acceptance of a solution, because the decision is already supported by a group of people.

What are the weaknesses of group decision making? Well, an individual can make a decision instantly. When he does, he only has himself to convince that he is right. This short video captures the process for group decision making:

A link to an interactive elements can be found at the bottom of this page.

As you can see, they go through a review of information, preferences and alternatives and go around in circles until decision fatigue comes into play. Decision fatigue is defined as the deteriorating quality of decisions made by an individual or group as time progresses. With this group, the participants couldn't come to a decision and so individuals in the group began throwing in the towel in a "whatever!" frame of mind. In a work environment, when a group reaches this state, poor decisions can be made.

In group decision making, decision fatigue can arrive over one decision that's been drawn out and reviewed over and over without coming to a consensus. An individual tends to experience decision fatigue when faced with a lot of decisions—for example, a study of judges showed that they made better decisions earlier in the day, and the quality of their decisions diminished as the day went on.

Groupthink

A company called Despair, Inc. made a series of posters that poked fun at those black-framed motivation posters that companies began hanging in offices. Posters with lions faces touted the qualities of "excellence" and a set of colorful hot air balloons promoted ideas about "diversity." In this company's parody of those posters, one of their best sellers showed a bunch of faceless, suited humans throwing their hands into the middle of a huddle. The poster says, "Meetings: None of us is as dumb as all of us."

No doubt the poster is referring to groupthink. Groupthink is a group decision-making phenomenon that prevents a group from making good decisions. Groupthink occurs when the group is so enamored with the idea of concurrence that the desire for consensus overrides and stifles the proposal and evaluation of realistic alternatives.

NASA's Challenger

Perhaps the most famous and most studied example of groupthink occurred when NASA launched the space shuttle Challenger in January of 1986. NASA had already once cancelled the launch due to weather, and they were insistent that it go off without a hitch on its newly rescheduled date of January 28, 1986. But the makers of a fuel system O-ring, Thiokol, warned NASA that, based on cold weather predicted, that part might fail and yield disastrous consequences.

NASA's internal processes and applied pressure kept those people from speaking up, and in an isolated meeting of Thiokol group members, they weighed the possibilities. The company might not be allowed to work with NASA again if they made too much noise. The part might not fail. And so, they agreed to not make any noise, and to support NASA's decision to launch.

We all know what happened.

Groupthink appears to occur in groups where there is a clear group identity, where members feel there is a positive image of the group that must be protected. That was clearly the case where NASA was concerned—they already had mud on their faces due to the first postponement of the launch, which cost money and a little bit of their reputation. They wanted to be perceived as the elite organization that could do no wrong.

To avoid groupthink, managers can take the following steps:

- Monitor group size, as participants grow more hesitant to participate in larger groups.

- Managers themselves should play an impartial role.
- Encourage a group member to play devil's advocate and challenge group decisions.
- Focus first on the negatives of the decision before talking about the positives.

A subcategory of groupthink is groupshift. Groupshift is defined as a change in decision risk between the group's decision and the individual decision that members within the group would make. That is, group members tend to exaggerate their initial positions when presenting them to the rest of the group. Sometimes, the group jumps in and pushes that decision to a conservative shift, but more often, the group tends to move toward the riskier option.

Why does this happen? It's been argued that, as group members become more familiar with each other, they become more bold and daring. Another theory states that we admire individuals who aren't afraid of risk, and those individuals who present risky alternatives are often admired by other members. Regardless, managers do well to remember that groups often shift toward riskier tendencies and can do their best to mitigate those results.

Introverts and Extraverts in Groups

It won't come as much of a surprise to you to hear this: Introverts aren't always big fans of working in groups.



As you know, introverts operate internally and draw their strength from within. They like being around other people, but interacting with them requires an expenditure of energy. They don't always feel comfortable or motivated to interact in groups, but they do often focus deeply on their work.

Conversely, extraverts love being around other people, they love participating in groups and gain energy by doing so. They're nearly always motivated and comfortable interacting in a group.

Managers need to draw out the best of both types of members. In her 2015 article for Harvard Business Review, behavioral scientist Francesca Gino stated that it was the type of leader that had the most impact on these group members. Interestingly, extraverted managers could very easily draw responses out of introverts, but had a tendency to shut down extraverts who proposed new visions and ideas. Introverted managers had the advantage, as they carefully considered all responses and suggestions.

Gino's group performed a study on a set of stores, and found that when extraverted managers were paired with a passive set of employees, they yielded higher sales. When those same extraverted managers were paired with an extraverted set of employees, their sales were lower than expected. But in both tests, introverted managers yielded higher sales.

Of her findings, Gino noted:

These results suggest that introverts can use their strengths to bring out the best in others. Yet introverts' strengths are often locked up because of the way work is structured. Take meetings. In a culture where the typical meeting resembles a competition

for loudest and most talkative, where the workspace is open and desks are practically touching, and where high levels of confidence, charisma, and sociability are the gold standard, introverts often feel they have to adjust who they are to “pass.” But they do so at a price, one that has ramifications for the company as well.

In managing a group, it pays for the manager to consider how meetings are set up and run, and yet few companies show any evidence of doing so. Arriving at a meeting process that encourages introverts to speak up and extraverts to take time for reflection is a win-win for the group and the company.

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12.6: Putting It Together- Group Dynamics



Managers who understand groups and group dynamics are already ahead of the game when it comes to producing results for an organization. We looked at types of groups we see in a work setting, and how they are defined. We looked at how groups come together through the lens of one of those sappy stories about sports, and how they all go through the forming, storming, norming and performing stages. And finally, we looked at the elements of a group: its roles, its norms and all of the characteristics that help determine how the group is going to operate and how productive it's going to be.

And note, we might have talked about the Mighty Ducks. We might have talked about LeBron James and his comeback year with the Cleveland Cavaliers. But we never said the word "team." There's a difference between a group and a team. All teams are groups, but not all groups are teams.

We'll talk about that next. So much more to learn!

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12.7: Discussion- Group Dynamics

The management of Informational Systems has decided to form a group to organize the next annual meeting where each department will review past performance and set goals and objectives for the coming year. During the meeting, the information from each department will be shared with the company as a whole, and organizing group will monitor progress throughout the year and report results to management on a quarterly basis.

Discussion Prompt

Is this a formal or informal group? How would you describe and classify this group? What strategy would you employ in order to help this group move from the forming to storming stage?

Grading

Share your opinions below and respond to two of your classmates' thoughts.

Criteria	Not Evident	Developing	Exemplary	Points
Submit your initial response	**0 pts** No post made	**2 pts** Post is either late or off-topic	**5 pts** Post is made on time and is focused on the prompt	5 pts
Respond to at least two peers' presentations	**0 pts** No response to peers	**2 pts** Responded to only one peer	**5 pts** Responded to two peers	5 pts
			Total:	**10 pts**

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13: WORK GROUPS



Learning Outcomes

After reading this chapter, you should be able to answer these questions:

1. How do you manage group and intergroup processes effectively?
2. How do group norms, roles, and status systems affect employee behavior and performance?
3. How do managers develop group cohesiveness, which facilitates organizational goal attainment?
4. What are barriers to intergroup cooperation, and how do you take action to minimize such impediments

   and understand how to get the most out of the collective actions of groups in organizations in order to enhance industrial competitiveness?

13.1: Work Groups - Basic Considerations

13.2: Work Group Structure

13.3: Managing Effective Work Groups

13.4: Intergroup Behavior and Performance

13.5: Glossary

13.6: Summary of Learning Outcomes

13.7: Chapter Review Questions

13.8: Management Skills Application Exercises

13.9: Managerial Decision Exercises

13.10: Critical Thinking Case

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13.1: Work Groups - Basic Considerations

1. How do you manage group and intergroup processes effectively?

Available research on group dynamics demonstrates rather conclusively that individual behavior is highly influenced by coworkers in a work group. For instance, we see many examples of individuals who, when working in groups, intentionally set limits on their own incomes so they earn no more than the other group members. We see other situations where individuals choose to remain in an undesirable job because of their friends in the plant, even though preferable jobs are available elsewhere. In summarizing much research on the topic, Hackman and Morris concluded the following:

There is substantial agreement among researchers and observers of small task groups that something important happens in group interaction which can affect performance outcomes. There is little agreement about just what that "something" is—whether it is more likely to enhance or depress group effectiveness, and how it can be monitored, analyzed, and altered.[1]

In order to gain a clearer understanding of this "something," we must first consider in detail what we mean by a **group**, how groups are formed, and how various groups differ.

What is a Group?

The literature of group dynamics is a very rich field of study and includes many definitions of work groups. For example, we might conceive of a group in terms of *perceptions*; that is, if individuals see themselves as a group, then a group exists. Or, we can view a group in *structural* terms. For instance, McDavid and Harari define a group as "an organized system of two or more individuals who are interrelated so that the system performs some function, has a standard set of role relationships among its members, and has a set of **norms** that regulate the function of the group and each of its members."[2] Groups can also be defined in *motivational* terms as "a collection of individuals whose existence as a collection is rewarding to the individuals."[3] Finally, a group can be viewed with regard to *interpersonal interactions*—the degree to which members communicate and interact with one another over time.[4]

By integrating these various approaches to defining groups, we may conclude for our purpose here that a *group* is a collection of individuals who share a common set of norms, generally have differentiated roles among themselves, and interact with one another toward the joint pursuit of common goals. (The definitions of roles and norms is provided later in this chapter.) This definition assumes a dynamic perspective and leads us to focus on two major aspects of groups: group structure and group processes. Group structure is the topic of this chapter, and group processes will be discussed in later chapters.

Types of Groups

There are two primary types of groups: formal and informal. Moreover, within these two types, groups can be further differentiated on the basis of their relative degree of permanence. The resulting four types are shown in **Table 9.1**.

Types of Groups		
	Relatively Permanent	Relatively Temporary
Formal	Command group	Task group
Informal	Friendship group	Interest group

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Formal Groups. Formal groups are work units that are prescribed by the organization. Examples of formal groups include sections of departments (such as the accounts receivable section of the accounting department), committees, or special project task forces. These groups are set up by management on either a temporary or permanent basis to accomplish prescribed

tasks. When the group is permanent, it is usually called a **command group** or *functional group*. An example would be the sales department in a company. When the group is less permanent, it is usually referred to as a **task group**. An example here would be a corporate- sponsored task force on improving affirmative action efforts. In both cases, the groups are formal in that they are both officially established by the company to carry out some aspect of the business.

Informal Groups. In addition to formal groups, all organizations have a myriad of **informal groups**. These groups evolve naturally out of individual and collective self-interest among the members of an organization and are not the result of deliberate organizational design. People join informal groups because of common interests, social needs, or simply friendship. Informal groups typically develop their own norms and roles and establish unwritten rules for their members. Studies in social psychology have clearly documented the important role of these informal groups in facilitating (or inhibiting) performance and organizational effectiveness. Again, on the basis of their relative degree of permanence, informal groups can be divided into **friendship groups** (people you like to be around) and **interest groups** (e.g., a network of working women or minority managers). Friendship groups tend to be long-lasting, whereas interest groups often dissolve as people's interests change.

One of the more interesting aspects of group processes in organizations is the interaction between informal and formal groups. Both groups establish norms and roles and goals and objectives, and both demand loyalty from their members. When an individual is a member of many groups—both formal and informal—a wide array of potentially conflicting situations emerges that has an impact upon behavior in organizations. We will focus on this interplay throughout the next few chapters.

Reasons for Joining Groups

People join groups for many reasons. Often, joining a group serves several purposes at once. In general, at least six reasons can be identified for joining groups:

1. **Security.** Most people have a basic need for protection from external threats, real or imagined. These threats include the possibility of being fired or intimidated by the boss, the possibility of being embarrassed in a new situation, or simply the anxiety of being alone. Groups can be a primary source of *security* against such threats. We have often heard that there is "safety in numbers."
2. **Social Needs.** In addition, as discussed in previous chapters, basic theories of personality and motivation emphasize that most individuals have relatively strong **social needs.** They need to interact with other people and develop meaningful relationships. People are clearly social creatures. Groups provide structured environments in which individuals can pursue friendships.
3. **Self-Esteem.** Similarly, membership in groups can assist individuals in developing self-esteem. People often take pride in being associated with prestigious groups; note such examples as professors elected to membership in the National Academy of Sciences or salespeople who qualify for a million dollar club as a reward for sales performance.
4. **Economic Self-Interest.** People often associate with groups to pursue their own **economic self-interest.** Labor unions are a prime example of this phenomenon, as are various professional and accrediting agencies, such as the American Bar Association. These organizations often attempt to limit the supply of tradespeople or professionals in order to maintain employment and salaries.
5. **Mutual Interest.** Some groups are formed to pursue goals that are of **mutual interest** to group members. Included here are bridge clubs, company-sponsored baseball teams, and literary clubs. By joining together, individuals can pursue group goals that are typically not feasible alone.
6. **Physical Proximity.** Finally, many groups form simply because people are located in close **physical proximity** to one another. In fact, office architecture and layout can have considerable influence over the development of social networks and groups. Consider, for example, two floors in the same building. On the first floor, all the managers have private offices arranged in a long row, with their assistants arranged in a similar row in front of them. This horizontal pattern of offices does not allow for frequent interaction between either the managers or the secretaries, and as a result group formation may be slowed. On the second floor, however, suppose all the managers' offices are arranged in a cluster surrounding a similar cluster of assistants. The result would be more frequent social interaction among employees. This is not to say that one arrangement is superior to the other; rather, it is simply to point out how variations in office arrangements can have an impact on group formation.

Stages in Group Development

Before we begin a comprehensive examination of the structure of groups, consider briefly the stages of group development. How do groups grow and develop over time? Tuckman has proposed one model of group development that consists of four stages through which groups generally proceed.5 These four stages are referred to by the deceptively simple titles *forming, storming,*

norming, and *performing* (see **Exhibit 9.2**).

1. **Forming.** In the first stage of development, when group members first come together, emphasis is usually placed on making acquaintances, sharing information, testing one another, and so forth. This stage is referred to as forming. Group members attempt to discover which interpersonal behaviors are acceptable or unacceptable in the group. In this process of sensing out the environment, a new member is heavily dependent upon others for providing cues to acceptable behavior.
2. **Storming.** In the second stage of group development, a high degree of intergroup conflict (**storming**) can usually be expected as group members attempt to develop a place for themselves and to influence the development of group norms and roles. Issues are discussed more openly, and efforts are made to clarify group goals.
3. **Norming.** Over time, the group begins to develop a sense of oneness. Here, group norms emerge (**norming**) to guide individual behavior. Group members come to accept fellow members and develop a unity of purpose that binds them.
4. **Performing.** Once group members agree on basic purposes, they set about developing separate roles for the various members. In this final stage, role differentiation emerges to take advantage of task specialization in order to facilitate goal attainment. The group focuses its attention on the task (performing). As we consider this simple model, it should be emphasized that Tuckman does not claim that all groups proceed through this sequence of stages. Rather, this model provides a generalized conceptual scheme to help us understand the processes by which groups form and develop over time.

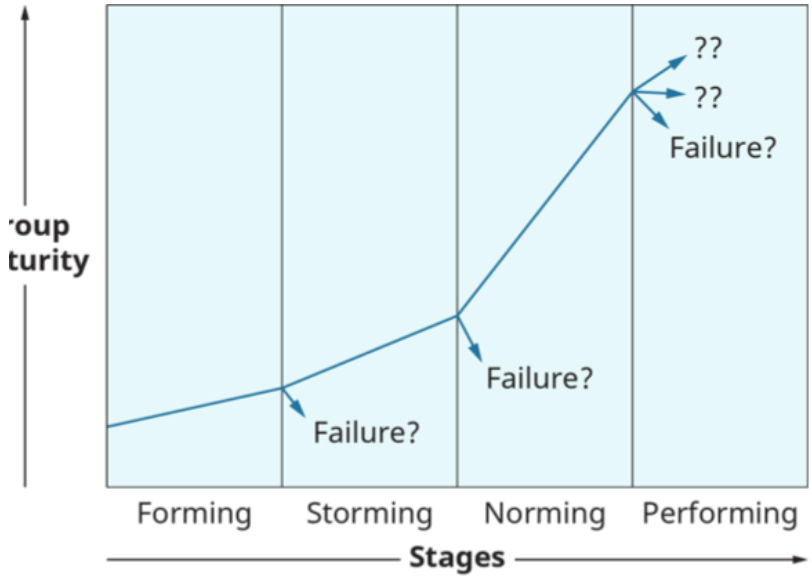


Exhibit 9.2 Stages in Group Development (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)

concept check

- What are the reasons for joining a group?
- What are the development stages groups often go through?
- At the storming stage, what differences might you expect between groups formed for economic self-interest and groups formed for mutual self-interest?

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13.2: Work Group Structure

2. How do group norms, roles, and status systems affect employee behavior and performance?

Work group structure can be characterized in many different ways. We examine several characteristics that are useful in describing and understanding what makes one group different from another. This matrix of variables will, when taken together, paint a portrait of work groups in terms of relatively enduring group properties. The aspects of group structure to be considered are (1) work roles, (2) work group size, (3) work group norms, (4) status relationships, and (5) work group cohesiveness. Each of these factors has been shown to influence group processes, as shown in **Exhibit 9.3**. Thus, the material presented here will be important when we focus on group processes later in the text.

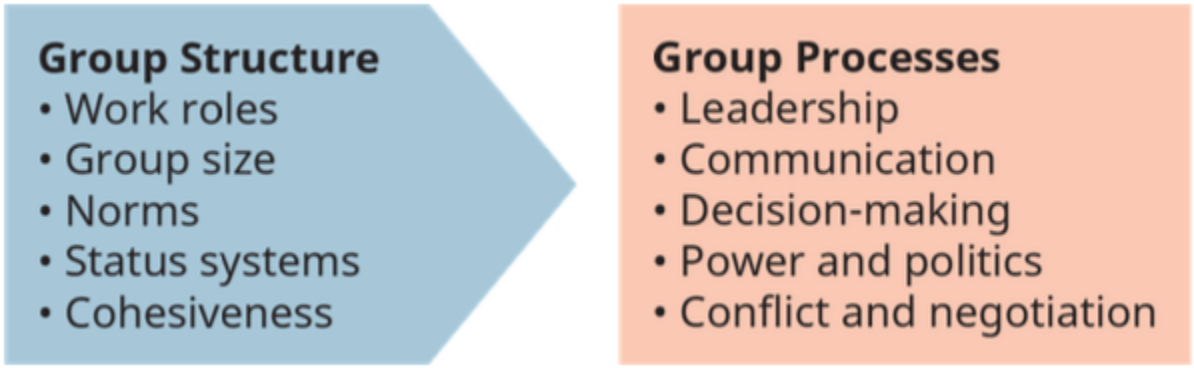


Exhibit 9.3 Group Structure and Process (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)

Work Roles

In order to accomplish its goals and maintain its norms, a group must differentiate the work activities of its members. One or more members assume leadership positions, others carry out the major work of the group, and still others serve in support roles. This specialization of activities is commonly referred to as role differentiation. More specifically, a **work role** is an expected behavior pattern assigned or attributed to a particular position in the organization. It defines individual responsibilities on behalf of the group.

It has been suggested that within organizational settings, work roles can be divided into three types on the basis of the nature of the activities that encompass the role.[6] These are:

1. **Task-oriented roles.** These roles focus on task-related activities aimed at achieving group performance goals.
2. **Relations-oriented roles.** These roles emphasize the further development of the group, including building group cohesiveness and consensus, preserving group harmony, looking after group member welfare, and so forth.
3. **Self-oriented roles.** These roles emphasize the specific needs and goals of individual members, often at the expense of the group.

As we might expect, individual group members often perform several of these roles simultaneously. A group leader, for example, must focus group attention on task performance while at the same time preserving group harmony and cohesiveness. To see how this works, consider your own experience. You may be able to recognize the roles you have played in groups you have been a member of. In your experience, have you played multiple roles or single roles?

Perhaps the best way to understand the nature of work roles is to examine a **role episode**. A role episode is an attempt to explain how a particular role is learned and acted upon. As can be seen in **Exhibit 9.4**, a role episode begins with members' expectations about what one person should be doing in a particular position (Stage 1). These expectations are then communicated to the individual (Stage 2), causing the individual to perceive the expectations about the expected role (Stage 3). Finally, the individual decides to act upon the role in terms of actual role-related behavior (Stage 4). In other words, Stages 1 and 2 deal with the *expected* role, whereas Stage 3 focuses on the *perceived* role and Stage 4 focuses on the *enacted* role.

Consider the following simple example. A group may determine that its newest member is responsible for getting coffee for group

members during breaks (Stage 1). This role is then explained to the incoming member (Stage 2), who becomes aware of his or her expected role (Stage 3). On the basis of these perceptions (and probably reinforced by group norms), the individual then would probably carry out the assigned behavior (Stage 4).

Several aspects of this model of a role episode should be noted. First, Stages 1 and 2 are initiated by the group and directed at the individual. Stages 3 and 4, on the other hand, represent thoughts and actions of the individual receiving the stimuli. In addition, Stages 1 and 3 represent cognitive and perceptual evaluations, whereas Stages 2 and 4 represent actual behaviors. The sum total of all the roles assigned to one individual is called the **role set**.

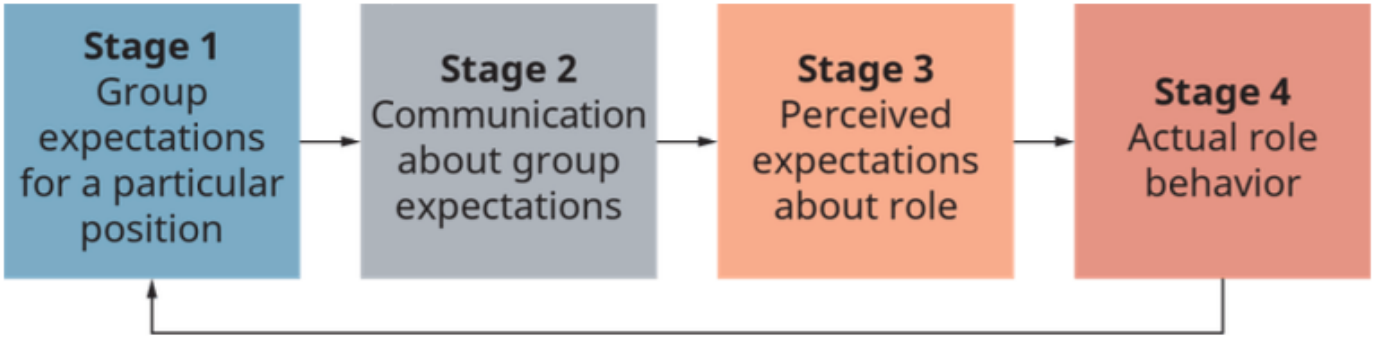


Exhibit 9.4 A Simplified Model of a Role Episode Source: Adapted from D. G. Myers and J. M. Twenge, *Social Psychology* 13th edition, (New York: McGraw Hill), 2018. (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)

Although the role episode presented here seems straightforward, in reality we know that it is far more complicated. For instance, individuals typically receive multiple and sometimes conflicting messages from various groups, all attempting to assign them a particular role. This can easily lead to **role conflict**. Messages sent to an individual may sometimes be unclear, leading to **role ambiguity**. Finally, individuals may simply receive too many role-related messages, contributing to **role overload**. Discussion of these topics is reserved for later study, where examination of several important aspects of psychological adjustment to work.

Work Group Size

Obviously, work groups can be found in various sizes. Early management theorists spent considerable time and effort to no avail attempting to identify the right size for the various types of work groups. There is simply no right number of people for most group activities. They did, however, discover a great deal about what happens as group size increases.[7] A number of relevant size outcome relationships are summarized in **Table 9.2**.

Effects of Group Size on Group Dynamics		
Factor	Size of Group	
	Small	Large
Group interaction	Increased	Decreased
Group cohesiveness	Higher	Lower
Job satisfaction	Higher	Lower
Absenteeism	Lower	Higher
Turnover	Lower	Higher
Social loafing	Lower	Higher
Productivity	No clear relation	No clear relation

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Group Interaction Patterns. First, we will consider the effects of variations in group size on group interaction patterns. A series of classic studies by Bales and Borgatta examined this issue using a technique known as **interaction process analysis**.[8] This technique records who says what to whom; through using it, Bales and his colleagues found that smaller groups (2–4 persons) typically exhibited greater tension, agreement, and opinion seeking, whereas larger groups (13–16 persons) showed more tension release and giving of suggestions and information. This suggests that harmony is crucial in smaller groups and that people in them have more time to develop their thoughts and opinions. On the other hand, individuals in larger groups must be more direct because of the increased competition for attention.

Job Attitudes. Increases in workgroup size are fairly consistently found to be inversely related to satisfaction, although the relationship is not overly strong.[9] That is, people working in smaller work units or departments report higher levels of satisfaction than those in larger units. This finding is not surprising in view of the greater attention one receives in smaller groups and the greater importance group members typically experience in such things as their role set.

Absenteeism and Turnover. Available research indicates that increases in work group size and absenteeism are moderately related among blue-collar workers, although no such relationship exists for white-collar workers.[10] One explanation for these findings is that increased work group size leads to lower group cohesiveness, higher task specialization, and poorer communication. As a result, it becomes more difficult to satisfy higher-order needs on the job, and job attendance becomes less appealing. This explanation may be more relevant in the case of blue-collar workers, who typically have little job autonomy and control. White-collar workers typically have more avenues available to them for need satisfaction. Similar findings exist for employee turnover. Turnover rates are higher in larger groups.[11] It again can be hypothesized that because larger groups make need satisfaction more difficult, there is less reason for individuals to remain with the organization.

Productivity. No clear relationship has been found between group size and productivity.[12] There is probably a good reason for this. Unless we take into consideration the type of task that is being performed, we really cannot expect a clear or direct relationship. Mitchell explains it as follows:

Think of a task where each new member adds a new independent amount of productivity (certain piece-rate jobs might fit here). If we add more people, we will add more productivity. . . . On the other hand, there are tasks where everyone works together and pools their resources. With each new person the added increment of new skills or knowledge decreases. After a while increases in size will fail to add much to the group except coordination and motivation problems. Large groups will perform less well than small groups. The relationship between group size and productivity will therefore depend on the type of task that needs to be done.[13]

However, when we look at productivity and group size, it is important to recognize the existence of a unique factor called **social loafing**,[14] a tendency for individual group members to reduce their effort on a group task. This phenomenon occurs when (1) people see their task as being unimportant or simple, (2) group members think their individual output is not identifiable, and (3) group members expect their fellow workers to loaf. Social loafing is more prevalent in larger groups than in smaller groups, presumably because the above three factors are accentuated. From a managerial standpoint, this problem can be reduced by providing workers with greater responsibility for task accomplishment and more challenging assignments. This issue is addressed in the following chapter on job design.

Work Group Norms

The concept of work group norms represents a complex topic with a history of social psychological research dating back several decades. In this section, we will highlight several of the essential aspects of norms and how they relate to people at work. We will consider the characteristics and functions of work group norms as well as conformity with and deviance from them.

Characteristics of Work Group Norms. A **work group norm** may be defined as a standard that is shared by group members and regulates member behavior within an organization. An example can be seen in a typical classroom situation when students develop a norm against speaking up in class too often. It is believed that students who are highly visible improve their grades at the expense of others. Hence, a norm is created that attempts to govern acceptable classroom behavior. We see similar examples in the workplace. There may be a norm against producing too much or too little, against getting too close to the supervisor, against being late for work, and so forth.

Work group norms may be characterized by at least five factors:[15]

1. Norms summarize and simplify group influence processes. They denote the processes by which groups regulate and regularize member behavior.
2. Norms apply only to behavior, not to private thoughts and feelings. Although norms may be based on thoughts and feelings, they cannot govern them. That is, private acceptance of group norms is unnecessary—only public compliance is needed.
3. Norms are generally developed only for behaviors that are viewed as important by most group members.
4. Norms usually develop gradually, but the process can be quickened if members wish. Norms usually are developed by group members as the need arises, such as when a situation occurs that requires new ground rules for members in order to protect group integrity.
5. All norms do not apply to all members. Some norms, for example, apply only to young initiates (such as getting the coffee), whereas others are based on seniority, sex, race, or economic class.

Functions of Work Group Norms. Most all groups have norms, although some may be more extensive than others. To see this, examine the norms that exist in the various groups to which you belong. Which groups have more fully developed norms? Why? What functions do these norms serve? Several efforts have been made to answer this question. In general, work group norms serve four functions in organizational settings:[16]

1. **Norms facilitate group survival**. When a group is under threat, norms provide a basis for ensuring goal- directed behavior and rejecting deviant behavior that is not purposeful to the group. This is essentially a “circle the wagons” phenomenon.
2. **Norms simplify expected behaviors**. Norms tell group members what is expected of them—what is acceptable and unacceptable—and allow members to anticipate the behaviors of their fellow group members and to anticipate the positive or negative consequences of their own behavior.
3. **Norms help avoid embarrassing situations**. By identifying acceptable and unacceptable behaviors, norms tell group members when a behavior or topic is damaging to another member. For example, a norm against swearing signals group members that such action would be hurtful to someone in the group and should be avoided.
4. **Norms help identify the group and express its central values to others**. Norms concerning clothes, language, mannerisms, and so forth help tell others who belongs to the group and, in some cases, what the group stands for. Norms often serve as rallying points for group members.

Conformity and Deviance. Managers often wonder why employees comply with the norms and dictates of their work group even when they seemingly work against their best interests. This concern is particularly strong when workers intentionally withhold productivity that could lead to higher incomes. The answer to this question lies in the concept of conformity to group norms. Situations arise when the individual is swept along by the group and acts in ways that he would prefer not to.

To see how this works, consider the results of a classic study of individual conformity to group pressures that was carried out by Solomon Asch.[17] Asch conducted a laboratory experiment in which a native subject was placed in a room with several confederates. Each person in the room was asked to match the length of a given line (*X*) with that of one of three unequal lines (*A, B,* and *C*). This is shown in **Exhibit 9.5**. Confederates, who spoke first, were all instructed prior to the experiment to identify line *C* as the line most like *X,* even though *A* was clearly the answer. The results were startling. In over one-third of the trials in the experiment, the naive subject denied the evidence of his own senses and agreed with the answers given by the unknown confederates. In other words, when confronted by a unanimous answer from others in the group, a large percentage of individuals chose to go along with the group rather than express a conflicting opinion, even though these individuals were confident their own answers were correct.

What causes such conformity to group norms? And, under what conditions will an individual deviate from these norms? Conformity to group norms is believed to be caused by at least three factors.[18] First, personality plays a major role. For instance, negative correlations have been found between conformity and intelligence, tolerance, and ego strength, whereas authoritarianism was found to be positively related. Essentially, people who have a strong self-identity are more likely to stick to their own norms and deviate from those of the group when a conflict between the two exists. Second, the initial stimulus that evokes responses can influence conformity. The more ambiguous the stimulus (e.g., a new and confusing order from top management), the greater the propensity to conform to group norms (“I’m not sure what the new order from management really means, so I’ll just go along with what others think it means”). In this sense, conformity provides a sense of protection and security in a new and perhaps threatening situation. Finally, group characteristics themselves can influence conformity to group norms. Factors such as the extent of pressure exerted on group members to conform, the extent to which a member identifies with the group, and the extent to which the group has been successful in achieving previous goals can influence conformity.

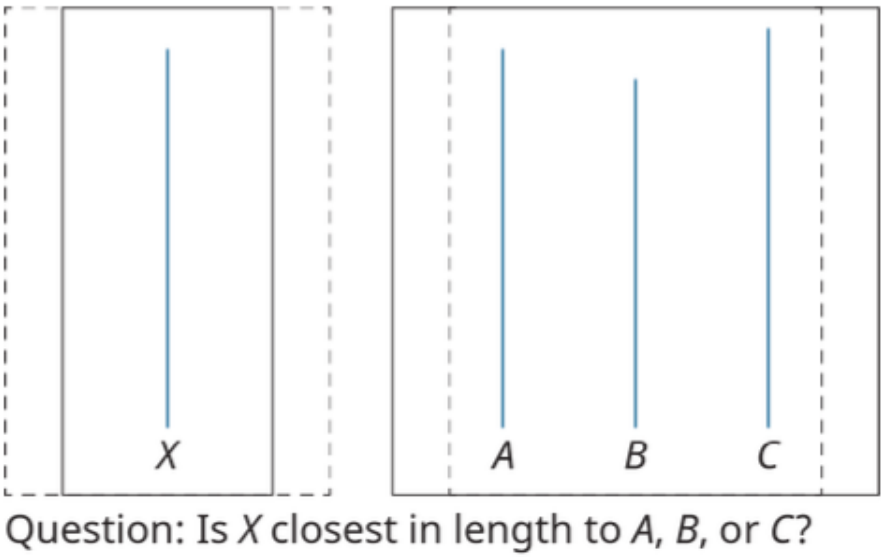


Exhibit 9.5 Asch's Experiment in Group Pressure and Individual Judgment (Attribution: Copyright Rice University, OpenStax, under CC BY- NC-SA 4.0 license)

What happens when someone deviates from group norms? Research indicates that groups often respond by increasing the amount of communication directed toward the deviant member.[19] This communication is aimed at bringing the deviant into the acceptable bounds set by the group. A good example of this process can be seen in Janis's classic study of the group processes leading up to the abortive Bay of Pigs invasion in Cuba.[20] At one meeting, Arthur Schlesinger, an adviser to President Kennedy, expressed opposition to the plan even though no one else expressed similar doubts. After listening to his opposition for a while, Robert Kennedy took Schlesinger aside and said, "You may be right or you may be wrong, but the President has his mind made up. Don't push it any further. Now is the time for everyone to help him all they can." Janis elaborated on this group decision-making process and termed it "groupthink."

When a deviant member refuses to heed the message and persists in breaking group norms, group members often respond by rejecting or isolating the deviant. They tell the deviant, in essence, that they will no longer tolerate such behavior and prefer to reconstitute the group. If the deviant is not expelled, the group must continually confront behavior that conflicts with what it holds to be true. Rather than question or reexamine its beliefs, the group finds it simpler—and safer—to rid itself of dangerous influences.

Status Systems

A fourth characteristic, or structural property, of work groups is the status system. **Status systems** serve to differentiate individuals on the basis of some criterion or set of criteria. There are five general bases on which status differentiations are made: birth, personal characteristics, achievement, possessions, and formal authority. All five bases can be seen as establishing status in work groups. For example, an employee may achieve high status because he is the boss's son (birth), the brightest or strongest member of the group (personal characteristics), the best performer (achievement), the richest or highest paid (possessions), or the foreman or supervisor (formal authority).

Reasons for Status Systems. Status systems can be seen throughout most organizations. We differentiate between blue-collar and white-collar employees (and even pink and gold collar), skilled tradespersons and unskilled workers, senior and junior managers, high achievers and low achievers, and popular and unpopular employees. Why do we do this? In essence, status differentiation in organizations (and their related status symbols) serves four purposes:[21]

Motivation. We ascribe status to persons as rewards or incentives for performance and achievement. If high achievement is recognized as positive behavior by an organization, individuals are more willing to exert effort.

Identification. Status and status symbols provide useful cues to acceptable behavior in new situations. In the military, for example, badges of rank quickly tell members who has authority and who is to be obeyed. Similarly, in business, titles serve the same purpose.

Dignification. People are often ascribed status as a means of signifying respect that is due them. A clergyman's attire, for instance, identifies a representative of the church.

Stabilization. Finally, status systems and symbols facilitate stabilization in an otherwise turbulent environment by providing a force for continuity. Authority patterns, role relationships, and interpersonal interactions are all affected and, indeed, defined by the status system in effect. As a result, much ambiguity in the work situation is reduced.

Status can be conferred on an individual in many different ways. One way common in organizations is through the assignment and decoration of offices. John Dean, counsel to former President Nixon, provides the following account concerning status in the White House:

Everyone [on the White House Staff] jockeyed for a position close to the President's ear, and even an unseasoned observer could sense minute changes in status. Success and failure could be seen in the size, decor, and location of offices. Anyone who moved into a smaller office was on the way down. If a carpenter, cabinetmaker, or wallpaper hanger was busy in someone's office, this was the sure sign he was on the rise. Every day, workmen crawled over the White House complex like ants. Movers busied themselves with the continuous shuffling of furniture from one office to another as people moved in, up, down, or out. We learned to read office changes as an index of the internal bureaucratic power struggles. The expense was irrelevant to Haldeman. . . . He once retorted when we discussed whether we should reveal such expense, "This place is a national monument, and I can't help it if the last three Presidents let it go to hell." Actually, the costs had less to do with the fitness of the White House than with the need of its occupants to see tangible evidence of their prestige.[22]

Modern businesses looking to attract top talent do not have office spaces that have a group of workers siloed in their own walled-off offices with doors 20 years old.[23]

One Orlando business, for instance, spent about $330,000 on the design and build-out of its space.

Status Incongruence. An interesting aspect of status systems in organizations is the notion of **status incongruence**. This situation exists when a person is high on certain valued dimensions but low on others, or when a person's characteristics seem inappropriate for a particular job. Examples of status incongruence include the college student who takes a janitorial job during the summer (usually referred to as the "college kid" by the other janitors), the president's son who works his way up through the organizational hierarchy (at an accelerated rate, needless to say), or the young fast-track manager who is promoted to a level typically held by older employees.

Status incongruence presents problems for everyone involved. The individual may become the target of hostility and jealousy from coworkers who feel the individual has risen above his station. The coworkers, on the other hand, may be forced to acknowledge their own lack of success or achievement. One might ask, for example, "Why has this youngster been promoted over me when I have more seniority?" At least two remedies for this conflict are available to managers. An organization can (1) select or promote only those individuals whose characteristics are congruent with the job and work group, and (2) attempt to change the values of the group. Neither of these possibilities seems realistic or fair. Hence, dynamic organizations that truly reward high achievement (instead of seniority) must accept some level of conflict resulting from status incongruence.

expanding around the globe

Status Systems in Japanese Business

In Japan, etiquette is not simply a prescription for appropriate social responses, it is a complete guide to conducting oneself in all social interactions. At the root of this system of social interaction is one's status within the organization and society.

The effects of status in Japan can be seen in many ways. For example, when two businesspeople meet for the first time, they exchange business cards—before they even say hello to each other. After carefully reading the cards, each knows precisely the other's rank (and status) in the organizational hierarchy and, thus, how to respond. The person with the lower status must bow lower than the person with the higher status.

Moreover, when four managers get into a car, status determines where each will sit. This is shown in **Exhibit 9.6**, where it can be seen that the most important (highest-status) manager will sit in the back seat, directly behind the driver. Similarly, when four managers enter an elevator, the least senior stands in front of the elevator controls, with the most senior behind. In a meeting room or in a restaurant, the most honored seat is farthest from the door, whereas the least honored is nearest the door. Even within the meeting room itself, a sofa is considered higher in rank than armchairs.

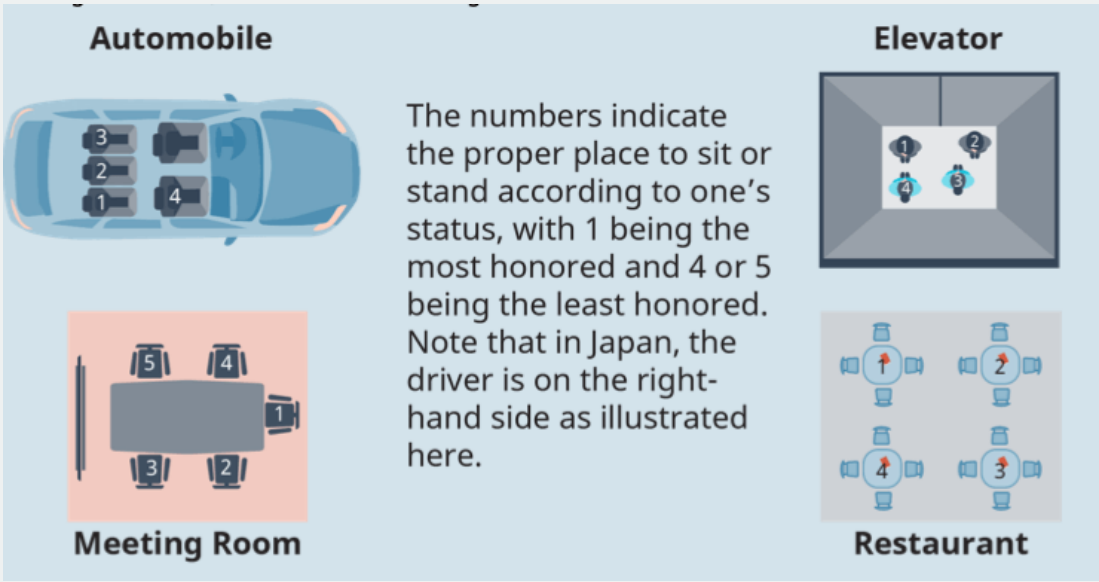


Exhibit 9.6 The Place of Honor in Japan (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)

Clearly, status plays an important role in Japanese (and several other East Asian) societies. Status recognizes age (an important cultural variable in these societies) and tells everyone involved how to behave. Though such prescriptive practices may seem strange to many Westerners, it is quite natural in Japan. In fact, many Japanese feel such guidelines are helpful and convenient in defining social relationships, avoiding awkward situations, and making business transactions more comfortable and productive. Whether or not this perception is accurate, status systems are a fact of life that must be recognized by Western managers attempting to do business in Asia. Failure to understand such social patterns puts the Western manager at a distinct disadvantage.

Sources: Allison, "Useful Japanese Business Manners to Impress a Client or Guest," *Fast Japan*, October 21, 2016; M. Yazinuma and R. Kennedy, "Life Is So Simple When You Know Your Place," *Intersect,* May 1986, pp. 35–39.

Group Cohesiveness

A fifth characteristic of work groups is group cohesiveness. We have all come in contact with groups whose members feel a high degree of camaraderie, group spirit, and unity. In these groups, individuals seem to be concerned about the welfare of other group members as well as that of the group as a whole. There is a feeling of "us against them" that creates a closeness among them. This phenomenon is called group cohesiveness. More specifically, **group cohesiveness** may be defined as the extent to which individual members of a group are motivated to remain in the group. According to Shaw, "Members of highly cohesive groups are more energetic in group activities, they are less likely to be absent from group meetings, they are happy when the group succeeds and sad when it fails, etc., whereas members of less cohesive groups are less concerned about the group's activities."[24]

We shall consider two primary aspects of work group cohesiveness. First, we look at major causes of cohesiveness. Following this, we examine its consequences. **Determinants of Group Cohesiveness.** Why do some work groups develop a high degree of group cohesiveness while others do not? To answer this question, we have to examine both the composition of the group and several situational variables that play a role in determining the extent of cohesiveness. The major factors that influence group cohesiveness are shown in **Exhibit 9.7**.[25] These include the following:

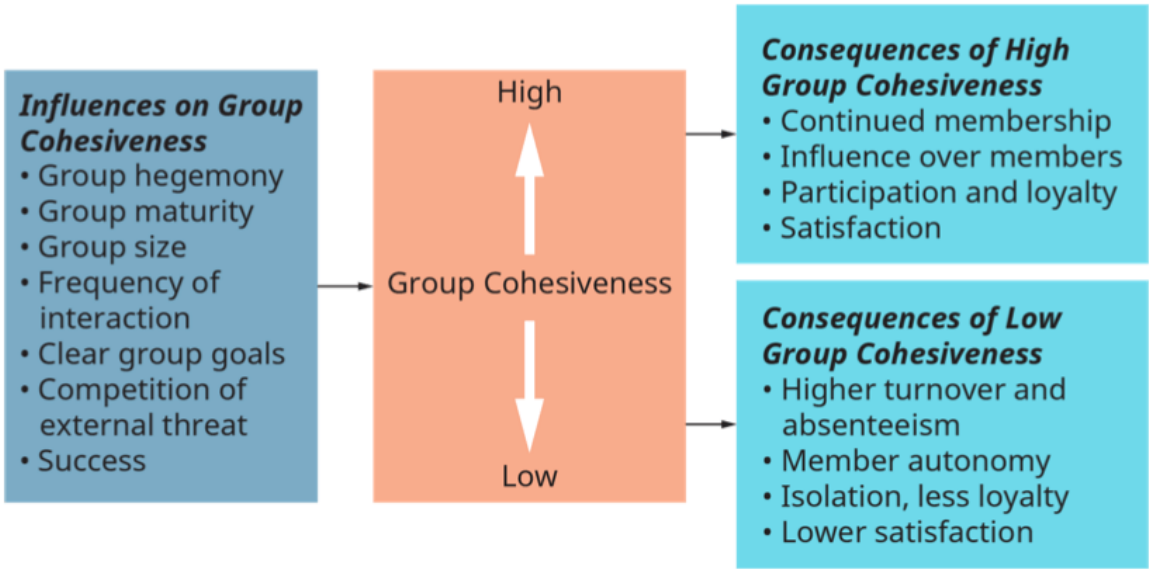


Exhibit 9.7 Determinants and Consequences of Group Cohesiveness (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)

- **Group homogeneity**. The more homogeneous the group—that is, the more members share similar characteristics and backgrounds—the greater the cohesiveness.
- **Group maturity**. Groups tend to become more cohesive simply as a result of the passage of time. Continued interaction over long periods of time helps members develop a closeness born of shared experiences.
- **Group size**. Smaller groups have an easier time developing cohesiveness, possibly because of the less complex interpersonal interaction patterns.
- **Frequency of interaction**. Groups that have greater opportunities to interact on a regular or frequent basis tend to become more cohesive than groups that meet less frequently or whose members are more isolated.
- **Clear group goals**. Groups that know exactly what they are trying to accomplish develop greater cohesiveness, in part because of a shared sense of mission and the absence of conflict over mission.
- **Competition or external threat**. When groups sense external threat or hostility, they tend to band together more closely. There is, indeed, "safety in numbers."
- **Success**. Group success on a previous task often facilitates increased cohesiveness and a sense of "we did it together."

In other words, a wide variety of factors can influence work group cohesiveness. The precise manner in which these processes occur is not known. Even so, managers must recognize the existence of certain forces of group cohesiveness if they are to understand the nature of group dynamics in organizations. The second aspect of group cohesiveness that must be understood by managers relates to their consequences.

Consequences of Group Cohesiveness. As shown in **Exhibit 9.7**, several consequences of group cohesiveness can also be identified. The first and most obvious consequence is *maintenance of membership*. If the attractiveness of the group is sufficiently stronger than the attractiveness of alternative groups, then we would expect the individual to remain in the group. Hence, turnover rates should be low.

In addition, high group cohesiveness typically provides the group with considerable *power over group members*. The power of a group over members depends upon the level of outcomes members expect to receive from the group compared to what they could receive through alternate means. When the group is seen as being highly instrumental to achieving personal goals, individuals will typically submit to the will of the group.

Third, members of highly cohesive groups tend to exhibit greater *participation and loyalty*. Several studies have shown that as cohesiveness increases, there is more frequent communication among members, a greater degree of participation in group activities, and less absenteeism. Moreover, members of highly cohesive groups tend to be more cooperative and friendly and generally behave in ways designed to promote integration among members.

Fourth, members of highly cohesive groups generally report high levels of *satisfaction*. In fact, the concept of group cohesiveness almost demands all this be the case, because it is unlikely that members will feel like remaining with a group with which they are dissatisfied.

Finally, what is the effect of group cohesiveness on *productivity*? No clear relationship exists here. Instead, research shows that the extent to which cohesiveness and productivity are related is moderated by the extent to which group members accept organizational goals. This is shown in **Exhibit 9.8**. Specifically, when cohesiveness and acceptance of organizational goals are high, performance will probably be high. When acceptance is high but cohesiveness is low, group performance will typically be moderate. Finally, performance will generally be low when goal acceptance is low regardless of the extent of group cohesiveness. In other words, high performance is most likely to result when highly cohesive teams accept the goals of the organization. At this time, both forces for performance are congruent.

		Agreement with Organizational Goals	
		High	Low
Degree of Group Cohesiveness	High	High performance	Low performance
	Low	Moderate performance	Low performance

Exhibit 9.8 Group Cohesiveness, Goal Agreement, and Performance (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)

managing change

Group Cohesiveness

In the fast-moving innovative car industry, it is always important to be thinking about improving and staying ahead of the competition. For Ford and Chevrolet however, they have such popular vehicles—the F-150 and the hybrid Volt, respectively—that finding ways to improve them without taking away the qualities that make them popular is key.

With the F-150, Ford had one of the best-selling vehicles for more than 30 years, but improving upon their most popular vehicle came with its challenges. In 2015, the team wanted to introduce an economically six-cylinder EcoBoost engine, and an all-aluminum body. The team was worried about the marketplace and hoped that the customers would accept the change to their beloved truck.

The planning started 18 months before, working in parallel work teams on various parts of the project. Each team was responsible for a piece of the overall project, and they frequently came together to make sure that they were working cohesively to create a viable vehicle. The most successful piece of the dynamic for Ford was teams' ability to share feedback. Pete Reyes expresses the teamwork mentality: "Everybody crosses boundaries, and they came back with all of the feedback that shaped what we are going to do."

Having team cohesiveness was ultimately what brought Ford to the finish line. With over 1,000 members of the overall team, employees were able to accomplish a truly viable vehicle that weighed 700 pounds less, as well as countless other innovations that gave the truck 29 percent more fuel economy.

"We stuck to common goals . . . I don't think I'll ever work on a team that tight again," stated Reyes about his team of developmental managers. As a result of their close teamwork, Ford announced third- quarter earnings of 1.9 billion, an increase of 1.1 billion from 2014.

Questions:

1. What challenges does a large project like Ford's F-150 project have to take into account for success?
2. What kind of work teams did Ford employ throughout its project to get the best results?
3. Can Ford's successes be translated into other smaller teams? How would you apply its best practices to a work environment of your own?

Sources: J. Motivalli, " 5 Inspiring Companies That Rely on Teamwork to Be Successful," *Success*, February 16, 2016, https://www.success.com/5-inspiring-...be-successful/; "All-New 2015 F-150 Most Patented Truck in Ford History – New Innovations Bolster Next-Generation Light- Duty Pickup," *Ford Media Center*, May 23, 2014, media.ford.com/content/fordmedia/fna/us/en/ news/2014/05/23/all-new-2015-f-150-most-patented-truck-in-ford-history--new-inno.html; P. Friedman, "Body of Work," Ford Corporate Website, accessed, December 13, 2018, corporate.ford.com/ innovation/f-150-body-of-work.html.

concept check

- Explain what work roles are.
- What role does group size play in the interactions of group members?
- What are group norms and what role do they play toward group cohesiveness?

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13.3: Managing Effective Work Groups

3. How do managers develop group cohesiveness, which facilitates organizational goal attainment?

We have examined in detail the nature and structure of work groups, noting that work groups differ along such dimensions as size, norms, and roles. Some groups are more cohesive than others. In view of these differences, it is interesting to ask how managers can facilitate increased work group effectiveness. To answer this question, we will make use of Hackman's model of group effectiveness.[26] According to this model, illustrated in **Exhibit 9.9**, the effectiveness of a work group is influenced by environmental factors, design factors, and task-related interpersonal processes. These three factors combine to influence what are called intermediate criteria, which, in turn, combine with the nature of the work technology to determine ultimate group effectiveness.

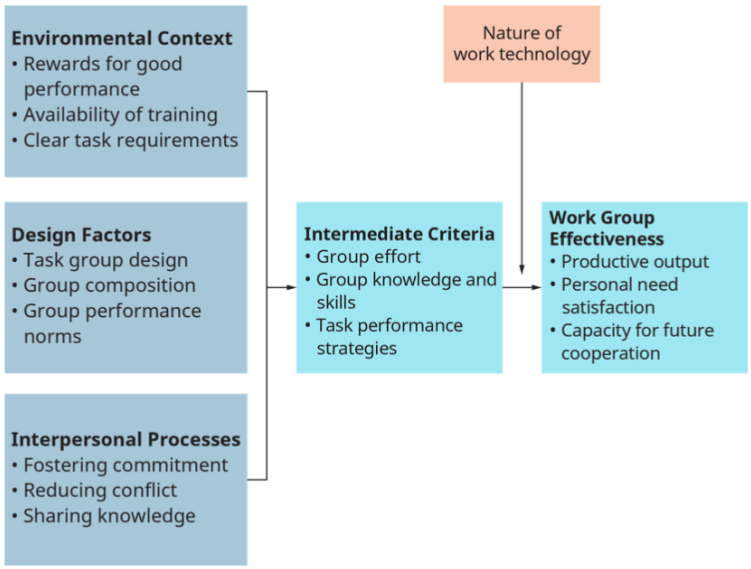


Exhibit 9.9 Determination of Work Group Effectiveness (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)

What is Work Group Effectiveness?

The first question to raise concerning work group effectiveness is what we mean by the concept itself. According to Hackman's model, effectiveness is defined in terms of three criteria:

1. **Productive output.** The productive output of the group must meet or exceed the quantitative and qualitative standards defined by the organization.
2. **Personal need satisfaction.** Groups are effective if membership facilitates employee need satisfaction.
3. **Capacity for future cooperation.** Effective groups employ social processes that maintain or enhance the capacity of their members to work together on subsequent tasks. Destructive social processes are avoided so members can develop long-term cohesiveness and effectiveness.

Determinants of Work-Group Effectiveness

Group effectiveness is largely determined by three factors that have been called *intermediate criteria*. These factors are as follows:

1. **Group effort.** The amount of effort group members exert toward task accomplishment.
2. **Group knowledge and skill.** The amount of knowledge and skills possessed by group members that are available for group effort and performance.
3. **Task performance strategies.** The extent to which the group's strategies for task performance (that is, how it analyzes and attempts to solve problems) are appropriate.

Although the relative importance of each of these three intermediate factors may vary, all three are important. Without considerable group effort, appropriate skills and knowledge, and a clear strategy for task completion, groups are unlikely to be effective.

An important influence on the relative importance of these three variables is the nature of **work technology**. This includes the equipment and materials used in manufacture, the prescribed work procedures, and the physical layout of the work site. For example, if jobs are highly routinized, individual skills and knowledge may be somewhat less important than simple effort. On more complex tasks, however, such as research and development, effort alone will be of little help without concomitant skills and knowledge. Hence, although the relative importance of these three variables may vary with the job technology, all should be considered in any effort to understand determinants of work group effectiveness in a particular situation.

Finally, it must be recognized that these determinants of effectiveness are themselves influenced by three sets of factors (shown at the left-hand side of **Exhibit 9.9**). First, we must recognize a series of **environmental context** factors, such as the company's reward system, training programs, job descriptions, and so forth. Second are several **design factors**, including group structure, member composition, and performance norms. Finally, the role of **interpersonal processes**—such as efforts among group members and management to reduce conflict, foster commitment, and share knowledge—must be recognized. These three sets of factors, then, are largely responsible for determining the so-called intermediate criteria that, in turn, combine with appropriate job technologies to determine work group effectiveness.

Implications for Group Management

On the basis of this analysis of group processes in work organizations, we can identify several actions managers can take in order to help groups to be more effective.

Increased Managerial Awareness. To begin, managers can make themselves more aware of the nature of groups and the functions groups perform for individuals. By learning why individuals join groups, for example, managers should be able to better understand the motivational implications of group dynamics. Is high group cohesiveness in a particular group a result of high commitment to the organization and its goals, or is it a result of alienation from the organization?

Sensitivity to Group Norms. Managers can be sensitive to group norms and the extent to which they facilitate or inhibit group and organizational performance. The potency of group norms has been clearly established. It has also been shown that company actions can increase or decrease the likelihood that norms will work to the benefit of the organization. Much of the thrust of current organizational development efforts is to use process consultation techniques to develop group norms that are compatible with company goals.

Understanding Pressures for Conformity. Much has been said in the research literature about the effects of groups on individual conformity and deviance. Groups often place significant pressures on individuals to conform, and they punish deviants by such means as ostracism. From a managerial standpoint, conformity can represent a mixed blessing. On one hand, there are many work situations in which managers typically want workers to conform to standard operating procedures (this is called *dependable role performance*). On the other hand, employees must be sufficiently free to take advantage of what they believe to be unique or important opportunities on behalf of the organization (*innovative and spontaneous behavior*). If pressures toward conformity are too strong, this spontaneity may be lost, along with unique opportunities for the organization.

Harnessing Group Cohesiveness. Where it is desirable to develop highly cohesive groups, managers can show employees how group members can help one another by working together. It is important to note, however, that group cohesiveness by itself does not guarantee increased group effectiveness. Instead, managers must take the lead in showing group members why they benefit from working toward organizational goals. One way to accomplish this is through the reward systems used by the organization.

In short, there are several lessons for managers here concerning the effects of group dynamics on performance and effectiveness. The lesson is clear: managers must be sensitive to and deal with group processes in the workplace. Without doing so, the manager and the company are destined at best to achieve mediocre results.

concept Check

- Why must managers be sensitive to and deal with group processes in the workplace

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13.4: Intergroup Behavior and Performance

4. What are barriers to intergroup cooperation, and how do you take action to minimize such impediments and understand how to get the most out of the collective actions of groups in organizations in order to enhance industrial competitiveness?

We are now ready to move on to an examination of intergroup behavior. That is, what happens when one group in an organization must interact with another? Clearly, in any corporation, a high degree of intergroup interaction is vital to organizational success. Even in small companies, the production group must interact with the sales group, and both must accommodate the finance and accounting groups. Without smooth intergroup relations, organizational effectiveness and industrial competitiveness are virtually impossible.

Determinants of Intergroup Performance

To understand how groups interact with one another, it is important to identify the primary variables that characterize intergroup behavior.27 We can do this by suggesting a model of intergroup performance. This model is outlined in **Exhibit 9.10**. As shown, intergroup behavior occurs when two groups intersect. Each group has its own characteristics and uniqueness, but both operate within the larger confines of organizational policies, culture, reward systems, and so forth. Within this context, performance is largely influenced by three types of *interaction requirements:* interdependence requirements, information flow requirements, and integration requirements. The quality of intergroup performance is affected by the extent to which all parties to the interaction can meet these requirements.

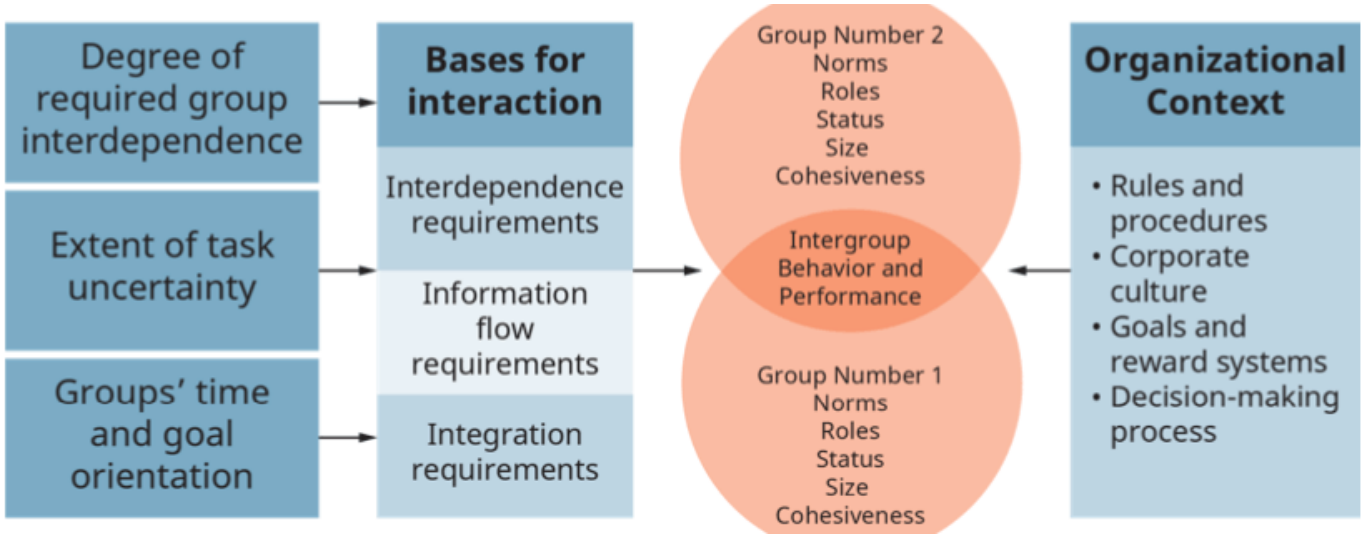


Exhibit 9.10 A Model of Intergroup Behavior and Performance (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)

Interdependence Requirements. *Interdependence requirements* relate to the frequency and quality of interactions among groups; high-quality interaction is required for successful task accomplishment. To successfully achieve corporate objectives, organizations must achieve enough intergroup interaction to coordinate resource allocation and utilization. The amount of interaction required is determined by the extent and nature of the groups' interdependence. Group interdependence takes three primary forms (see **Exhibit 9.11**):

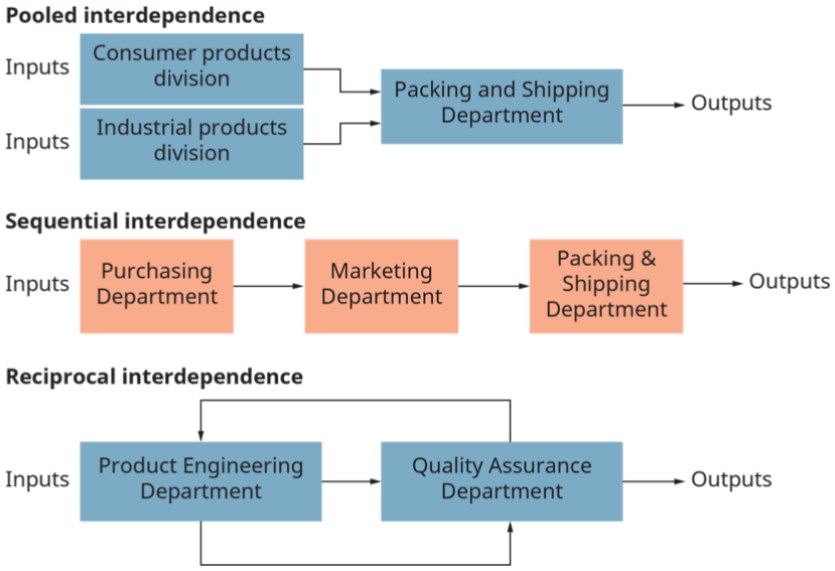


Exhibit 9.11 Three Types of Group Interdependence (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)

1. **Pooled interdependence. Pooled interdependence** occurs when various groups are largely independent of one another, even though each contributes to and is supported by the larger organization. For example, although the physics and music departments may not interact frequently, both contribute to the larger goals of the university, and both use university resources. In a factory setting, pooled interdependence can be seen in a company with two distinct manufacturing divisions; e.g., one for consumer products and one for industrial products. Although produced separately, both kinds of products come together in the shipping department, and both represent products of the same company.
2. **Sequential interdependence. Sequential interdependence** exists when the outputs of one unit or group become the inputs for another. For example, the manufacturing department in a company is clearly dependent on the purchasing department for the success of its own operation, whereas the purchasing department is much less dependent on manufacturing.
3. **Reciprocal interdependence. Reciprocal interdependence** occurs when two or more groups depend on one another for inputs. For example, without product engineering, the marketing department would have nothing to sell. On the other hand, without consumer information from marketing, product engineering might not know what to manufacture. The two units are highly dependent on each other, thereby requiring a high degree of interaction.

In summary, the type of interdependence determines in large part the degree of interrelationship that develops among two or more groups. High interdependence typically requires high intergroup interaction, whereas low interdependence typically requires relatively low intergroup interaction.

Information Flow Requirements. The second requirement for successful intergroup performance is optimal **information flow**. To be successful, groups need the appropriate amount of information. Information flow is influenced to a large degree by the extent of **task uncertainty**. When groups are working on highly uncertain tasks (e.g., a new product, an experiment, or an old product in a new environment), the need for communication increases. When task uncertainty is low, less information is typically needed.

Task uncertainty, in turn, is influenced by two factors. The first, *task clarity*, is the extent to which the requirements and responsibilities of the group are clearly understood. The use of standard operating procedures in organizations is an example of a group requirement. The other consideration is *task environment*, those factors inside and outside the organization that can affect the group's performance. The task environment has two aspects: the number of groups that must be dealt with and the relative stability of the environment. Obviously, the more groups that must interact and the more dynamic the environment, the greater the task uncertainty. In a dynamic environment, groups tend to expand their information-gathering efforts to detect and cope with environmental changes. Hence, the greater the task uncertainty, the greater the need for comprehensive information flow systems.

Integration Requirements. The final requirement for successful intergroup performance is integration. *Integration requirements* focus on the extent of collaboration, cooperation, or structural relationships among groups needed to ensure success. Typically, various departments within an organization have different goals and time orientations. A technical research department, for example, often sees its goals in scientific terms and has a long-term perspective. A marketing department in the same company,

focusing its goals on market considerations on the other hand, would typically have a short-term orientation. The production department, concerned with technical goals, would probably attempt to maintain a moderate time orientation in order to take advantage of the economies of scale associated with longer production runs.

A successful organization finds ways to integrate groups so that they coordinate their efforts on behalf of corporate objectives. The trick is to achieve some commonly acceptable coordinating mechanism—not a state in which all units have the same goals and time orientations. It would prove disastrous, for example, if the research unit looked for short-term results or the marketing department ignored short-term shifts in the marketplace. Through integration, various units can accommodate one another's needs while maintaining their individuality. In this way, the strengths of all groups are used in addressing organizational problems.

When we put these various requirements and their antecedents together, we can see why achieving intergroup coordination and performance is no easy task. **Table 9.3** shows the defining characteristics of four typical units of an organization: research, development, sales, and manufacturing. The interdependence, task uncertainty, and time and goal orientation of each unit are shown. Consider the complexities managers face in attempting to lead such an organization efficiently and effectively. Indeed, business magazines are filled with examples of corporate failures that can be traced to poor coordination of such units. These examples point to an endless array of potential sources of conflict that can reduce the capacity of a company to compete successfully in an ever-changing environment.

Intergroup Characteristics in Four Units of One Company

Group	Interdependence Examples	Task Uncertainty	Time and Goal Orientation
Research	*Reciprocal* with development *Sequential* with market research *Pooled* with shipping	High	*Time:* Long term *Goal:* Science
Development	*Reciprocal* with market research *Sequential* with manufacturing *Pooled* with shipping	Moderate to high	*Time:* Long term *Goal:* Science and technoeconomic
Sales	*Reciprocal* with market research *Sequential* with manufacturing *Pooled* with personnel	Moderate	*Time:* Moderate term *Goal:* Market
Manufacturing	*Reciprocal* with accounting *Sequential* with shipping *Pooled* with research	Low	*Time:* Short term *Goal:* Technoeconomic

Source: Adapted from A. Szilagyi and M. Wallace, *Organizational Behavior and Performance,* 5th ed. (New York: HarperCollins, 1991), p. 272.

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Managing Intergroup Behavior and Performance

When we analyze the challenge of managing intergroup behavior and performance, the key issue facing managers is the issue of coordination. In most situations, various units or departments in the organization all have talent needed to ensure task accomplishment. Yet, each unit has its own culture, goals, norms, and so forth. Hence, the challenge for managers is harnessing and coordinating this talent in such a way that group harmony is maintained while organizational objectives are achieved.

There are several techniques for managing intergroup relations and performance. These techniques include using rules and procedures, member exchange, linking roles, task forces, and decoupling. Let us briefly consider each as it relates to intergroup coordination and performance.

Rules and Procedures. A common way to manage intergroup relations is for senior management to establish rules and procedures governing the interactions of two or more departments or units. For example, if units consistently fail to communicate with one another, which leads to poor coordination, the company may institute a new policy requiring all groups to post certain types of information at regular time intervals or to inform other department heads of proposed new activities or changes. By simply increasing communication flow, group coordination should increase.

Member Exchange. In some circumstances, it is desirable for the organization to temporarily transfer a member from one group to another. Such exchanges offer the employee an opportunity to better understand the problems and procedures of the

other group. Upon returning to his original group, the employee can share information about the other group. In addition, the transferred employee often develops better interpersonal contacts with the other department, thereby enhancing communication and coordination. An example of this can be seen when a company transfers a production engineer into the quality assurance department. As a result, the employee sees firsthand the problems of the quality control group and can take the knowledge back to production engineering.

Linking Roles. A **linking role** is a position or unit within the organization that is charged with overseeing and coordinating the activities of two or more groups. A good example is a product manager who is responsible for coordinating manufacturing, sales, quality control, and product research for a certain product line (see **Exhibit 9.12**). In essence, these linking role positions are designed to enhance communication among the various functional units and ensure that the right products are designed, manufactured, and marketed. We will say more about the product manager's role in Understanding and Managing Work Teams.

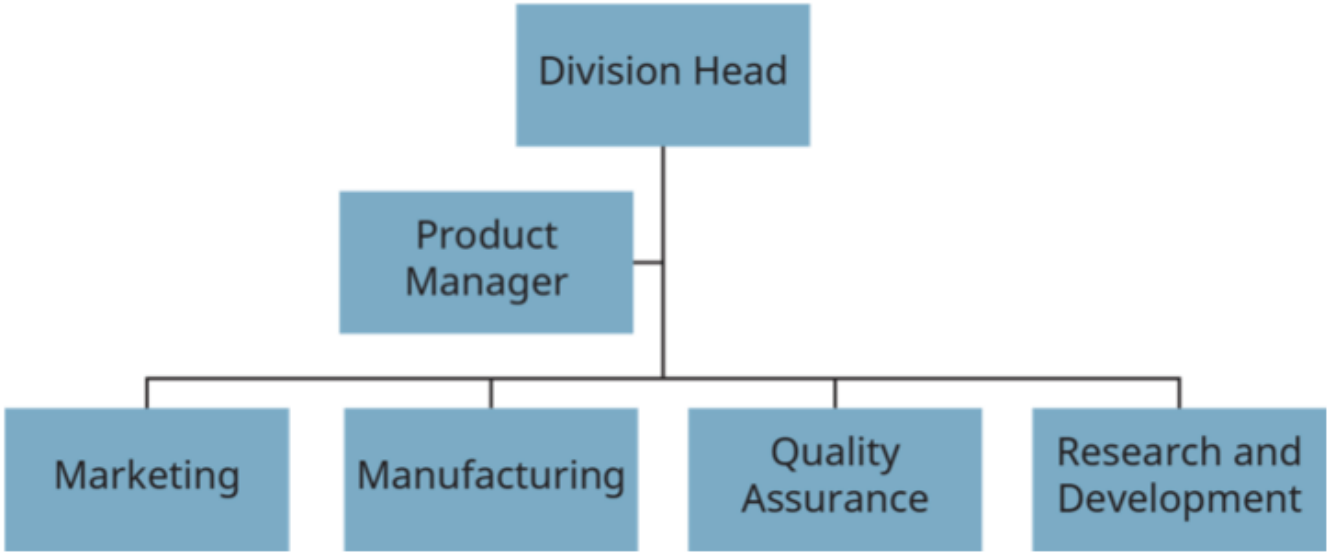


Exhibit 9.12 The Product Manager as a Linking Role (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)



Exhibit 9.13 Sales team The sales team at Dynamic Signal meets for reviewing goals. What can you say about the diversity of this team? (Credit: Jim Larisson/ flickr/ Attribution 2.0 Generic (CC BY 2.0))

Task Forces. A **task force** serves much the same purpose as a linking role except that the role is temporary instead of permanent. In a task force, individuals from several units are brought together to solve a specific problem, usually in a short period of time. It is felt that each unit has expertise to contribute and that by coordinating these efforts, a better solution can be achieved. A typical task force arrangement can be seen in **Exhibit 9.14**. For instance, a company facing a major financial cutback may create a task force consisting of members from across the company to identify ways to resolve the crisis. Or a company may

create a task force to consider a joint venture offer from a foreign company. In both cases, the problem is that immediate and diverse skills are required to reach an optimal solution.

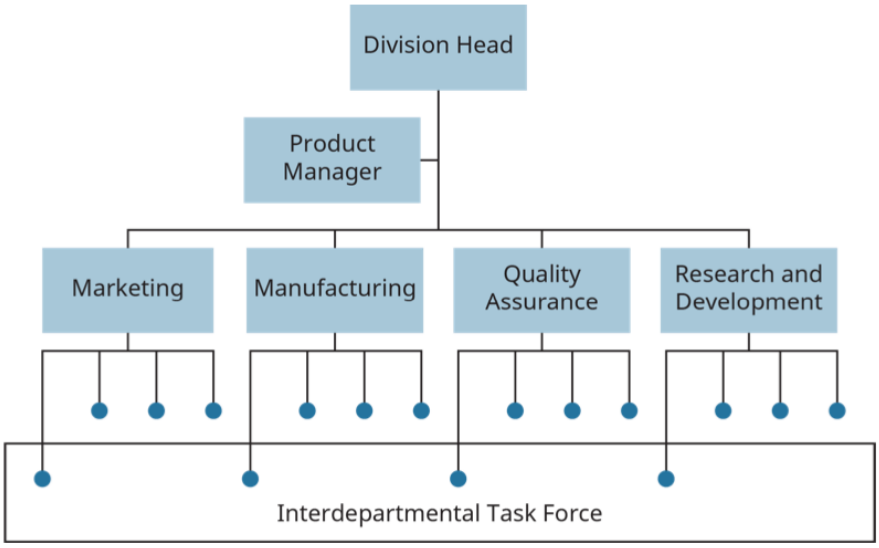


Exhibit 9.14 An Example of a Typical Task Force (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)

Decoupling. Finally, there are situations in which two or more closely related groups simply don't work together effectively. In such cases, **decoupling** may be the answer.[28] Decoupling involves separating two groups—physically or administratively—in such a way that the required tasks of the organization are fulfilled while the interaction between the two groups is minimized. For instance, hardware and software engineers ideally should work closely together on the design of a new computing system. Yet sometimes these people see problems and solutions quite differently, which may lead to overt hostility and uncooperative behavior. One solution would be to separate the two groups physically and then have one group (e.g., the hardware engineers) outline product specifications. Software engineers then could work more on their own to design software to meet these specifications. Obviously, some coordination would be required. Even so, such an approach could retain the services of two valued groups of engineers who see problems quite differently— a wise compromise strategy for the high-tech company.

In essence, several strategies are available to assist managers in coordinating the diverse talents of interdependent groups in ways that help achieve organizational goals. The choice of an appropriate technique depends upon the unique situation facing the manager. One such approach to managing intergroup coordination was practiced at General Motors Company as it approached the design and manufacture of the Saturn.

expanding around the globe

Engagement on Global Work Teams: IBM

Since 2008, IBM has increased its focus on becoming a globally integrated enterprise. Employing over 200,000 people from different countries and backgrounds, there are major challenges that IBM faces when managing its work teams on such a large global scale.

One of those main components is time zone management. Instead of being highly rigorous in work hours and causing employees to be available on teams at all hours of the night or day, IBM decided they would implement a results-oriented work environment (ROWE). This strategy allows employees to work where they live on virtual teams and base their hours on their own schedules. ROWE allows employees to work at the hours that they feel naturally most productive.

Another key component to managing a global work team is clear communication. IBM structures its leadership of the work teams with leaders that consist of four or five senior executives from multiple geographies. They must work side by side to understand one another's cultural differences, as well as provide input on their overall team objectives that enable business growth in that country. They are able to accommodate local differences, learn from one another's differences, and come to

common objectives because of their remote location differences for a better outcome. Additionally, these leaders are better equipped to understand local nuances because of their deeper understanding of the global and cultural nuances of their team members.

IBM continues to focus on growing "global IBMers" by offering opportunities for global leadership experiences as well as offering opportunities to acquire new skills. The company focuses on three key actions:

1. Grow locally and globally via a consistent methodology. Align business strategies with national priorities and societal goals, build local expertise, and expand market relevance.
2. Develop leadership. Provide more employees with opportunities to enhance their skills, and offer more varied global experiences early in careers.
3. Enable the global integrated enterprise (GIE) vision. Accelerate enterprise-wide collaboration and an organizational culture based on shared values.

These key actions are clearly communicated by IBM and are demonstrated by leadership to help engage employees behind the methods. Utilizing the best technology to improve collaboration can garner the most productivity and empower employees. If leadership is engaged, employees will also engage with their work and workplace, which helps drive team cohesiveness overall.

Questions:

1. What challenges does IBM face due to the size and global reach of its employee base?
2. Name at least three strategies that managers and leaders can employ to help keep employees engaged, even when working in remote work teams.

Sources: K. White, "Enabling Growth through Global Enablement Teams," *IBM Thought Leadership*, accessed January 3, 2019, https://ibm.com/services/us/gbs/thou...l-leaders.html; "Enabling Growth through Global Enablement teams," *IBM Thought Leadership*, accessed January 3, 2019, https://ibm.com/services/us/gbs/bus/...workforce.html; T. Neely, "Global Teams that Work," *Harvard Business Review*, October 2015, hbr.org/2015/10/global-teams-that- work; D. DeRosa, "3 Companies With High-Performing Teams," *Onpoint Consulting*, October 3, 2017, www.onpointconsultingllc.com...-virtual-teams.

concept check

- Are well-functioning teams or groups in complex tasks more productive and leave workers more satisfied than in traditional arrangements?
- What is the importance of the ability to effectively manage both the task requirements and the process or maintenance aspects of the group for them to function well?

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Command group A group that is permanent.

Decoupling Involves separating two groups—physically or administratively—in such a way that the required tasks of the organization are fulfilled while the interaction between the two groups is minimized.

Formal group Work units that are prescribed by the organization.

Friendship group Friendship groups tend to be long lasting.

Group An organized system of two or more individuals who are interrelated so that the system performs some function, has a standard set of role relationships among its members, and has a set of norms that regulate the function of the group and each of its members.

Group cohesiveness The extent to which individual members of a group are motivated to remain in the group.

Informal group Groups that evolve naturally out of individual and collective self-interest among the members of an organization and are not the result of deliberate organizational design.

Information flow To be successful, groups need the appropriate amount of information.

Interaction process analysis A technique that records who says what to whom, and through using it illustrates that smaller groups typically exhibit greater tension, agreement, and opinion seeking, whereas larger groups show more tension release and giving of suggestions and information.

Interest group A network that forms due to mutual interests such as working women or minority managers.

Linking role A position or unit within the organization that is charged with overseeing and coordinating the activities of two or more groups.

Norms These regulate the function of the group and each of its members.

Pooled interdependence Occurs when various groups are largely independent of each other, even though each contributes to and is supported by the larger organization.

Reciprocal interdependence Occurs when two or more groups depend on one another for inputs.

Role ambiguity A condition that arises when messages sent to an individual may be unclear.

Role conflict A condition that can arise when individuals receive multiple and sometimes conflicting messages from various groups, all attempting to assign them a particular role.

Role episode An attempt to explain how a particular role is learned and acted upon.

Role overload A condition where individuals may simply receive too many role-related messages.

Role set The sum total of all the roles assigned to one individual.

Sequential interdependence Exists when the outputs of one unit or group become the inputs for another.

Social loafing A tendency for individual group members to reduce their effort on a group task

Status incongruence A situation that exists when a person is high on certain valued dimensions but low on others, or when a person's characteristics seem inappropriate for a particular job.

Status system Serves to differentiate individuals on the basis of some criterion or set of criteria.

Task force Serves the same purpose as a linking role except that the role is temporary instead of permanent.

Task group Serves the same purpose as a command role except that the role is temporary instead of permanent.

Task uncertainty When groups are working on highly uncertain tasks, the need for communication increases. When task uncertainty is low, less information is typically needed.

Work role An expected behavior pattern assigned or attributed to a particular position in the organization.

Work technology Includes the equipment and materials used in manufacture, the prescribed work procedures, and the physical layout of the work site.

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13.6: Summary of Learning Outcomes

9.1 Work Groups: Basic Considerations

1. How do you manage group and intergroup processes effectively?

A group is a collection of individuals who share a common set of norms, who generally have differentiated roles among themselves, and who interact with one another in the joint pursuit of common goals. Groups may be divided into permanent and temporary groups and formal and informal groups. Formal groups include command and task groups, whereas informal groups include friendship and interest groups.

9.2 Work Group Structure

2. How do group norms, roles, and status systems affect employee behavior and performance?

People join groups because they offer security, meet social needs, enhance self-esteem, fulfill economic interests, introduce them to people with mutual interests, and, sometimes, because they are in close physical proximity. Groups typically develop through several distinct stages, including forming, storming, norming, and performing. A role may be defined as an expected behavior pattern assigned or attributed to a particular position in the organization. Roles may be oriented toward the task, social relations, or the self.

9.3 Managing Effective Work Groups

3. How do managers develop group cohesiveness, which facilitates organizational goal attainment?

Social loafing is a tendency for individual members of a group to reduce their task effort in the belief that other members will cover for them. A norm is a standard that is shared by group members and that regulates member behavior within an organization. Norms facilitate group survival, simplify expected behaviors, help members avoid embarrassing situations, and help identify group members. Asch's experiment in group pressure and individual judgment demonstrated that individuals will discount their own perceptions of a situation and follow the will of a group. Status systems serve to differentiate individuals on the basis of some criterion or set of criteria. Status incongruence occurs when one individual holds a position in the status hierarchy that is inconsistent with the conventional criteria for that position. Group cohesiveness is the extent to which individual members of a group are motivated to remain in the group. Work group effectiveness is defined by three criteria: group productivity, personal need satisfaction of the members, and the group's capacity for future cooperation.

9.4 Intergroup Behavior and Performance

4. What are barriers to intergroup cooperation, and how do you take action to minimize such impediments and understand how to get the most out of the collective actions of groups in organizations in order to enhance industrial competitiveness?

Intergroup performance is influenced by three interaction requirements. These include the requirements for interdependence, information, and integration. A linking role is a position or unit within the organization that is charged with overseeing and coordinating the activities of two or more groups. A task force consists of members from several departments or units who are brought together on a temporary basis to solve a specific and immediate problem. Decoupling refers to the practice of physically or administratively separating groups that are not able to work together effectively.

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13.7: Chapter Review Questions

1. What are the various types of groups often found in work situations?
2. Why do people join groups?
3. Describe the stages of group development.
4. How does work group size influence individual and group behavior?
5. Discuss the role of work group norms in the work situation.
6. Consider how groups influence conformity and deviance in work situations.
7. What is the major conclusion of Asch's experiment on group pressure and individual judgment?
8. Define a *role episode*.
9. Why is knowledge of role relationships important for managers?
10. What purposes are served by status differentiations in work organizations? What problems emerge from these differentiations?
11. What determines group cohesiveness, and what impact does it have on group behavior?
12. Discuss how managers can improve intergroup relations and performance. Provide examples from your own experience to defend your arguments.

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13.8: Management Skills Application Exercises

1. To assist in your analysis, you may wish to complete this self-assessment. Simply think of a group you have belonged to, and answer each question as honestly as possible. When you are through, refer to **Appendix B** for interpretation.

How Do You Behave in a Group?

Instructions: Think of a typical group situation in which you often find yourself (e.g., a club, study group, small work group), and answer the following items as accurately as possible.

	Never	Seldom	Fairly Often	Frequently
In a group, how often do you:				
1. Keep the group focused on the task at hand?	1	2	3	4
2. Help the group clarify the issues?	1	2	3	4
3. Pull various ideas together?	1	2	3	4
4. Push the group to make a decision or complete a task?	1	2	3	4
5. Support and encourage other groups members?	1	2	3	4
6. Try to reduce interpersonal conflicts?	1	2	3	4
7. Help the group reach a compromise?	1	2	3	4
8. Assist in maintaining group harmony?	1	2	3	4
9. Seek personal recognition from other group members?	1	2	3	4
10. Try to dominate group activities?	1	2	3	4
11. Avoid unpleasant or undesirable group activities?	1	2	3	4
12. Express your impatience or hostility with the group?	1	2	3	4

2. To see how group effectiveness works, try this self-assessment. Choose a work group (or groups) to which you belong (or did belong in the past). Once you have selected a group, simply answer the items on the questionnaire by checking either “mostly yes” or “mostly no.” When you have finished, refer to **Appendix B** for scoring.

How Effective Is Your Work Group?

Instructions: Select a group to which you belong, and use this group to answer the following questions. Check “mostly yes” or “mostly no” to answer each question.

	Mostly Yes	Mostly No
1. The atmosphere is relaxed and comfortable.	____	____
2. Group discussion is frequent, and it is usually pertinent to the task at hand.	____	____

3. Group members understand what they are trying to accomplish.	___	___
4. People listen to each other's suggestions and ideas.	___	___
5. Disagreements are tolerated, and an attempt is made to resolve them.	___	___
6. There is general agreement on most courses of action taken.	___	___
7. The group welcomes frank criticism from inside and outside sources.	___	___
8. When the group takes action, clear assignments are made and accepted.	___	___
9. There is a well-established, relaxed working relationship among the members.	___	___
10. There is a high degree of trust and confidence among the leader and subordinates.	___	___
11. The group members strive hard to help the group achieve its goal.	___	___
12. Suggestions and criticisms are offered and received with a helpful spirit.	___	___
13. There is a cooperative rather than a competitive relationship among group members.	___	___
14. The group goals are set high but not so high as to create anxieties or fear of failure.	___	___
15. The leaders and members hold a high opinion of the group's capabilities.	___	___
16. Creativity is stimulated within the group.	___	___
17. There is ample communication within the group of topics relevant to getting the work accomplished.	___	___
18. Group members feel confident in making decisions.	___	___
19. People are kept busy but not overloaded.	___	___
20. The leader of the group is well suited for the job.	___	___

Source: Adapted from A. J. DuBrin from *The Human Side of Enterprise* (New York: McGraw-Hill, 1960).

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13.9: Managerial Decision Exercises

1. Assume that you are the CEO of a major producer of potato chips. You have four plants and discover that one of the plants is more productive than the other three; specifically, the midnight to 8 a.m. shift is 22 percent more productive than every other shift. Since one of the things that makes chips more appealing to customers is freshness, increasing productivity and getting the product on the shelves is of enormous importance.

You decide to visit the plant based in San Antonio, Texas, and observe the 4 p.m. to midnight shift and then the midnight to 8 a.m. shift. During your visit, you are impressed with the effectiveness of the first shift and discuss the production process with the supervisor, which involves boiling the chips in hot oil, seasoning them in three varieties of salted seasoning, and having the chips go through a tube to fill the bags that are then placed in boxes for shipment to retailers. Everything seems to have been done efficiently, and you eagerly anticipate seeing what the midnight shift is doing to produce extraordinary results.

The new crew starts its shift by cleaning the production line and begins production. For the first hour, everything they do mirrors what the previous shift was doing. Then the shift supervisor calls out that it is time to clean the tubes, and for two minutes the team cleans the tubes that feed the bags with chips to remove the oil that has accumulated in the tubes. This process is repeated seven times throughout the night, with the final cleaning preparing the line for the morning shift. At the end of the night, the production report shows that this shift produced 23 percent more chips than the previous shifts. When you meet with the supervisor and workers, you ask them about their practice of cleaning the tubes. They report that they discovered that oil buildup in the tubes slowed the flow of chips, which caused everything before that step in the process to slow down. You thank them and consider what to do next. You obviously need to implement this practice across all shifts in the company and are considering how to roll this out. You also want to reward the shift supervisor, Manuel Santos, and the workers on the shift for their ingenuity. What are your next steps? Write the memo that you would send to all shift supervisors, or alternatively, write a memo to the general managers of the four plants to implement this. What are the benefits of each approach? Finally, decide on the rewards for Manuel Santos and the midnight shift workers, and write a letter that would be sent to them commending them. How might this incident be used to improve the performance of all work groups in the organization?

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13.10: Critical Thinking Case

OECollaboration

At OECollaboration, a technology company that develops virtual collaboration software for new companies, Mike Jones is a new manager. One of the biggest challenges he has faced is that the team that he is managing is well established and because he is an outsider, the team members haven't yet developed trust in him.

Two weeks into his new employment, Mike held a meeting and discussed all of the changes to the remote work agreements as well as implementing new meeting requirements for each employee to have a biweekly meeting scheduled with him to discuss their projects. The team was outraged, they were not excited, and the following days he wasn't greeted in a friendly way; in addition, his team seemed less engaged when asked to participate in team functions.

Tracy James is also a new manager at OECollaboration who started at the same time as Mike, in a similar situation where she is a new manager of an existing team. Tracy was able to hold a meeting the first day on the job to listen to her team and get to know them. During this meeting she also told the team about herself and her past experiences. Additionally, she held one-on-one meetings to listen to each of her team members to discuss what they were working on and their career goals. After observation and discussion with upper management, she aligned her own team goals closely with the skills and experiences of her new team. She met with the whole team to make changes to a few policies, explaining why they were being changed, and set the strategy for the team moving forward.

Because she got her team involved and learned about them before implementing her new strategy, this was

well received. Her team still had questions and concerns, but they felt like they could trust her and that they were included in the changes that were being made.

Questions:

1. What challenges can a new manager encounter when starting to manage an existing team?
2. What strategies can a new manager implement to ensure that his new team is engaged with him and

   builds relationships to succeed in his new role?

Sources: J. Morris, "How Smart Manager's Win over New teams Without Bringing in Free Food," *The Muse*, accessed January 4, 2019, www.themuse.com/advice/how-s...ver-new-teams- without-bringing-in-free-food; B. Tulgan, "The Challenge of Taking Over Leadership of an Existing Team," *Association for Talent Development*, January 5, 2015, www.td.org/insights/the-chal...f-taking-over- leadership-of-an-existing-team;

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14: THEORIES OF TEAM AND GROUP BEHAVIORS



Learning Objectives

Discuss strategies to manage groups and teams

- Describe the relationship between general group and team management with various structures and techniques
- Describe the study and theories of group and teamwork

14.1: Introduction to Theories of Group and Teamwork

14.2: Early Management Theories

14.3: Modern Management Theories

14.4: Putting It Together- Managing Groups and Teams

14.5: Discussion- Managing Groups and Teams

14.6: Assignment- Individual and Group Behavioral Theories Applied to the Workplace

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14.1: Introduction to Theories of Group and Teamwork

What you'll learn to do: Describe the study and theories of group and teamwork



We talked at some length about self-managed teams. They're often high-performing, but found only in certain situations within organizations. They're not that common.

More often than not, leaders are called upon to lead their groups and teams to goal fulfillment. How is that done? How can one leader walk into a group situation and see which steps are necessary to make that group a high-performing team?

We'll talk about the history of groups and teamwork, and how leadership theories have developed since the Industrial Age. Early theories lay the foundations for later ones, and, after we take a look at all of them, we'll see if we understand any more about what makes a good leader than we did when we started.

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14.2: Early Management Theories

Learning Objectives

- Differentiate among early team management theories

Once you have a group of people (or a team of people), they will need to achieve goals and objectives. We know how the group came together, how they will function effectively and how they will become a team. So let's talk now about how the group will be managed.

Management of people didn't really become a subject of scientific study until the turn of the twentieth century, when researchers began to understand that there was more to the motivation and hard work of an employee than just a paycheck. Before that . . . well, managing people wasn't exactly an art.

During the Industrial Revolution at the turn of the 19th century, the United States entered a phase where significant changes occurred in the areas of transportation, agriculture and manufacturing, allowing us to produce goods quickly and efficiently. James Watt invented the steam engine, which shortened transportation times and allowed us to move goods faster. Eli Whitney invented the cotton gin, opening the door to quicker, more efficient cotton harvesting.

But even as Francis Cabot Lowell invented his water-powered mill, it wasn't to lessen the burden of his laborers. Women would work in his plant 12 to 14 hours a day, and they were paid better than ladies at other textile manufacturers . . . for a while. But when Lowell wanted to increase his profits and meet customer demands, he cut his employees' pay and lengthened their hours. Because of that, trade unions formed, strikes occurred and the Lowell Female Labor Reform Association was created.

We were a long way from the "take care of your employees and they'll take care of you" notion.

There were still management problems, though, and they presented problems for these new factory owners. Large numbers of people had to be managed, trained, controlled, and motivated. Materials and tools needed to be supplied. Managers looked to handle these issues scientifically.

Scientific Management



Frederick Winslow Taylor was an engineer for Bethlehem Steel in 1889, when he decided to analyze the issue of soldiering, which is when workers are deliberately working under capacity.

He observed workers unloading iron off of rail cars and loading steel onto them. Taylor studied the movements, tools, and processes of the workers and determined that, while they were currently loading about 12.5 tons a day, they were clearly capable of loading 47.5 tons a day. He recommended that workers be provided incentives in the form of wage increases to meet new loading goals. These recommendations, when followed, led to increased production for Bethlehem Steel.

The process that Taylor laid out was a template for other organizations:

1. Each task should be studied scientifically to determine the best way to perform it.
2. Workers should be carefully selected and trained to perform the tasks.
3. Managers and workers should cooperate to ensure efficient production.
4. Managers should plan, and workers should be responsible for implementing those plans.

Bureaucratic Management Approach

Rather than concentrate on increasing worker productivity and efficiency, the administrative approach to scientific management focused on helping managers coordinate organizational duties.



Max Weber developed a bureaucratic approach to management. A German citizen, Weber was interested in industrial capitalism, particularly how it was successful in some areas and not in others. Weber traveled to the United States to observe industrial capitalism, and determined that the U.S. used professional managers, business and economic relationships, whereas in Germany people were given positions of authority based on social standings and connections, and businesses were highly linked to family.

In order to help eliminate the practice of social privilege and favoritism prevalent in family-owned businesses, Weber proposed the bureaucratic approach. Bureaucracies have a negative connotation today, but in the true definition of the word bureaucracies are impersonal structures based on clear authority, responsibility, formal procedures and separation of management and ownership.

In his approach, Weber proposed:

- Hierarchal management structure.
- Division of labor.
- Formal selection process for new employees.
- Career orientation.
- Formal rules and regulations.
- Impersonality.

Weber didn't anticipate the problems that would come from his approach (division of labor leading to boredom, formal rules leading to "red tape"), his bureaucratic method is in practice among many organizations today, and his idea that hiring and

promotion should be based on capability and not social standing is written into US labor laws.

Administrative Management Approach



In his administrative management approach, theorist Henri Fayol proposed five basic management functions that are still an important part of management practice today. In his 1916 book General and Industrial Management, he talked about those functions:

- **Foresight:** an organizational plan for the future.
- **Organization:** implementation of the plan.
- **Command:** select and lead workers.
- **Coordinate:** make sure all activities are coordinated and helping to reach goal.
- **Control:** ensure activities are going as planned.

Fayol came to some of these basic concepts when he witnessed the shutdown of a mine. A horse had broken its leg, and the mine had to be shut down because no one had the authority to purchase a new one. Seeing this as a failure of management to provide the right resources, he began his studies of management structures.

Fayol's studies also produced fourteen principles that could guide management behavior, but felt that they weren't rigid or exhaustive. Five of those principles still exist in current management theory and practice:

- Unity of command.
- Fairness and equity.
- Discipline and order.
- Scalar chain of command.
- Teamwork and subordination of individual interests.

Weber's bureaucracy approach informs most organizations today and Fayol's approach helps us understand the basics of management no matter what the industry or situation. Now let's look at some studies and research that bring in the human relations approach.

Humanistic Viewpoint



Mary Parker Follett's teachings, many of which were published as articles in well-known women's magazines, were popular with businesspeople during her lifetime. But she was virtually ignored by the male-dominated academic establishment, even though she attended Radcliffe University and Yale and was asked to address the London School of Economics. In recent years her writings have been "rediscovered" by American management academics, and she is now considered the "Mother of Modern Management."

Follett developed many concepts that she applied to business and management, including the following:

- A better understanding of lateral processes within organizational hierarchies. These concepts were applied by DuPont Chemical Company in the 1920s in the first matrix-style organization. A matrix organizational structure uses a grid rather than a pyramidal system to illustrate reporting paths. An individual may report both to a functional manager (such as sales or finance) and to a product manager.
- The importance of informal processes within organizations. This is related to the idea of authority deriving from expertise rather than position or status. For example, an informal group may form in an organization (during or outside of official work hours) to socialize, form a union, or discuss work processes without management overhearing.
- Non-coercive power sharing, which she called **integration**, to describe how power operates in an effective organization. She wrote about the **"group principle"** that characterized the whole of the organization, describing how workers and managers have equal importance and make equal contributions.
- Coining the term "win-win" to describe cooperation between managers and workers. She also talked about **empowerment** and **facilitation** rather than control.
- Promoting conflict resolution in a group based on constructive consultation of equals rather than compromise, submission, or struggle. This is known as the **constructive conflict** concept.

Follett devoted her life's work to the idea that social cooperation is better than individual competition. In her 1924 book *Creative Experience*, Follett wrote "Labor and [management] can never be reconciled as long as labor persists in thinking that there is a [management] point of view and [management] thinks there is a labor point of view. These are imaginary wholes which must be broken up before [management] and labor can cooperate."

We've talked before about Elton Mayo, Fritz Roethlisberger, and the Hawthorne Studies. They visited the Western Electric Hawthorne Works to determine the affects of lighting on productivity. As we know, they learned much more about the workers than just whether they did better in a well-lit atmosphere. They learned that their observation alone increased worker productivity, that workers value their social relationships and rely on group norms to restrict their productivity output.

There were several different flaws in the Hawthorne studies and their methodologies, but it spurred on studies by Abraham Maslow, Douglas McGregor, Frederick Herzberg and David McClelland, all approaching their research from the source of motivation of the worker and how that can be manipulated to increase productivity.

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14.3: Modern Management Theories

Learning Objectives

- Differentiate among modern team management theories

These early scientific and humanistic approaches to managing people gave way to more studies on how to achieve more productivity, efficiency and profit. Those theories and findings became the basis for further learning.

Systems View

The systems view of management suggests that organizations are a complex collection of interrelated parts, working toward a common purpose.



In the systems view, a system is defined in two ways: externally, by its purpose and internally, by its subsystems and internal functions.

Externally, the concept dictates that each system has a role to play in the system at the next level up. For instance, a company that makes boxed macaroni and cheese creates its product for the system at the next level, the boxed macaroni and cheese market. The boxed macaroni and cheese market impacts the next level systems, like the food industry.

Internally, the system view looks at subsystems and internal functions. Each of these systems interrelates and contributes to the overall purpose of the parent system. So, the accounts receivable and accounts payable departments contribute to the overall purpose of the finance department, which contributes to the overall purpose of the organization and so on.

Managerially speaking, an organization looks to the system above it in the hierarchy to define its purpose, and then organizes its subsystems to serve that purpose. A manager's duty is to operate the systems in his charge to support the larger systems.

Contingency View

The contingency view of management suggests that the effective management of an organization depends on various factors that cannot always be predicted with certainty. If a manager is going to be successful he or she must understand the different aspects of an organization and the factors which can affect performance.

What kinds of variables affect the performance of an organization and its workers?

For one, an organization's size is a contingency factor. Small organizations can behave informally and are often more flexible than larger organizations. They can make decisions faster, and managers have direct control over processes. Large organizations require indirect control mechanisms, and they can't change direction quickly the way a smaller organization can. But they can have divisional structures with workers that are highly specialized, and this may not be appropriate for a smaller organization. The size of the organization, however, may not always be a predicator of performance.

For example, another contingency factor may be environmental change and uncertainty may also impact the way an organization is managed. A organization with centralized processes works best with a stable environment. Certainty and predictability allow an organization to create policies, rules and procedures to fit the way they do business. An organization with decentralized processes is an advantage when there's a unstable environment. Organizations in an unstable environment need to be able to respond quickly to changes, thus they require specialization for non-routine tasks and problems.

Work technologies have an impact on organizations as well. The technology to do the work impacts the type of worker that needs to be hired, the span of management to manage those workers, and so on.

What about customer diversity? Globalization? A business must adjust for all of these contingencies as well. The contingency view is based on the idea that there's no one best way to manage an organization, and that managers should be ready to adjust to different situations as they present themselves. Conversely, researchers suggests that managers themselves perform differently in different situations, and their success is as much situational as it is based on their talents and behaviors. We'll talk more about that in a future module.

Chaos View

Chaos theory is a scientific principle that describes the unpredictability of systems, such as weather patterns, water flows and, if you're a Steven Spielberg fan (the movie director), the actions of human-engineered dinosaurs. Although they appear to be chaotic behaviors, they can be defined by mathematical formulas and are not as random as one might think.

Chaos management views pick up where contingency views leave off. In the early 1980s, Tom Peters, management guru, wrote a handbook explaining the Chaos Theory, specifically intended for managers. In it, he emphasizes that managers must be prepared for a constantly changing environment.

According to Peters, changing global environments and technology are evidence of chaos, and businesses should not just observe them without response. Peters suggests that the permanently installed hierarchal structure is a cause of inflexibility in organizations that's damaging. Not only should organizations be flexible with their structures, but they should be prepared to achieve their organizational results in a variety of ways.

The secret to capitalizing on the chaos view is a customer-responsive approach. Peters suggests that organizations review their vision and mission, and be open to and willing to embrace change.

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14.4: Putting It Together- Managing Groups and Teams

Ford's team created the assembly line and the five day work week. Steve Jobs' team created the first real personal computer. Walt Disney's team created an empire around a happy little cartoon mouse.



Great things can be accomplished by businesses when they assemble a group with the right set of skills and set them to work on a project. As they learn to work together, they produce a product that's far more than the sum of its individual parts.

Know that your team is put together well and that the group is well balanced, and put your best leadership skills in place to manage that team. That spells success for today's organizations, even as they face the constant headwinds of change.

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14.5: Discussion- Managing Groups and Teams

In your role at Workplace Solutions Consulting, you are part of a “client-facing” team. Your team consists of you (a business development expert), a technical SME (subject-matter expert), a process-improvement specialist, and a support technician. The team members work independently on mutually agreed-upon activities that support the common team goal. All are remote, but get together each morning via phone conference for a 10-minute status check and a weekly web meeting to review progress and plan for the following week.

Discussion Prompt

Describe the characteristics of the most effective team you’ve participated in with either your work or your personal life. How structured were the activities and roles? What are the advantages and disadvantages of team structure in your experience?

Grading

Share your opinions below and respond to two of your classmates’ thoughts.

Criteria	Not Evident	Developing	Exemplary	Points
Submit your initial response	**0 pts** No post made	**2 pts** Post is either late or off-topic	**5 pts** Post is made on time and is focused on the prompt	5 pts
Respond to at least two peers’ presentations	**0 pts** No response to peers	**2 pts** Responded to only one peer	**5 pts** Responded to two peers	5 pts
			Total:	**10 pts**

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14.6: Assignment- Individual and Group Behavioral Theories Applied to the Workplace

Scenario

In your role as a consultant for Workplace Solutions Consulting, you are typically working at customer sites and from a home office when not on travel. You take advantage of technology to stay connected to your team and management to keep current on your project and developments at company headquarters.

We have initially explored the benefits and challenges inherent in being a remote employee on a virtual team for Workplace Solutions Consulting LLC in *Discussion: Individual Personalities and Behaviors*. Let's turn our attention to the team dynamic of how individuals work together, blending skills, experience, and most important, personalities to achieve goals.

Your Task

Part I

Using the Myers-Briggs Indicator methodology, what four letter code would best represent a personality best suited for this remote location/virtual team workplace situation? Why?

Part II

How does the balance between individuality and conformity affect individuals in a team environment? How much structure do you feel is appropriate for a successful team?

Part III

Considering the Big Five personality assessment model (OCEAN), to what extent do you believe these traits would be impacted if the work environment were to be changed to a strictly-structured physical workplace setting?

Grading Rubric

Criteria	Inadequate (40%)	Minimal (60%)	Adequate (80%)	Exemplary (100%)	Total Points
Organization and format	**2 pts** Writing lacks logical organization. It may show some coherence but ideas lack unity. Serious errors and generally is an unorganized format and information.	**3 pts** Writing is coherent and logically organized, using a format suitable for the material presented. Some points may be contextually misplaced and/or stray from the topic. Transitions may be evident but not used throughout the essay. Organization and format used may detract from understanding the material presented.	**4 pts** Writing is coherent and logically organized, using a format suitable for the material presented. Transitions between ideas and paragraphs create coherence. Overall unity of ideas is supported by the format and organization of the material presented.	**5 pts** Writing shows high degree of attention to details and presentation of points. Format used enhances understanding of material presented. Unity clearly leads the reader to the writer's conclusion and the format and information could be used independently.	**5 pts**
Content	**8 pts** Some but not all required questions are addressed. Content and/or terminology is not properly used or referenced. Little or no original thought is present in the writing. Concepts presented are merely restated from the source, or ideas presented do not follow the logic and reasoning presented throughout the writing.	**12 pts** All required questions are addressed but may not be addressed with thoughtful consideration and/or may not reflect proper use of content terminology or additional original thought. Additional concepts may not be present and/or may not be properly cited sources.	**16 pts** All required questions are addressed with thoughtful consideration reflecting both proper use of content terminology and additional original thought. Some additional concepts may be presented from other properly cited sources, or originated by the author following logic and reasoning they've clearly presented throughout the writing.	**20 pts** All required questions are addressed with thoughtful in-depth consideration reflecting both proper use of content terminology and additional original thought. Additional concepts are clearly presented from properly cited sources, or originated by the author following logic and reasoning they've clearly presented throughout the writing.	**20 pts**

Criteria	Inadequate (40%)	Minimal (60%)	Adequate (80%)	Exemplary (100%)	Total Points
Development—Critical Thinking	**8 pts** Shows some thinking and reasoning but most ideas are underdeveloped, unoriginal, and/or do not address the questions asked. Conclusions drawn may be unsupported, illogical or merely the author's opinion with no supporting evidence presented.	**12 pts** Content indicates thinking and reasoning applied with original thought on a few ideas, but may repeat information provided and/ or does not address all of the questions asked. The author presents no original ideas, or ideas do not follow clear logic and reasoning. The evidence presented may not support conclusions drawn.	**16 pts** Content indicates original thinking, cohesive conclusions, and developed ideas with sufficient and firm evidence. Clearly addresses all of the questions or requirements asked. The evidence presented supports conclusions drawn.	**20 pts** Content indicates synthesis of ideas, in-depth analysis and evidence beyond the questions or requirements asked. Original thought supports the topic, and is clearly a well-constructed response to the questions asked. The evidence presented makes a compelling case for any conclusions drawn.	**20 pts**
Grammar, Mechanics, Style	**2 pts** Writing contains many spelling, punctuation, and grammatical errors, making it difficult for the reader to follow ideas clearly. There may be sentence fragments and run-ons. The style of writing, tone, and use of rhetorical devices disrupts the content. Additional information may be presented but in an unsuitable style, detracting from its understanding.	**3 pts** Some spelling, punctuation, and grammatical errors are present, interrupting the reader from following the ideas presented clearly. There may be sentence fragments and run-ons. The style of writing, tone, and use of rhetorical devices may detract from the content. Additional information may be presented, but in a style of writing that does not support understanding of the content.	**4 pts** Writing is free of most spelling, punctuation, and grammatical errors, allowing the reader to follow ideas clearly. There are no sentence fragments and run-ons. The style of writing, tone, and use of rhetorical devices enhance the content. Additional information is presented in a cohesive style that supports understanding of the content.	**5 pts** Writing is free of all spelling, punctuation, and grammatical errors and written in a style that enhances the reader's ability to follow ideas clearly. There are no sentence fragments and run-ons. The style of writing, tone, and use of rhetorical devices enhance the content. Additional information is presented to encourage and enhance understanding of the content.	**5 pts**
				Total:	**50 pts**

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15: WORK TEAMS



Learning Outcomes

After reading this chapter, you should be able to answer these questions:

1. What is the benefit of working in teams, and what makes teams effective?
2. How do teams develop over time?
3. What are some key considerations in managing teams?
4. What are the benefits of conflict for a team?
5. How does team diversity enhance decision-making and problem-solving?
6. What are some challenges and best practices for managing and working with multicultural teams?

15.1: Introduction to Group and Team Management

15.2: Groups vs. Teams

15.3: Types of Teams

15.4: Creating Effective Teams

15.5: Team Players

15.6: Managing Teams Today

15.7: Teamwork in the Workplace

15.8: Team Development Over Time

15.9: Things to Consider When Managing Teams

15.10: Opportunities and Challenges to Team Building

15.11: Team Diversity

15.12: Multicultural Teams

15.13: Glossary

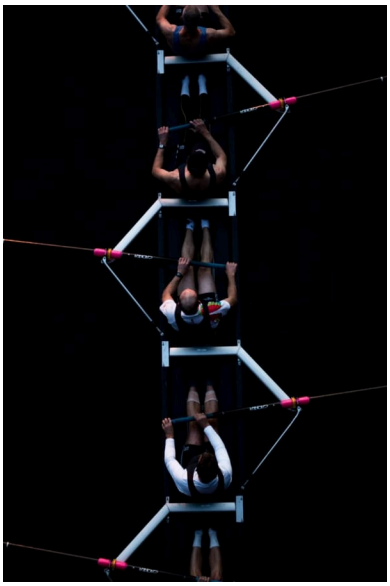
15.14: Summary of Learning Outcomes

15.15: Chapter Review Questions
15.16: Management Skills Application Exercises
15.17: Managerial Decision Exercises
15.18: Critical Thinking Case

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15.1: Introduction to Group and Team Management

What you'll learn to do: Describe the relationship between general group and team management with various structures and techniques



It's hard to describe the difference between a group and a team without using a sports analogy, because the benefits of teamwork, and the obvious differences between group and team, reveal themselves so readily on the football field, the baseball diamond, or wherever it is that people meet to push the limits of athletic performance.

A winning team is more than a group of people achieving a goal and delivering a result. There's positive energy and synergy around a team (meaning that they produce more together than they could individually).

Organizations benefit from the ability to build and manage great teams. In order to do that, we need to understand what sets one group apart from the rest and makes that group a team.

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15.2: Groups vs. Teams

Learning Outcomes

- Describe differences between a group and a team

When we discuss group dynamics, we define a group as two or more individuals who are interactive and independent, coming together to achieve particular objectives. Specifically, a work group is one that interacts primarily to share information and to make decisions that help each member perform within his or her area of responsibility.



For instance, a retail store chain might hold a monthly corporate meeting to manage the opening of new stores. A few representatives from the retail team are there to discuss the progress on the building of the store. A representative from merchandising attends the meeting as well, so she can determine how the aisles of the store will be laid out, and what merchandise will be placed on the shelves. A representative from the finance department shows up to ensure that leases are being paid and that taxes are being paid. These team members might be referred to as the "new store group," but the group members are there to share information with one another so they can get their own jobs done, and so a store can be opened.

A work team, on the other hand, generates positive synergy through coordinated efforts. Their individual efforts, when pooled together, are often more than the sum of their individual inputs. Their goal is not just sharing information, it's a collective performance. They often feature both individual and mutual accountability and the members' skills are complementary to one another.

Let's look at the distinguishing features of a team:

- The first distinguishing feature of a team is that the individual members are fully committed to a common goal and approach. Often, they've developed this approach themselves. The members should agree that the team's goal is worthwhile and have a desire to achieve it. This agreement on the goal is imperative—this gives the team its vision and the motivation for the members to perform.
- The second distinguishing feature is mutual accountability. If the team is going to succeed, the members should feel accountable to each other as well as the organization for the process and outcome of their work. It's not unusual for team members to take on extra work and responsibility because they feel a deep commitment to the team, even if there is an accountable leader of that team.
- The third distinguishing feature is that of trust and collaboration. We talked in the last module about how group members share norms, but teams actually share a culture. That culture is built on compromise, cooperation and collaboration, directed to reaching their common purpose. This doesn't mean that there isn't conflict involved. On the contrary, healthy conflict can

boost creativity and performance as long as it's managed well. Their sharing can continue to the point of shared leadership, even though the team may have an appointed leader.
- The fourth distinguishing feature of a team is synergy. Synergy is the process of combining two or more actions that result in an effect that differs from the total of the individual actions. Basically, it means that the whole is greater than the sum of its parts. The team produces more together than they would individually.

Teamwork at NASA

A famous example of a high-performing team is the crew—both on the ground and in orbit—on the Apollo 13 mission. When "failure wasn't an option," the ground crew in Houston worked tirelessly to bring the three astronauts home alive. As depicted in the movie, when CO_2 levels in the cabin were reaching dangerous levels, the team took to determining how they could make a new filter to produce breathable air. The leader said, "We have to make this fit to this," holding up both a square and a round filter. Then he gestured to a pile on the table of miscellaneous items that were currently floating on the Apollo 13 and added, "Using nothing but that." The team didn't hesitate, and one of them can be heard saying, "Okay, let's make a filter!" as hands start sorting through the parts.

Before long, as the world watched, this same team guided the astronauts toward building a new contraption that would keep them alive for a while longer.

This team fully committed to its goal and approach when building that filter. They shared mutual accountability for it—success was the only option they considered. They extended trust to one another, and then the astronauts extended trust to the ground team in building it. Finally, the result was synergistic—definitely more than any one individual could have accomplished on his own.

Today's organizations are moving quickly from the concept of a hierarchical organization to one that is built of teams. When companies like General Foods moved to a team-based structure, they made news, but now organizations are more likely to turn heads if they aren't using teams. Teams shift the control in an organization from the management to the employees, with senior teams often making decisions for the organization and employees determining how to carry out those plans. Ultimately, teams succeed when they're supported by the organization, when there is that leadership adjustment from external (senior team) to internal (team members) and when the teams are provided a clear standard of high- performance expectation.

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15.3: Types of Teams

Learning Objectives

- Discuss the types of teams

Organizations use different types of teams in different ways to accomplish their objectives. Some teams have a very simple and specific focus, and others face complex issues with organization-wide ramifications. We can look at teams and classify them in a variety of ways. Let's first take a look at them based on their task complexity and team member fluidity.

Task complexity is the extent to which a task is intricate and consists of different, interrelated parts. Membership fluidity is the extent to which membership within a team is stable. Low membership fluidity would mean that people are often entering into and leaving the team, and high membership fluidity means they are quite stable, not changing often at all.

Simple Work Teams

Simple work teams have low task complexity and low team fluidity. Their goal is simple problem solving, and often they are a group that supports day-to-day activities, dealing with issues that require input from more than one person or to generate commitment from employees. Usually these are people from a same team or department, so they generally have a similar focus and tend to work together relatively easily.

Administrative Teams



An administrative team has high task complexity but low team membership fluidity, meaning that the problems the team deals with are complex but people stream in and out of the group. The goal of an administrative team is to problem solve and then "sell" their ideas to the rest of the organization. Their focus could be internal, external, or both, and the team members are usually management level.

An example of an administrative team might be a relocation committee that's dedicated to relocating a plant to a new area. Members of the team might flow in and out, but the complexity of the task is rather high and not at all part of their regular routine. Management level members work for a finite period of time to accomplish the strategic objective of moving the plant—all its machinery, all its people, and so on—to a new address.

Cross-Departmental Teams

A cross-departmental team tends to have a low complexity level but a high team membership fluidity, meaning that the work is fairly simple but the teams are committed and fairly unchanging. Their goal is integration in structure and setting ground rules, and their focus is internal and very specific.

A cross-departmental task force is an example of this type of team. Perhaps an organization is installing a new system that will manage all their data, both at the main office and at their plants, in an entirely different way. The task force might come together from different areas of the organization to identify the types of data their departments generate and how that data will be transferred over to the new system, how people will be trained to use the new system and even how change around the system will be managed.

Process Teams

Process teams deal with high complexity tasks and have high team member fluidity, meaning people are assigned to the team and stay. These folks are creative problem solvers and deal with implementation. Their focus is strategic and broad.

Process teams do not have departmental affiliation and function independently to undertake broad, organizational-level process improvements. For instance, the department store Mervyn's, the now defunct discount department store chain, had a SWAT team that rushes in to solve a store's critical issues. They were deployed at any time, whenever they're needed. They even attempt to solve organizational-wide issues like flextime and insurance.

Self-Managed Teams



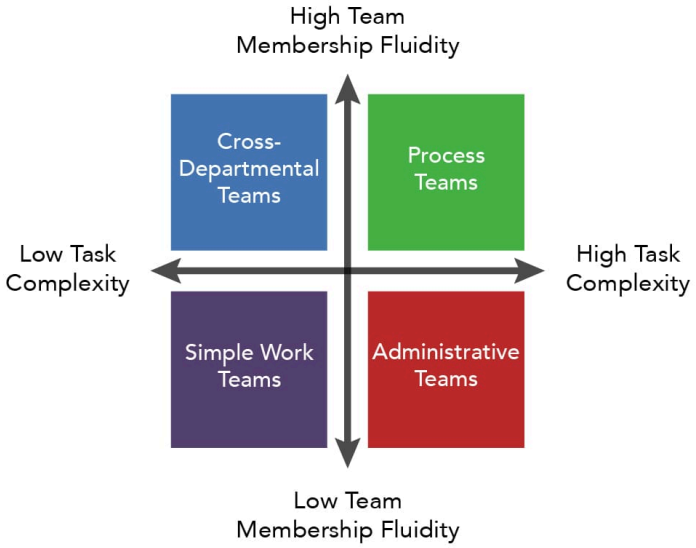
Self-managed teams (SMTs) are a commonly used process team used in organizations. Self-managed teams are process teams of employees who have full managerial control over their own work. Volvo is known for having abandoned their typical assembly line structure for one that included only self-managed teams. The teams were charged with assembling their large part of the car, but they could decide how to do it and who was going to work on what parts. The results included significant improvements in product quality and employee satisfaction.

Overall self-managed teams include these characteristics:

- The power to manage their work
- Members with different expertise and functional experience
- No outside manager
- The power to implement decisions
- Coordination and cooperation with other teams and individuals impacted by their decisions

- Internal leadership, based on facilitation. This means that a rotating leader focuses on freeing the team from obstacles as they do their work.

Self-managed teams require a change in structure on behalf of the organization and a high level of commitment on behalf of all parties to ensure their success. Most self-managed teams that fail do so because of a lack of commitment on the part of the organization.



Virtual Teams

It's worth noting that there are now also virtual teams, which are teams that use computer technology to tie together physically dispersed members in order to achieve a common goal. It is true that these virtual teams might be an administrative, cross-functional, simple work or even a process team, but they are distinctive in that they allow people to collaborate online.

Because virtual teams have limited social interaction – many times they have not met in person – they tend to be more task-oriented and exchange less social information. But they're able to do their work even if the members of the team are thousands of miles apart, and allows people to work together who may not otherwise be able to collaborate.

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15.4: Creating Effective Teams

Learning Objectives

- Discuss creating effective teams

We've learned a little about how teams differ from groups and really "take it to the next level" as far as productivity, and we've learned about the types of teams we might find in the workplace. Now that we know all that . . . let's build one!

Let's say that we've determined that team work is preferable to individual work for the project we need to accomplish. We don't want to solve the wrong problem by creating an effective team to do something a single employee could do better! And we want to understand what an effective team actually means to us . . . in this case, we're going to call a team "effective" based on objective measurement of the team's productivity- a manager's assessment of their performance and member satisfaction.

Knowing that a team is the way we want to go, we're going to take a look at four different areas and take them one at a time.

- Context
- Composition
- Work design
- Process

Context

If you're going to create an effective team, you need first to think about context—that is, all the things that surround the team that aren't actually your team. Contextually speaking, the things that seem to matter most to effective teambuilding are:

- Adequate resources
- Leadership and structure
- Trust
- Performance evaluation and reward systems

Of all of those items, it appears that adequate resources are the item that most impacts a team's ability to do its work. Lack of resources impedes the team's ability to do their work, so it's imperative that organizations support their team with the right amount of funding and tools for the job.

Team members should always agree on the work that is to be done and who is doing it, so leadership and structure are important parts of context. Team members should all contribute equally and share the workload, they should determine schedules, any training needed and so on. If they are a self-managed team, they can agree by whatever means they determined decisions might be made, and move on to next steps. Teams don't have to have leaders, but if they do, they should be careful not to obstruct progress and expect great things from this team. (No, that's true. It's been shown that leaders who expect great things from their teams get great things!)

If that leader is a part of the team, then the team needs to show trust in that leader. And the members should trust one another, too. Team members will not spend time monitoring one another if they trust each other, and they'll be more likely to take risks.

Finally, the team should have an established system for how their performance is evaluated and rewarded. Performance evaluation and reward systems keep team members individually and mutually accountable. Individual performance evaluations and reward systems aren't consistent with high-performing teams, so these systems need to recognize team progress as much, if not more, than individual contribution.

Composition



Now that we know the atmosphere around the team (the context), we need to take a look at the members actually making up the team, and talk about them in terms of their roles, diversity, and the size of the team.

When determining composition, a manager should consider the:

- Abilities of the members of the team.
- Personalities of team members.
- Roles that will be allocated.
- Diversity of team members.
- Size of the team.

Team Abilities

While we talked before about how the sum of the team is greater than its parts, an assessment of team members' abilities will help a manager determine what can be accomplished by the team. In order for the team to be successful, they'll need to have three different skills among them—technical expertise, problem-solving skills, and decision-making skills. A good balance of the three is an imperative—too much of one and not enough of another will lower a team's performance. It also helps if the team members have good interpersonal skills.

Team Personalities

Where personalities of team members are concerned, teams perform well if there is a "higher than mean" level of traits like agreeableness and conscientiousness, extraversion and emotional stability. Interestingly, studies have shown that it's more important for the "higher than mean" measurement to include people who all have tendencies toward those characteristics. For instance, having one person on the team who's very conscientious and one who is not may adversely affect the performance of the team, while two people who are more conscientious than average will enhance the team's performance.

Team Roles

Members of a team should be selected with an eye toward filling all the roles that need to be allocated. There are about nine different roles needed on a team and, while members can fill more than one of these roles, members should be matched to those team role demands. Those roles are:

- **The Plant.** Creative, imaginative. Solves problems.
- **The Resource Investigator.** Communicative. Explores opportunities and develops contacts.

- **The Coordinator.** Clarifies goals, and promotes decision-making.
- **The Shaper.** Dynamic, challenging, thrives on pressure. Overcomes obstacles.
- **The Monitor-Evaluator.** Strategic and discerning. Sees all options and judges accurately.
- **The Teamworker.** Co-operative and perceptive. Listens, builds, averts conflict.
- **The Implementer.** Conservative and efficient. Turns ideas into practical actions.
- **The Completer/Finisher.** Conscientious. Searches out errors, meets deadlines.
- **The Specialist.** Self-starting and dedicated. Provides knowledge/skills in rare supply.

These roles are classified into action-oriented roles, people-oriented roles, and thinking-oriented roles.



Managers need to understand the strengths each team member brings to the table and select members for the team with those strengths in mind.

Team Diversity

The diversity of a team also plays a deciding factor in how productive and successful the team is. Of course, there needs to be a diversity of skills, but if a team also features members of diverse age, gender, education, functional background, and experience, this bodes well for them. Keep in mind, however, that having a team with individuals from various cultures on a single team often does **not** spell instant success, as team members have a longer learning curve understanding how to work with one another.

Team Size

Finally the size of the team makes a difference in a team's success. Studies show that a team should be made up of no more than ten people, and optimally, no more than exactly the number of team members that are necessary to do the work. When teams have more members than they need, cohesiveness and mutual accountability suffer, and social loafing can creep in.

Beyond those things, managers need to consider if members actually want to be on a team—there are many individuals who would preferably opt out rather than participate on one, and it's not likely that those employees are going to lend any real value to the group. Furthermore, a manager can consider an individual's flexibility, or their capability as a team member to complete more than one kind of task. These individuals, if they're willing to participate on the team, are very valuable indeed!

Work Design

We talked a lot about work design in Module 6: Motivation in the Workplace and how the right job design can motivate an employee to perform. Similarly, the right work design for a group is a huge motivator. The manager should strive to give the team members work that offers autonomy, skill variety, task identity and task significance. Just like with individuals, these features motivate the team and increase its effectiveness.

Process

Finally, to build an effective team we must consider process. Process refers to the way the team operates, and includes things like:

- Common purpose
- Specific goals
- Team efficacy
- Managed conflict levels
- Minimized social loafing

Having a common purpose provides direction and drives the commitment of the team members. Teams that are destined to be successful put a lot of effort into defining their common purpose—creating it, discussing it and agreeing on it—so that they can use it as their guiding principle. Any and all activity performed by the team should support the common purpose.



Just like the motivational theory of goal setting, a team must translate their common purpose into attainable, measurable, specific goals. These goals help the team focus on the results they're working to achieve. Just like with individual goals, team goals should be challenging in order to be motivational.

Teams need to feel like they're accomplishing something, and most of the time, they truly believe that they will achieve results. This concept is called team efficacy. Success breeds success, and teams that have been successful in the past want more of that same success for their future projects. Management can help team efficacy by setting up the team to achieve small successes along the way to their larger goals, and provide training to ensure that team members are growing their skills.

Conflict can be healthy for teams, but usually not when it's relationship based. Relationship conflicts—team members who aren't getting along, exhibit interpersonal incompatibilities, etc.—are almost always to the detriment of the team's success. However, conflict around task content is often beneficial because it helps the team avoid the trappings of groupthink.

Finally, a successful team minimizes social loafing. Team members in successful groups understand the effects of social loafing and hold themselves accountable for a certain level of productivity. Successful teams make members individually and mutually accountable for the team's goals, and members of these teams are clear on those expectations.

Considering all these options can help a manager build an effective team. The model we used here attempts to generalize across all varieties of teams, so if you're "trying this at home," take that into consideration and don't approach this too rigidly! You may have needs these suggestions don't fill, but ultimately, following these guidelines will get you pretty close to building an effective team.

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15.5: Team Players

Learning Objectives

- Describe how to turn individuals into team players

Not all individuals want to be a part of a team. Group dynamics often include introverted individuals who can be uncomfortable participating in a team atmosphere and, left to their own devices, would choose to work on their own. Others don't want their compensation and evaluations tied to a group of people and prefer to work as a single contributor.



Organizations, too, have dedicated years to building hierarchical cultures within their walls that don't support the idea of teams. Organizations have nurtured individual accomplishments and created competitive work environments, fostering attitudes in their workers that are the antithesis of team players. Finally, not all cultures lend themselves to team environments. Collective cultures, like those in Asia and Israel, often thrive in team environments, but highly individual cultures, like the United States, Canada and Australia, are quite the opposite.

This doesn't mean that teams are a pie-in-the-sky, unattainable hope for these individuals, organizations and cultures. It just means that managers and organizations need to work a little harder to get past these obstacles.

Shaping team players calls into practice three different areas: employee selection, training, and rewards.

Employee Selection

In the employee selection process, managers should interview prospective team members to ensure that they have the skills required for team participation. Do they exhibit the action-oriented, people-oriented or thinking-oriented skills required to take on a team role? Do they come from an organization that prized individual contribution and, if so, does that seem woven into this employee's fiber?

If it seems the prospective team member does not exhibit the necessary personality traits and skills to be on the team, then perhaps a transfer to another department is the best solution, or, in the case of a new hire, perhaps the role should be offered to another candidate. If the team member shows some signs that they're interested and open to the idea of working on a team, then perhaps training is the answer.

Training

If employees are particularly steeped in the idea of individual work and accomplishment, then perhaps training is the answer. Training specialists can conduct exercises that show the benefits of team environments, and offer workshops that can help an employee fine-tune some of the skills they need to be a productive team member, like conflict management, problem-solving and communication skills.

Rewards

Rewards are often key in changing the mindset of an employee who has been raised on the importance of individual accomplishment. Rewards systems in organizations need to be altered to encourage cooperative rather than competitive behavior. Organizations who offer bonuses based on team achievement in addition to individual accomplishment can help bridge the gap between the two mindsets.

Promotions, rewards and other forms of recognition can be given to individuals based on how effective they are as team members. Individual contributions to the organization can be balanced with contributions to the team – team member training, helping to resolve conflict and learning new skills might be among those areas that are measured.

Will all people become team players? Absolutely not. And that doesn't necessarily mean they have to find work elsewhere. Look at what J. Richard Hackman, a professor of social and organizational psychology at Harvard University, had to say about a CFO who just wasn't a good team member, when he was interviewed for *Harvard Business Review*:[1]

We worked with a large financial services firm where the CFO wasn't allowed on the executive committee because he was clearly a team destroyer. He was disinclined toward teamwork, he was unwilling to work at finding collective solutions, and every team he was on got into trouble. The CEO invited the CFO to stay in his role because he was a truly able executive, but he was not allowed on the senior executive team. Although there were some bruised feelings at first, in the end the CFO was much happier because he didn't have to be in "boring" team meetings, and the team functioned much better without him. The arrangement worked because the CEO communicated extensively with the CFO both before and after every executive committee meeting. And in the CFO's absence, the committee could become a real team.

That's probably the exception and not the rule, but it stands as an example that all individuals don't need to become team players for an organization to successfully implement a team.

When an organization is redesigning jobs around teams, it should be expected that they'll encounter people like the CFO mentioned above, who was resistant and defiant in a team setting. If the organization is committed to valuing its employees, it will implement training and rewards to support the new environment, and finally, work with employees like that CFO to bring him around to the benefits of teams.

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1. Coutu, Diane. "Why Teams Don't Work." *Harvard Business Review*, May 2009, hbr.org/2009/05/why-teams-dont-work. ↵

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15.6: Managing Teams Today

Learning Outcomes

- Discuss strategies for managing teams today

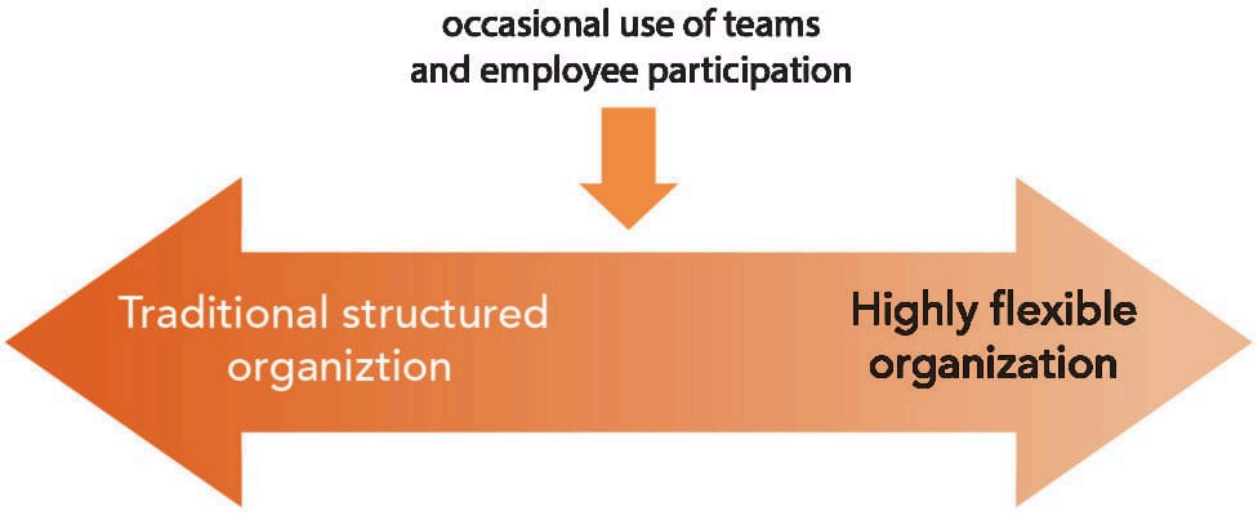
Now that we understand some basic approaches and views to managing people, both individually and in team settings, we can use some of these concepts to understand the ways that teams are incorporated into organizations today.

Think about Max Weber's bureaucratic approach to management versus what Tom Peters proposes in his chaos view of management. On one end of the spectrum, you have a highly- controlled, traditional organization, and on the other, you have a very flexible, unstructured organization.



On one end, Weber's end, of the spectrum, there is high management control, and on the chaos end, that's less so. Peters recommended we do away with the rigidity of the hierarchical structure to increase flexibility and focus on delivering to customers. So . . . is his suggestion a more team-based organization, with high employee involvement and control? Maybe.

Today's organizations tend to be more middle-of-the-road in their use of teams. They've kept some of their managerial control and traditional structure, and use teams to accomplish work on specific tasks.



As organizations move to more team-based structures, the control shifts from management to employees. Upper management still sets the general direction, vision, mission, goals and objectives. But then employees, with that understanding, make decisions and control their own activities. If an organization is going to see a team succeed, they need to:

- **Provide a clear standard of high performance expectations.** Management can set expectations—preferably challenging expectations, as we learned earlier—and then teams decide how to accomplish those goals on their own.
- **Provide organizational support.** The organization's structure and culture must support the success of the team. Organizations that forego an all-individual reward system and remove other cultural barriers are more likely to see their teams succeed.
- **Adjust internal and external leadership.** Team leaders should guide groups but not necessarily dictate what has to be done.

Researchers like Taylor, Weber and Fayol never got to the point where they could conceive of a team in a working environment. But those concepts that still exist in management principles studied today certainly don't exclude the use of teams, do they? Teams undoubtedly look for the most efficient way to perform, they reward their members based on achievement and experience, they understand the importance of management decision makers and resource managers in their numbers. Those principles are still at work every day.

Consider the structural elements of an organization as they conceived them and how they change (but don't disappear) in a team-based organization.

	Traditional Organization	Team-Based Organization
Formalization	All activities and procedures are clearly described in formal written documents	Activities and procedures depend on team goals and are not necessarily formally written.
Specialization	Individuals and departments specialize in a particular task/function	Individuals/teams learn as many skills to perform tasks to do their jobs.
Hierarchy	Clear reporting lines with managers having few direct reports	Organization is flat, more lateral relationships and only a few levels.
Centralization of decision making	Decisions made by managers and passed down to employees	Decision is made by a team and coordinated with other teams
Differentiation	Departments and their functions are clearly different from one another	Differentiation is based on project and not function
Integration	Activities are coordinated by managers of different departments	Each team is responsible for coordinating with other teams

In spite of all those traditional organizational elements being in place for team-based organizations, there are a lot of growing pains and changes needed if an organization is going to go from a traditional one to one based on teams. What would make an organization do that?

Organizations like Goldman Sachs, American Airlines and Kellogg's do fine with a traditional organizational structure, with teams used to tackle particular tasks and issues. But some organizations, like Lucent Technologies, have adopted a team-based structure throughout several of their areas.

SEI Investments

SEI Investments in Pennsylvania adopted a team-based organizational structure when its CEO realized that the company lacked competitive advantage. SEI declared their new strategy: Become more responsive to customers than other firms in the industry. The decision to restructure as a team-based organization was the result of that strategy.

SEI decided to form teams specifically to handle a client problem. Once that problem was handled, the team disbanded, and then another one was created to address the next client. As a result, SEI became more profitable, realizing their strategy of becoming more responsive to customers than other companies in the industry.

> SEI's teams were tied to their strategy, and organizations that don't get specific in attaching team goals to strategy are setting themselves up for failure. When teams aren't clear on how they're furthering organizational strategy, they lose focus and motivation. In most cases, those teams won't live up to expectations. Jon Katzenbach, director at McKinney & Co and team-based organizational expert, points out that it's not about the numbers for teams. "Teams aren't motivated by numbers—even big numbers," he explained. "They're motivated by something to do in the marketplace, like beating a competitor.

Pre-Industrial Revolution, our economy was based on the textile merchant, the grocer, and all the individual business owners that made their towns go. But once the industrial revolution found its way to the United States, managers were suddenly faced with the task of managing many workers and ensuring that they reached some level of productivity. Science and research improved efficiency, and as the world changed, new views emerged to help managers adapt.

Teams and team-based organizations are not an entirely new concept, but as we continue to innovate and realize what teams can do to help organizations realize their goals, we will continue to use these management approaches to help us move forward.

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15.7: Teamwork in the Workplace

exploring managerial careers

Eva Hartmann, Trellis LLC

Eva Hartmann has nearly 20 years of experience as a strategic, results-driven, innovative leader with significant expertise in human resources strategy, talent and leadership development, and organizational effectiveness. She has worked in a variety of industries, from manufacturing to Fortune 500 consulting. Eva is a transformational change agent who has developed and led strategic human capital programs and talent initiatives in multiple challenging environments globally. Eva is passionate about enhancing both individual and organizational performance.

Eva began her career in one of the large "Big 6" management consulting firms at the time, and she happily returned several years ago to consulting. She is the founder and president of Trellis LLC, a human capital consulting and staffing firm in Richmond, Virginia.

Prior to Trellis, Eva was the global human resources leader for a large global manufacturer of plastic film products and was responsible for the HR strategy and operations of a $600 million global division. In this role, Eva led a global team of HR managers in North and South America, Europe, and Asia to support global HR initiatives to drive business results and build human capital and performance across the division.

Eva has also held a variety of leadership and managerial roles in both human resources and quality functions at several nationally and globally recognized companies, including Wachovia Securities, Genworth Financial, Sun Microsystems, and Andersen Consulting (now Accenture).

Eva holds an MBA from the College of William and Mary in Williamsburg, Virginia, and a BA in anthropology from the University of Virginia in Charlottesville, Virginia. She is also an adjunct faculty member with the University of Richmond Robins School of Business. Eva currently serves on the board of the Society of Human Resource Management (SHRM) of Richmond, Virginia.

Much of the work that is performed today in organizations requires a focus on teamwork. The ability to work successfully as a team member, as well as the ability to lead teams, is an ultimate advantage within the workforce. Teams themselves must be managed, in addition to managing just the individuals, to be successful. We've all heard the quote originally coined by Aristotle that states that "the whole is greater than the sum of its parts." This captures the nature of the team perfectly—there is such a synergy that comes from a team that the individuals alone are not able to create. This chapter details the importance of and benefits that you may derive from working as a team, as well as some of the ways we can make our teams more successful.

1. What is a team, and what makes a team effective?

Teamwork has never been more important in organizations than it is today. Whether you work in a manufacturing environment and utilize self-directed work teams, or if you work in the "**knowledge economy**" and derive benefits from collaboration within a team structure, you are harnessing the power of a team.

A team, according to Katzenbach and Smith in their *Harvard Business Review* (HBR) article "The Discipline of Teams," is defined as "people organized to function cooperatively as a group".[1] The five elements that make teams function are:

- Common commitment and purpose
- Specific performance goals
- Complementary skills
- Commitment to how the work gets done
- Mutual accountability

A team has a specific purpose that it delivers on, has shared leadership roles, and has both individual and mutual accountabilities.

Teams discuss, make decisions, and perform real work together, and they measure their performance by assessing their collective work products. Wisdom of Teams reference. This is very different from the classic **working group** in an organization (usually organized by functional area) in which there is a focused leader, individual accountabilities and work products, and a group purpose that is the same as the broader organizational mission. Think of the finance organization or a particular business unit in your company—these are, in effect, larger working groups that take on a piece of the broader organizational mission. They are organized under a leader, and their effectiveness is measured by its influence on others within the business (e.g., financial performance of the business.)



Exhibit 10.2 Finance Working Group Smart managers understand that not all of a company's influential relationships appear as part of the organization chart. Consider a publishing company that might have a lead finance head for each group, such as adult fiction, nonfiction, young adult, and children's book divisions. A finance team working group would help spread best practices and lead to more cohesive operations for the entire organization. (Credit: thetaxhaven /flickr / Attribution 2.0 Generic (CC BY 2.0))

So, what makes a team truly effective? According to Katzenbach and Smith's "Discipline of Teams," there are several practices that the authors have observed in successful teams. These practices include:

Establish urgency, demanding performance standards, and direction. Teams work best when they have a compelling reason for being, and it is thus more likely that the teams will be successful and live up to performance expectations. We've all seen the teams that are brought together to address an "important initiative" for the company, but without clear direction and a truly compelling reason to exist, the team will lose momentum and wither.

Select members for their skill and skill potential, not for their personality. This is not always as easy as it sounds for several reasons. First, most people would prefer to have those with good personalities and positive attitudes on their team in order to promote a pleasant work environment. This is fine, but make sure that those individuals have the skill sets needed (or the potential to acquire/learn) for their piece of the project. The second caveat here is that you don't always know what skills you need on a project until you really dig in and see what's going on. Spend some time up front thinking about the purpose of the project and the anticipated deliverables you will be producing, and think through the specific types of skills you'll need on the team.

Pay particular attention to first meetings and actions. This is one way of saying that first impressions mean a lot—and it is just as important for teams as for individuals. Teams will interact with everyone from functional subject-matter experts all the way to senior leadership, and the team must look competent and be perceived as competent. Keeping an eye on your team's level of **emotional intelligence** is very important and will enhance your team's reputation and ability to navigate stakeholders within the organization.

Set some clear rules of behavior. I have been through many meetings and team situations in which we have rushed through "**ground rules**" because it felt like they were obvious—and everyone always came up with the same list. It is so critical that the team takes the time up front to capture their own rules of the road in order to keep the team in check. Rules that address areas such as attendance, discussion, confidentiality, project approach, and conflict are key to keeping team members aligned and engaged appropriately.

Set and seize upon a few immediate performance-oriented tasks and goals. What does this mean? Have some quick wins that make the team feel that they're really accomplishing something and working together well. This is very important to the team's confidence, as well as just getting into the practices of working as a team. Success in the larger tasks will come soon enough, as the larger tasks are really just a group of smaller tasks that fit together to produce a larger deliverable.

Challenge the group regularly with fresh facts and information. That is, continue to research and gather information to confirm or

challenge what you know about your project. Don't assume that all the facts are static and that you received them at the beginning of the project. Often, you don't know what you don't know until you dig in. I think that the pace of change is so great in the world today that new information is always presenting itself and must be considered in the overall context of the project.

Spend lots of time together. Here's an obvious one that is often overlooked. People are so busy that they forget that an important part of the team process is to spend time together, think together, and bond. Time in person, time on the phone, time in meetings—all of it counts and helps to build camaraderie and trust.

Exploit the power of positive feedback, recognition, and reward. Positive reinforcement is a motivator that will help the members of the team feel more comfortable contributing. It will also reinforce the behaviors and expectations that you're driving within the team. Although there are many extrinsic rewards that can serve as motivators, a successful team begins to feel that its own success and performance is the most rewarding.

Collaboration is another key concept and method by which teams can work together very successfully. Bringing together a team of experts from across the business would seem to be a best practice in any situation. However, Gratton and Erickson, in their article Eight Ways to Build Collaborative Teams, found that collaboration seems to decrease sharply when a team is working on complex project initiatives. In their study, they examined 55 larger teams and identified those with strong collaboration skills, despite the level of complexity. There were eight success factors for having strong collaboration skills:

- "Signature" relationship practices
- Role models of collaboration among executives
- Establishment of "gift" culture, in which managers mentor employees
- Training in relationship skills
- A sense of community
- Ambidextrous leaders—good at task and people leadership
- Good use of heritage relationships
- Role clarity and talk ambiguity[2]

As teams grow in size and complexity, the standard practices that worked well with small teams don't work anymore. Organizations need to think about how to make collaboration work, and they should leverage the above best practices to build relationships and trust.

concept check

- What is the definition of a team?
- Name some practices that can make a team more successful.

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15.8: Team Development Over Time

2. How do teams develop over time?

If you have been a part of a team—as most of us have—then you intuitively have felt that there are different “stages” of team development. Teams and team members often start from a position of friendliness and excitement about a project or endeavor, but the mood can sour and the team dynamics can go south very quickly once the real work begins. In 1965, educational psychologist Bruce Tuckman at Ohio State University developed a four-stage model to explain the complexities that he had witnessed in team development. The original model was called Tuckman’s Stages of Group Development, and he added the fifth stage of “Adjourning” in 1977 to explain the disbanding of a team at the end of a project. The four stages of the Tuckman model are:[3]

- Forming
- Storming
- Norming
- Performing
- Adjourning

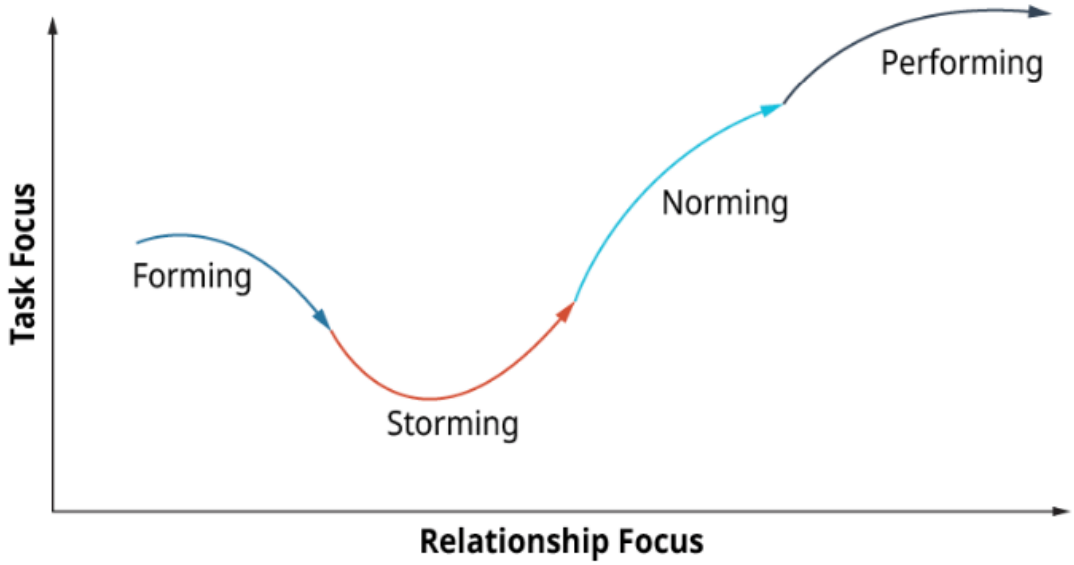


Exhibit 10.3 Tuckman’s Model of Team Development Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license

The **Forming** stage begins with the introduction of team members. This is known as the “polite stage” in which the team is mainly focused on similarities and the group looks to the leader for structure and direction. The team members at this point are enthusiastic, and issues are still being discussed on a global, ambiguous level. This is when the informal pecking order begins to develop, but the team is still friendly.

The **Storming** stage begins as team members begin vying for leadership and testing the group processes. This is known as the “win-lose” stage, as members clash for control of the group and people begin to choose sides. The attitude about the team and the project begins to shift to negative, and there is frustration around goals, tasks, and progress.



Exhibit 10.4 The Storming Stage In the storming stage, protracted competition vying for leadership of the group can hinder progress. You are likely to encounter this in your coursework when a group assignment requires forming a team. (Credit: Gerald R. Ford School of Public Policy/ flickr/ Attribution 2.0 Generic (CC BY 2.0))

After what can be a very long and painful Storming process for the team, slowly the **Norming** stage may start to take root. During Norming, the team is starting to work well together, and buy-in to group goals occurs. The team is establishing and maintaining ground rules and boundaries, and there is willingness to share responsibility and control. At this point in the team formation, members begin to value and respect each other and their contributions.

Finally, as the team builds momentum and starts to get results, it is entering the **Performing** stage. The team is completely self-directed and requires little management direction. The team has confidence, pride, and enthusiasm, and there is a congruence of vision, team, and self. As the team continues to perform, it may even succeed in becoming a high-performing team. High-performing teams have optimized both task and people relationships—they are maximizing performance and team effectiveness. Katzenberg and Smith, in their study of teams, have created a "team performance curve" that graphs the journey of a team from a working group to a high-performing team. The team performance curve is illustrated in **Exhibit 10.5**.

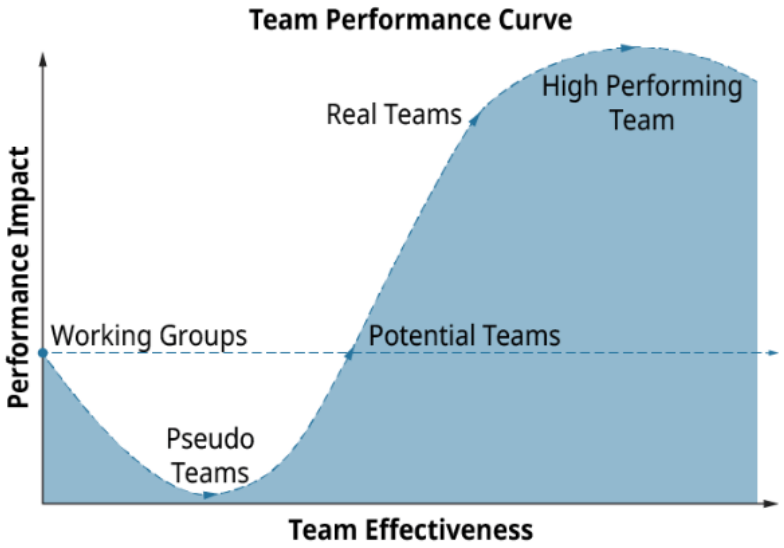


Exhibit 10.5 Team Performance Curve (Attribution: Copyright Rice University, OpenStax, under CC-BY 4.0 license)

The process of becoming a high-performance team is not a linear process. Similarly, the four stages of team development in the Tuckman model are not linear, and there are also factors that may cause the team to regress to an earlier stage of development. When a team member is added to the group, this may change the dynamic enough and be disruptive enough to cause a

backwards slide to an earlier stage. Similarly, if a new project task is introduced that causes confusion or anxiety for the group, then this may also cause a backwards slide to an earlier stage of development. Think of your own experiences with project teams and the backslide that the group may have taken when another team member was introduced. You may have personally found the same to be true when a leader or project sponsor changes the scope or adds a new project task. The team has to re-group and will likely re-Storm and re-Form before getting back to Performing as a team.

catching the entrepreneurial spirit

Starting the Startup Team

Nothing is more exciting than a startup business. The enthusiasm is high, and people are excited about the new venture and the prospects that await. Depending on the situation, there may be funding that the startup has received from investors, or the startup could be growing and powering itself organically. Either way, the startup faces many different questions in the beginning, which will have a tremendous impact on its growth potential and performance down the road. One of the most critical questions that faces a startup —or any business for that matter—is the question of who should be on the team. Human capital is the greatest asset that any company can have, and it is an especially critical decision in a startup environment when you have limited resources and those resources will be responsible for building the company from ground up.

In Noam Wasserman's January 2012 HBSP article "Assembling the Startup Team," Wasserman asserts:

"*Nothing can bedevil a high-potential startup more than its people problems. In research on startup performance, venture capitalists attributed 65% of portfolio company failures to problems within the startup's management team. Another study asked investors to identify problems that might occur at their portfolio companies; 61% of the problems involved team issues. These problems typically result from choices that founders make as they add team members…*"

These statistics are based on people problems in startups, and it isn't quite clear what percent of larger company failures could be directly or indirectly attributed to people and team issues. I would imagine that the percentage is also significant. The impact of people problems and team issues in a startup organization that is just getting its footing and trying to make the right connections and decisions can be very significant. If you know anyone who has a company in startup mode, you may have noticed that some of the early team members who are selected to join the team are trusted family members, friends, or former colleagues. Once a startup company grows to a certain level, then it may acquire an experienced CEO to take the helm. In any case, the startup is faced early on with important questions on how to build the team in a way that will maximize the chance of success.

In "Assembling the Startup Team," the author refers to the three Rs: relationships, roles, and rewards as being key elements that must be managed effectively in order to avoid problems in the long term. Relationships refers to the actual team members that are chosen, and there are several caveats to keep in mind. Hiring relatives or close friends because they are trusted may seem like the right idea in the beginning, but the long-term hazards (per current research) outweigh the benefits. Family and friends may think too similarly, and the team misses the benefit of other perspectives and connections. Roles are important because you have to think about the division of labor and skills, as well as who is in the right roles for decision-making. The startup team needs to think through the implications of assigning people to specific roles, as that may dictate their decision power and status. Finally, defining the rewards can be difficult for the startup team because it essentially means that they are splitting the pie—i.e., both short- term and long-term compensation. For startup founders, this can be a very difficult decision when they have to weigh the balance of giving something away versus gaining human capital that may ultimately help the business to succeed. Thinking through the tradeoffs and keeping alignment between the "three Rs" is important because it challenges the startup team to think of the long-term consequences of some of their early decisions. It is easy to bring family and friends into the startup equation due to trust factors, but a careful analysis of the "three Rs" will help a startup leadership team make decisions that will pay off in the long term.

Discussion Questions

1. Why might it be a bad decision to hire someone for a key startup role based only on the fact that the person is close family or a friend? What are the potential tradeoffs to the business?
2. What does it mean for the "three Rs" to be in alignment? What is the potential risk of these not being in alignment? What could go wrong?

concept check

- What are the four stages of team development?
- What can cause a team to regress in its development?

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15.9: Things to Consider When Managing Teams

3. What are some key considerations in managing teams?

For those of us who have had the pleasure of managing or leading a team, we know that it can feel like a dubious distinction. Leading a team is fulfilling—especially if the task or organizational mandate at hand is so critical to the organization that people are happy to be a part of the team that drives things forward. It can also be an exercise in frustration, as the charge is to lead a group composed of various individuals, which at various times will act both like a group and like a bunch of individuals. Managing teams is no small feat, and the most experience managers truly understand that success ultimately depends on their ability to build a strong and well-functioning team. In J.J. Gabarro's *The Dynamics of Taking Charge* (HBS Press, 1987, pp. 85–87), he quotes a manager who had successfully worked to turn around a number of organizations:[4]

"People have to want to work together; they have to see how to do it. There has to be an environment for it and that takes time. It's my highest priority right now but I don't write it down anywhere because it's not like other priorities. If I told corporate that building a team was my prime goal they'd tell me, so what? They'd expect that as part of making things better."

I love this quotation because it's so indicative of the state of most organizations today. The focus is on corporate goals and priorities—very task-driven and outcome-driven—but it is the people dynamics and how people work together in the company and in TEAMS that can make a real difference to the goals and outcome.

managerial leadership

Who Am I Managing?

Making the jump from individual contributor to manager is never easy, and it doesn't take long for a new manager to realize that what got him there is much different than what is needed to be successful in the future. Individual contributors that have been recently promoted would probably say that they have strong technical skills in their area, and that they were very good at doing what they were doing. In a more savvy organization that recognizes leadership competencies, individual contributors would probably say that they have strong technical skills AND that they showed some behaviors and potential to lead others. When new managers enter their new roles, they expect that they will be managing people—that is, the people on their teams. Few new managers fully realize that the challenge ahead is not just in managing their people, but in managing all the other stakeholders and constituencies that want to and need to weigh in.

One of the key challenges that faces new managers is figuring out to balance all of the multiple demands from both the team and the stakeholders and constituencies external to the team. Linda A. Hill, the Wallace Brett Donham Professor of Business Administration at Harvard Business School, states that "among all the challenges facing new managers, the need to reconcile different constituencies' expectations and interests is probably the most difficult." She asserts that the demands that the new manager's direct reports, his peers, his boss, and the company's customers place on the new manager will cause conflict at times. Having teams of their own, new managers may think that managing their direct reports is the most important role to play, even at the exclusion of managing other stakeholders. This is incorrect. A new manager needs to "manage his other consistencies just as carefully." ("Helping New Managers Succeed," Lauren Keller Johnson, *HBR* 2008).

Whenever I started a new role, I always created a quick stakeholder checklist for myself. This document is essentially a list of all the stakeholders (beyond the team I am managing) with whom I need to build a relationship in order to be successful. I listed the names of my boss, my boss's boss, my peers, and any other key influencers or internal customers from the business. This is a quick checklist of the people that I need to immediately have a "meet and greet" with and then possibly even set up a regular meeting with at a certain cadence. I have learned over the years that each of these stakeholders will have some input and impact on my success, and the quicker and more effectively I engage them in the work my team is performing, the better the chance of my team's success. Some of the questions I will ask myself when figuring out my stakeholder list include:

- Whose support will I need?
- Who needs my support? What do they need from me or my team?
- Who can keep me and my team from being successful?

- What is my ongoing influencing strategy?

Some new managers will feel that these strategies for building stakeholder support are too “political” and they don’t feel right. Trust me when I tell you that this is a necessary part of the new manager role, because now the role and the work call for greater interdependence and relation building in order to be successful. It is no longer just about individual technical skills, but more about building and managing relationships with people who will support you and your team to get your work done. So, if you are a new manager asking “Who am I managing?” … the answer is EVERYONE.

Discussion Questions

1. Do you agree with the statement that “what got you there isn’t what will make you successful in the future”? Why or why not?
2. Who would be on your stakeholder checklist? Which stakeholders are you already engaging and building relationships with?

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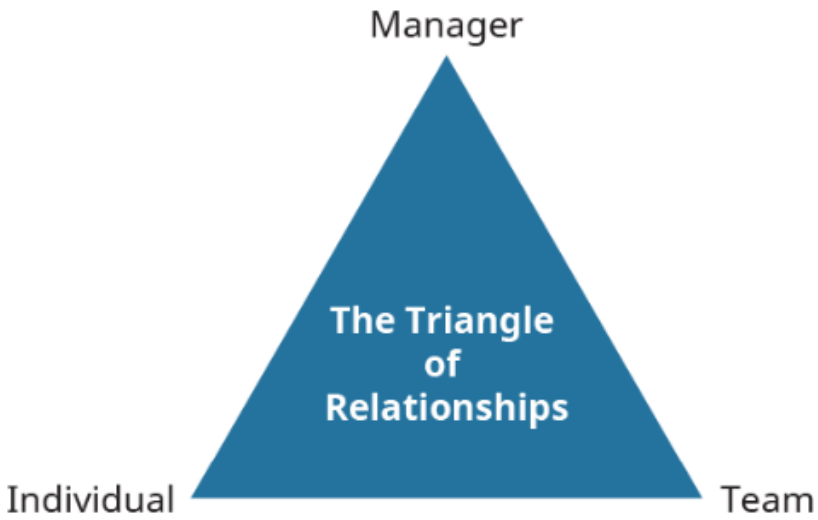


Exhibit 10.6 The Triangle of Relationships (Attribution: Copyright Rice University, OpenStax, under CC-BY 4.0 license)

Managing a team also means managing its boundaries. Managing the team’s **boundaries**—or space between the team and

its external forces, stakeholders, and pressures—is a delicate balance of strategy, stakeholder management, and organizational behavior. The team manager must serve, in part, as a buffer to these external factors so that they don't derail or distract the team from its goals. However, the manager must also understand enough about the external environment and have enough emotional intelligence to understand which forces, players, or situations must be synthesized within the team for its own benefit. Think about any medium or large-scale change initiative that you have been a part of in your career. Ideally, there is generally a vision for change and a level of sponsorship at the senior levels of the organization that is supposed to pave the way for that change to take root. The project team is officially "blessed" to kick off the team, create a charter, and identify the needed actions to drive the initiative to successful completion.

The dynamic that ensues after the kickoff is really what will determine the success of the team. There are numerous stakeholders in any organization, and many will be pro–change initiative, but others may be against the initiative—either due to lack of understanding or concerns about losing power, territory, etc. The external environment and business strategy may not be particularly well suited for a change initiative to take place, and so there may be the feeling of forces opposing the project team efforts. A strong team manager need manage these "boundaries" with the organization to help the team navigate through and with the organizational complexities, goals, nuances, and egos that are a part of any organization. In Linda A. Hill's *Harvard Business Review* article "Exercising Influence," she states that "managers also need to manage relationships with those who are outside their team but inside their organizations.6 To do so, they must understand the power dynamics of the larger organization and invest time and energy in building and maintaining relationship with those on who the team is dependent." It is also, in her view, "the manager's job, at a minimum, to educate other about organizational structures, systems, or politics that interfere with the team's performance." With all of the potential external influences on a team, managing a team's boundaries can truly mean the difference between success and failure.

The final element of managing a team is to manage the team itself—both the people elements and the process elements, or task at hand. The process-focused elements include managing the work plan to reach the overall goal, as well as the incremental meetings and milestones that are a part of the team's journey to reach the longer-term goal. Keeping the team focused on its objectives—beginning with setting agendas all the way to managing project tasks and celebrating milestones—assures that the team will stay on track. Projects and initiatives vary in size, scope, and complexity, and so the project management tools shouldn't be prescribed in a general sense. The important takeaway here is to choose an approach and a tool that works for the culture

of the team and the organization, and that helps the team understand where they are, where they need to go, and what resources are a part of that process.

In managing the team members and interpersonal dynamics, there is the important element of selecting the right team members, shaping the team's norms and culture (how are decisions made, what are our rules, how do we manage conflict, etc.), and coaching the team. Defining the right skill sets, functions, perspectives, and expertise of the members will ensure a solid foundation. Helping the team to identify and formalize the ground rules for team engagement will help manage in the face of adversity or team conflict in the future. Finally, playing a role as a supportive coach will help both the individual team members and the group entity think through issues and make progress towards goals. A coach doesn't solve the individual/team problem, but helps the team think through a solution and move forward. Teams may need guidance on how to work things out within the team, and the manager must provide feedback and hold team members accountable for their behavior and contribution. Continuous improvement is the name of the game. A team may not start out as high performing, but they can certainly achieve that goal if everyone is focused on incremental improvements to communication, collaboration, and performance.

concept Check

- Discuss the paradox(es) of a team.
- How can a leader manage team boundaries?

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15.10: Opportunities and Challenges to Team Building

4. What are the benefits of conflict for a team?

There are many sources of **conflict** for a team, whether it is due to a communication breakdown, competing views or goals, power struggles, or conflicts between different personalities. The perception is that conflict is generally bad for a team and that it will inevitably bring the team down and cause them to spiral out of control and off track. Conflict does have some potential costs. If handled poorly, it can create distrust within a group, it can be disruptive to group progress and moral, and it could be detrimental to building lasting relationships. It is generally seen as a negative, even though constructive conflicts and constructive responses to conflicts can be an important developmental milestone for a team. Some potential benefits of conflict are that it encourages a greater diversity of ideas and perspectives and helps people to better understand opposing points of view. It can also enhance a team's problem-solving capability and can highlight critical points of discussion and contention that need to be given more thought.

Another key benefit or outcome of conflict is that a team that trusts each other—its members and members' intentions—will arise from conflict being a stronger and higher-performing team. Patrick Lencioni, in his bestselling book *The Five Dysfunctions of a Team* (2002, p. 188), writes:7

"The first dysfunction is an absence of trust among team members. Essentially, this stems from their unwillingness to be vulnerable within the group. Team members who are not genuinely open with one another about their mistakes and weaknesses make it impossible to build a foundation for trust. This failure to build trust is damaging because it sets the tone for the second dysfunction: fear of conflict. Teams that lack trust are incapable of engaging in unfiltered and passionate debate of ideas. Instead, they resort to veiled discussions and guarded comments."

Lencioni also asserts that if a team doesn't work through its conflict and air its opinions through debate, team members will never really be able to buy in and commit to decisions. (This lack of commitment is Lencioni's third dysfunction.) Teams often have a fear of conflict so as not to hurt any team members' feelings. The downside of this avoidance is that conflicts still exist under the surface and may resurface in more insidious and back-channel ways that can derail a team. How can a team overcome its fear of conflict and move the team forward? Lencioni names a few strategies that teams can use to make conflict more common and productive. **Mining** is a technique that can be used in teams that tend to avoid conflict. This technique requires that one team member "assume the role of a 'miner of conflict'—someone who extracts buried disagreements within the team and sheds the light of day on them. They must have the courage and confidence to call out sensitive issues and force team members to work through them." **Real-time permission** is another technique to "recognize when the people engaged in conflict are becoming uncomfortable with the level of discord, and then interrupt to remind them that what they are doing is necessary." This technique can help the group to focus on the points of conflict by coaching the team not to sweep things under the rug.

The team leader plays a very important role in the team's ability to address and navigate successfully through conflicts. Sometime a leader will have the attitude that conflict is a derailer and will try to stymie it at any cost. This ultimately leads to a team culture in which conflict is avoided and the underlying feelings are allowed to accumulate below the surface of the discussion. The leader should, by contrast, model the appropriate behavior by constructively addressing conflict and bringing issues to the surface to be addressed and resolved by the team. This is key to building a successful and effective team.

There are a variety of individual responses to conflict that you may see as a team member. Some people take the constructive and thoughtful path when conflicts arise, while others may jump immediately to destructive behaviors. In *Managing Conflict Dynamics: A Practical Approach*, Capobianco, Davis, and Kraus (2005) recognized that there are both constructive and destructive responses to conflict, as well as active and passive responses that we need to recognize. In the event of team conflict, the goal is to have a constructive response in order to encourage dialogue, learning, and resolution.[8] Responses such as perspective-taking, creating solutions, expressing emotions, and reaching out are considered active and constructive responses to conflict. Reflective thinking, delay responding, and adapting are considered passive and constructive responses to conflict. See **Exhibit 10.7** for a visual of the constructive responses, as well as the destructive responses, to conflict.

	Constructive	Destructive
Active	• Perspective taking • Creating solutions • Expressing emotions • Reaching out	• Winning • Displaying anger • Demeaning others • Retaliating
Passive	• Reflective thinking • Delay responding • Adapting	• Avoiding • Yielding • Hiding emotions • Self-criticizing

Exhibit 10.7 Responses to Conflict (Attribution: Copyright Rice University, OpenStax, under CC-BY 4.0 license)

In summary, conflict is never easy for an individual or a team to navigate through, but it can and should be done. Illuminating the team about areas of conflict and differing perspectives can have a very positive impact on the growth and future performance of the team, and it should be managed constructively.

concept check

- What are some techniques to make conflict more productive?
- What are some destructive responses to conflict?

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15.11: Team Diversity

5. How does team diversity enhance decision-making and problem-solving?

Decision-making and problem-solving can be much more dynamic and successful when performed in a diverse team environment. The multiple diverse perspectives can enhance both the understanding of the problem and the quality of the solution. As I reflect on some of the leadership development work that I have done in my career, I can say from experience that the team activities and projects that intentionally brought diverse individuals together created the best environments for problem-solving. Diverse leaders from a variety of functions, from across the globe, at varying stages of their careers and experiences with and outside of the company had the most robust discussions and perspectives. **Diversity** is a word that is very commonly used today, but the importance of diversity and building diverse teams can sometimes get lost in the normal processes of doing business. Let's discuss why we need to keep these principles front of mind.

In the *Harvard Business Review* article "Why Diverse Teams are Smarter" (Nov. 2016), David Rock and Heidi Grant support the idea that increasing workplace diversity is a good business decision.[9] A 2015 McKinsey report on 366 public companies found that those in the top quartile for ethnic and racial diversity in management were 35% more likely to have financial returns above their industry mean, and those in the top quartile for gender diversity were 15% more likely to have returns above the industry mean. Similarly, in a global analysis conducted by Credit Suisse, organizations with at least one female board member yielded a higher return on equity and higher net income growth than those that did not have any women on the board.



Exhibit 10.8 The Benefits of Diversity for Teams Teams made up of diverse members tend to perform better than teams of similar backgrounds. Here, the Women of Color in Technology work on a project. The tech industry has been criticized for the lack of diversity among its ranks, and groups like the Women of Color in Technology are looking to change that. (Credit: WOCin Tech Chat/ flickr/ Attribution 2.0 Generic (CC BY 2.0))

Additional research on diversity has shown that diverse teams are better at decision-making and problem-solving because they tend to focus more on facts, per the Rock and Grant article.[10] *Journal of Personality and Social Psychology* showed that people from diverse backgrounds "might actually alter the behavior of a group's social majority in ways that lead to improved and more accurate group thinking." It turned out that in the study, the diverse panels raised more facts related to the case than homogenous panels and made fewer factual errors while discussing available evidence. Another study noted in the article showed that diverse teams are "more likely to constantly reexamine facts and remain objective. They may also encourage greater scrutiny of each member's actions, keeping their joint cognitive resources sharp and vigilant. By breaking up workforce homogeneity, you can allow your employees to become more aware of their own potential biases—entrenched ways of thinking that can otherwise blind them to key information and even lead them to make errors in decision-making processes." In other words, when people are among homogeneous and like-minded (nondiverse) teammates, the team is susceptible to groupthink and may be reticent to think about opposing viewpoints since all team members are in alignment. In a more diverse team with a variety of backgrounds and experiences, the opposing viewpoints are more likely to come out and the team members feel obligated to research and address

the questions that have been raised. Again, this enables a richer discussion and a more in-depth fact-finding and exploration of opposing ideas and viewpoints in order to solve problems.

Diversity in teams also leads to greater innovation. A Boston Consulting Group article entitled “The Mix that Matters: Innovation through Diversity” explains a study in which BCG and the Technical University of Munich conducted an empirical analysis to understand the relationship between diversity in managers (all management levels) and innovation. The key findings of this study show that:11

- The positive relationship between management diversity and innovation is statistically significant—and thus companies with higher levels of diversity derive more revenue from new products and services.
- The innovation boost isn’t limited to a single type of diversity. The presence of managers who are either female or are from other countries, industries, or companies can cause an increase in innovation.
- Management diversity seems to have a particularly positive effect on innovation at complex companies—those that have multiple product lines or that operate in multiple industry segments.
- To reach its potential, gender diversity needs to go beyond tokenism. In the study, innovation performance only increased significantly when the workforce included more than 20% women in management positions. Having a high percentage of female employees doesn’t increase innovation if only a small number of women are managers.
- At companies with diverse management teams, openness to contributions from lower-level workers and an environment in which employees feel free to speak their minds are crucial for fostering innovation.

  When you consider the impact that diverse teams have on decision-making and problem-solving—through the discussion and incorporation of new perspectives, ideas, and data—it is no wonder that the BCG study shows greater innovation. Team leaders need to reflect upon these findings during the early stages of team selection so that they can reap the benefits of having diverse voices and backgrounds.

concept check

- Why do diverse teams focus more on data than homogeneous teams?
- How are diversity and innovation related?

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15.12: Multicultural Teams

What are some challenges and best practices for managing and working with multicultural teams?

As globalization has increased over the last decades, workplaces have felt the impact of working within multicultural teams. The earlier section on team diversity outlined some of the highlights and benefits of working on diverse teams, and a multicultural group certainly qualifies as diverse. However, there are some key practices that are recommended to those who are leading multicultural teams so that they can parlay the diversity into an advantage and not be derailed by it.

People may assume that communication is the key factor that can derail multicultural teams, as participants may have different languages and communication styles. In the *Harvard Business Review* article "Managing Multicultural Teams," the authors point out four key cultural differences that can cause destructive conflicts in a team.[12] The first difference is **direct** versus **indirect communication**. Some cultures are very direct and explicit in their communication, while others are more indirect and ask questions rather than pointing our problems. This difference can cause conflict because, at the extreme, the direct style may be considered offensive by some, while the indirect style may be perceived as unproductive and passive-aggressive in team interactions.

The second difference that multicultural teams may face is *trouble with accents and fluency*. When team members don't speak the same language, there may be one language that dominates the group interaction—and those who don't speak it may feel left out. The speakers of the primary language may feel that those members don't contribute as much or are less competent. The next challenge is when there are *differing attitudes toward hierarchy*. Some cultures are very respectful of the hierarchy and will treat team

members based on that hierarchy. Other cultures are more egalitarian and don't observe hierarchical differences to the same degree. This may lead to clashes if some people feel that they are being disrespected and not treated according to their status. The final difference that may challenge multicultural teams is *conflicting decision-making norms*. Different cultures make decisions differently, and some will apply a great deal of analysis and preparation beforehand. Those cultures that make decisions more quickly (and need just enough information to make a decision) may be frustrated with the slow response and relatively longer thought process.

These cultural differences are good examples of how everyday team activities (decision-making, communication, interaction among team members) may become points of contention for a multicultural team if there isn't adequate understanding of everyone's culture. The authors propose that there are several potential interventions to try if these conflicts arise. One simple intervention is **adaptation**, which is working with or around differences. This is best used when team members are willing to acknowledge the cultural differences and learn how to work with them. The next intervention technique is **structural intervention**, or reorganizing to reduce friction on the team. This technique is best used if there are unproductive subgroups or cliques within the team that need to be moved around. **Managerial intervention** is the technique of making decisions by management and without team involvement. This technique is one that should be used sparingly, as it essentially shows that the team needs guidance and can't move forward without management getting involved. Finally, **exit** is an intervention of last resort, and is the voluntary or involuntary removal of a team member. If the differences and challenges have proven to be so great that an individual on the team can no longer work with the team productively, then it may be necessary to remove the team member in question.

There are some people who seem to be innately aware of and able to work with cultural differences on teams and in their organizations. These individuals might be said to have **cultural intelligence**. Cultural intelligence is a competency and a skill that enables individuals to function effectively in cross-cultural environments. I develops as people become more aware of the influence of culture and more capable of adapting their behavior to the norms of other cultures. In the *IESE Insight* article entitled "Cultural Competence: Why It Matters and How You Can Acquire It" (Lee and Liao, 2015), the authors assert that "multicultural leaders may relate better to team members from different cultures and resolve conflicts more easily.13 Their multiple talents can also be put to good use in international negotiations." Multicultural leaders don't have a lot of "baggage" from any one culture, and so are sometimes perceived as being culturally neutral. They are very good at handling diversity, which gives them a great advantage in their relationships with teammates.

In order to help employees become better team members in a world that is increasingly multicultural, there are a few best

practices that the authors recommend for honing cross-cultural skills. The first is to "broaden your mind"—expand your own cultural channels (travel, movies, books) and surround yourself with people from other cultures. This helps to raise your own awareness of the cultural differences and norms that you may encounter. Another best practice is to "develop your cross-cultural skills through practice" and experiential learning. You may have the opportunity to work or travel abroad—but if you don't, then getting to know some of your company's cross-cultural colleagues or foreign visitors will help you to practice your skills. Serving on a cross-cultural project team and taking the time to get to know and bond with your global colleagues is an excellent way to develop skills. In my own "past life," I led a global human resources organization, and my team included employees from China, India, Brazil, Hungary, the Netherlands, and the United States. We would have annual meetings as a global HR team, and it was so rewarding to share and learn about each other's cultures. We would initiate the week with a gift exchange in a "show and tell" format from our various countries, so that everyone would learn a little bit more about the cultures in which our fellow colleagues were working. This type of interaction within a global team is a great way to facilitate cross-cultural understanding and communication, and to sharpen everyone's cultural intelligence.

managing change

Understanding Our Global Colleagues

If you are a part of a global team, there are so many challenges that confront you even before you talk about people dynamics and cultural differences. You first may have to juggle time zone differences to find an adequate meeting time that suits all team members. (I used to have a team call with my Chinese colleagues at 8 p.m. my time, so that I could catch them at 8 a.m. in China the next day!) Language challenges can also pose a problem. In many countries, people are beginning to learn English as one of the main business languages. However, as I have experienced, people don't always speak their language the same way that you might learn their language in a book. There are colloquialisms, terms, and abbreviations of words that you can't learn in a classroom—you need to experience how people speak in their native countries.

You also need to be open-minded and look at situations from the perspective of your colleagues' cultures, just as you hope they will be open-minded about yours. This is referred to as cultural intelligence. Whenever I would travel globally to visit my colleagues in other countries, I would see foods, traditions, situations, and behaviors that were very "foreign" to me. Although my first response to experiencing these might be to think "wow, that's strange," I would try to think about what some of my global colleagues find "foreign" when they come to visit me in the United States. For example, my travel to China would put me in contact with chicken feet, a very popular food in China and one that I dislike immensely. Whenever I was offered chicken feet, I would turn them down in the most polite way possible and would take another food that was offered instead. I started to wonder about what my Chinese colleagues thought about the food when they'd come to visit me in the United States. Every year, I would host a global HR meeting in the United States, and a bit part of that meeting was the camaraderie and the sharing of various meals together. When I asked my Chinese colleagues what foods they thought were unpleasant, they mentioned cheese and meat. I was surprised about the meat, and when I asked, they said that it wasn't the meat itself necessarily, but it was the giant portions of meat that Americans will eat that, to them, is pretty unappetizing. Again, it is so important to check yourself and your own culture every so often, and to think about those elements that we take for granted (e.g., gigantic meat portions) and try to look at them from the eyes of another culture. It really makes us smarter and better partners to our global colleagues around the world.

In the *HBR* article "Getting Cross-Cultural Teamwork Right," the author states that three key factors—mutual learning, mutual understanding, and mutual teaching—build trust with cross-cultural colleagues as you try to bridge cultural gaps. With mutual learning, global colleagues learn from each other and absorb the new culture and behaviors through listening and observation. In mutual understanding, you try to understand the logic and cultural behaviors of the new culture to understand why people are doing what they do. This, of course, requires suspending judgment and trying to understand and embrace the differences. Finally, mutual teaching involves instructing and facilitating. This means trying to bridge the gap between the two cultures and helping yourself and others see where different cultures are coming from in order to resolve misunderstandings.

Understanding and finding common ground with your global colleagues isn't easy, and it takes patience and continuous improvement. In the end, however, I think that you will find it one of the most rewarding and enlightening things you can do. The more we work to close the multicultural "gap" and make it a multicultural advantage, the better off we will be as professionals and as people.

Discussion Questions

1. What are some multicultural experiences that you've had in which you feel that there was a very wide gap between you and an individual from another culture? How did you handle it?
2. Has economic globalization helped people to bridge these cultural gaps? Why or why not?

Once you have a sense of the different cultures and have started to work on developing your cross-cultural skills, another good practice is to "boost your cultural metacognition" and monitor your own behavior in multicultural situations. When you are in a situation in which you are interacting with multicultural individuals, you should test yourself and be aware of how you act and feel. Observe both your positive and negative interactions with people, and learn from them. Developing "**cognitive complexity**" is the final best practice for boosting multicultural skills. This is the most advanced, and it requires being able to view situations from more than one cultural framework. In order to see things from another perspective, you need to have a strong sense of emotional intelligence, empathy, and sympathy, and be willing to engage in honest communications.

In the *Harvard Business Review* article "Cultural Intelligence," the authors describe three sources of cultural intelligence that teams should consider if they are serious about becoming more adept in their cross-cultural skills and understanding. These sources, very simply, are **head, body,** and **heart**. One first learns about the beliefs, customs, and taboos of foreign cultures via the **head**. Training programs are based on providing this type of overview information—which is helpful, but obviously isn't experiential. This is the cognitive component of cultural intelligence. The second source, the **body**, involves more commitment and experimentation with the new culture. It is this physical component (demeanor, eye contact, posture, accent) that shows a deeper level of understanding of the new culture and its physical manifestations. The final source, the **heart**, deals with a person's own confidence in their ability to adapt to and deal well with cultures outside of their own. Heart really speaks to one's own level of emotional commitment and motivation to understand the new culture.

The authors have created a quick assessment to diagnose cultural intelligence, based on these cognitive, physical, and emotional/motivational measures (i.e., head, body, heart).

Please refer to **Table** 15.12.1 for a short diagnostic that allows you to assess your cultural intelligence.

	Give your responses on a 1 to 5 scale where 1 means you strongly disagree and 5 that you strongly agree
	Before I interact with people from a new culture, I wonder to myself what I hope to achieve
	If I encounter something unexpected while working in a new culture I use that experience to build new ways to approach other cultures in the future
	I plan on how I am going to relate to people from a different culture before I meet them
	When I come into a new cultural situation I can immediately sense whether things are going will or if things are going wrong
	Add your total from the four questions above
	Divide the total by four. This is your ***Cognitive Cultural Quotient***
	It is easy for me to change my body language (posture or facial expression) to suit people from a different culture
	I can change my expressions when a cultural encounter requires it
	I can easily change the way I act when a cross cultural encounter seems to require it
	Add your total from the four questions above
	Divide the total by four. This is your ***Cognitive Physical Quotient***
	I have confidence in my ability to deal well with people from different cultures than mine
	I am certain that I can befriend people of different cultural backgrounds than mine
	I can adapt to the lifestyles of a different culture with relative ease
	I am confident in my ability to deal with an unfamiliar cultural situation or encounter
	Add your total from the four questions above
	Divide the total by four. This is your ***This is your Emotional Motivational Cognitive Quotient***

Generally, scoring below 3 in any one of the three measures signals an area requiring improvement. Averaging over 4 displays strength in cultural intelligence

Adapted from "Cultural Intelligence" Earley and Mosakowski, Harvard Business Review, October 2004

Table 15.12.1

Cultural intelligence is an extension of emotional intelligence. An individual must have a level of awareness and understanding of the new culture so that he can adapt to the style, pace, language, nonverbal communication, etc. and work together successfully with the new culture. A multicultural team can only find success if its members take the time to understand each other and ensure that everyone feels included. Multiculturalism and cultural intelligence are traits that are taking on increasing importance in the business world today.[14] By following best practices and avoiding the challenges and pitfalls that can derail a multicultural team, a team can find great success and personal fulfillment well beyond the boundaries of the project or work engagement.

concept check

- What are some of the challenges of a multicultural team?
- Explain the cultural intelligence techniques of head, body, and heart.

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adaptation Technique of working with or around differences

boundaries Lines that make the limits of an area; team boundaries separate the team from its external stakeholders

cognitive complexity The ability to view situations from more than one cultural framework

collaboration The action of working with someone to produce or create something

cultural intelligence A skill that enables individuals to function effectively in cross-cultural environments

emotional intelligence The capability of individuals to recognize their own emotions and others' emotions

exit Technique of last resort—removal of a team member

Forming The first stage of team development—the positive and polite stage

ground rules Basic rules or principles of conduct that govern a situation or endeavor

head, body, and heart Techniques for becoming more adept in cross-cultural skills—learning about cultures (head), physical manifestations of culture (body), and emotional commitment to new culture (heart)

knowledge economy The information society, using knowledge to generate tangible and intangible values

managerial intervention Technique of making decisions by management and without team involvement

mining To delve in to extract something of value; a technique for generating discussion instead of burying it

Norming The third stage of team development—when team resolves its differences and begins making progress

paradox A self-contradictory statement or situation

Performing The fourth stage of team development—when hard work leads to the achievement of the team's goal

real-time permission A technique for recognizing when conflict is uncomfortable, and giving permission to continue

Storming The second stage of team development—when people are pushing against the boundaries

structural intervention Technique of reorganizing to reduce friction on a team

working group Group of experts working together to achieve specific goals; performance is made up of the individual results of all members

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15.14: Summary of Learning Outcomes

10.1 Teamwork in the Workplace

1. What is a team, and what makes teams effective?

A team is defined as “people organized to function cooperatively as a group.” Some of the characteristics of a team are that it has a common commitment and purpose, specific performance goals, complementary skills, commitment to how the work gets done, and mutual accountability.

Some of the practices that make a team effective are that they have a sense of urgency and direction; they set clear rules of behavior; they spend lots of time together; and they utilize feedback, recognition, and reward.

10.2 Team Development Over Time

2. How do teams develop over time?

Teams go through different stages of team development, which were coined in 1977 as Tuckman’s Stages of Group Development by educational psychologist Bruce Tuckman. Tuckman’s model includes these four stages: Forming, Storming, Norming, and Performing. A fifth stage, Adjourning, was added later to explain the disbanding and closure of a team at the end of a project.

Forming begins with team members being happy and polite as they get to know each other and understand the work they’ll do together. Storming starts once the work is underway and the team is getting to know each other, and conflicts and project stress begins to seep in. During Norming, the team starts to set rules of the road and define how they want to work together. Performing means that the team is underway and is having some successes and gaining traction. This is definitely not a linear process. Teams can regress to earlier stages if there are changes in team members or work orders that cause disruption and loss of momentum and clarity.

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10.3 Things to Consider When Managing Teams

3. What are some key considerations in managing teams?

Managing a team is often more complex than people would admit. Although a team and the team leader may be focused on the task or project work, it is actually the people dynamics and how the team works together that will make a real difference to the goals and outcomes. Managers need to remember that most of their time will be spent managing the people dynamics—not the tasks.

Managing teams also means a certain amount of paradox. A team has both individual and collective goals that need to be managed effectively. A manager needs to foster both team supportiveness and the ability to engage in conflict and confrontation. A team manager also needs to help the team with its boundaries and act as a buffer, a stakeholder manager, or a strategist when the situation calls for each. Exercising influence with key stakeholder groups external to the project group is one of the most critical functions in managing a team.

10.4 Opportunities and Challenges to Team Building

4. What are the benefits of conflict for a team?

Conflict during team interactions can feel like it derails progress, but it is one of the most important experiences that a team can have together. A team that can productively work through conflict will end up stronger, building more trust and being more open to sharing opinions. Team members will feel safe buying in and committing to decision-making as a team.

One of the other key benefits of conflict is that it encourages a greater diversity of ideas and perspectives, and it helps people to better understand opposing points of view. If a team doesn't work through conflict well and doesn't feel comfortable with the sharing and debating of ideas, it loses the opportunity to effectively vet ideas and potential solutions. The result is that the decision or solution will be limited, as team members haven't fully shared their concerns and perspectives.

10.5 Team Diversity

5. How does team diversity enhance team decision-making and problem-solving?

Decision-making and problem-solving is so much more dynamic and successful when performed in a diverse team environment. Much like the benefits of conflict, diversity can bring forward opposing points of view and different perspectives and information that might not have been considered if the team were more homogeneous. Diverse teams are thus made "smarter" by bringing together an array of information, sources, and experiences for decision-making.

Other research on diversity indicates that diverse teams excel at decision-making and problem-solving because they tend to focus more on facts. Studies indicate that diverse team members may actually sway the team's behavior to focus more on proven data—possibly because of the prospect of having to explain and back up one's perspectives if a conflict should erupt on the team. In a more homogenous team, there is more risk of "groupthink" and the lack of challenging of ideas.

10.6 Multicultural Teams

6. What are some challenges and best practices for managing and working with multicultural teams?

With the increase in globalization over the years, teams have seen the addition of multicultural individuals on their teams, who bring with them their own diverse backgrounds and perspectives. There are very positive aspects that result from the added diversity, as discussed in the previous questions. There are also challenges that we need to be aware of when we are managing these teams.

Challenges can arise from communication styles and accents, but can also appear in the form of decision- making norms and attitudes toward hierarchy. There are some team manager interventions that are best practices for addressing these challenges. There are also some best practices for building the cultural intelligence that will make the team more adept at understanding and dealing with differences among cultures.

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15.15: Chapter Review Questions

1. What are the key differences between a team and a working group?
2. At what stage of team development does the team finally start to see results?
3. What can cause a team to digress to an earlier stage of team development?
4. What can a team leader do to manage the team's boundaries?
5. How does managing conflict help a team learn and grow?
6. What are some strategies to make conflict more productive?
7. Why are diverse teams better at decision-making and problem-solving?
8. Why do diverse teams utilize data more often than homogeneous teams?
9. What are some of the challenges that multicultural teams face?
10. What are the key sources of cultural intelligence?

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15.16: Management Skills Application Exercises

1. Do you agree with Katzenbach and Smith's key practices that make teams effective? Why or why not? Which of these practices have you personally experienced? Are there any additional practices that you would add?
2. Have you ever been part of a team that made it through all four stages of team development? In which stage did the team remain the longest? In which stage did the team remain the shortest amount of time? What did you learn?
3. Why do you think it is so important to manage a team's boundaries? How can external stakeholders impact the function and performance of the team? Why is emotional intelligence such an important skill to have when managing a team?
4. In your experience, have you ever been in a situation in which conflict became a negative thing for a team? How was the conflict handled? How can a team manager ensure that conflict is handled constructively?
5. What is the difference between cultural intelligence and emotional intelligence? How can the cultural intelligence of a team improve performance? Have you ever been on a multicultural team that was high on cultural intelligence? How about a team that was low on cultural intelligence? What were the impacts?

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15.17: Managerial Decision Exercises

1. You are a manager of a team that is taking a long time to move through the Storming stage. There are two individuals on the team that seem to be unproductive when dealing with conflict and are holding the team back. What would you do to help the team move through conflict management and begin Norming and Performing?
2. One of your direct reports on your team is very focused on his own personal development. He is a strong employee individually, but hasn't had as much experience working in a team environment on a project. He wants to do well, but isn't exactly sure how to work within this context. How would you instruct him?
3. You are leading a team responsible for a very important strategic initiative at your company. You have launched the project, and your team is very motivated and excited to move forward. You have the sense, however, that your sponsor and some other stakeholders are not fully engaged. What do you do to engage them?
4. You are the project manager of a cross-functional team project that was just approved. You have been given several good team members who are from different functions, but many of them think similarly and are unlikely to question each other on team decisions. You have the choice of keeping a homogeneous team that will probably have few team issues or building a diverse team that may well engage in conflict and take much longer to come to decisions. What choice would you make? What other information would you want to know to make the decision?
5. You are the director of a multicultural team with employees across the globe. Your team rarely has the opportunity to meet in person, but you have been given the budget to bring everyone together for a week-long global team meeting and team building. How would you structure the time together? What are some of the activities you would suggest to build stronger relationships among team members?

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15.18: Critical Thinking Case

Diverse Teams Hold Court

Diverse teams have been proven to be better at problem-solving and decision-making for a number of reasons. First, they bring many different perspectives to the table. Second, they rely more on facts and use those facts to substantiate their positions. What is even more interesting is that, according to the *Scientific American* article "How Diversity Makes Us Smarter," simply "being around people who are different from us makes more creative, diligent, and harder-working."

One case in point is the example of jury decision-making, where fact-finding and logical decision-making are of utmost importance. A 2006 study of jury decision-making, led by social psychologist Samuel Sommers of Tufts University, showed that racially diverse groups exchanged a wider range of information during deliberation of a case than all-white groups did. The researcher also conducted mock jury trials with a group of real jurors to show the impact of diversity on jury decision-making.

Interestingly enough, it was the mere presence of diversity on the jury that made jurors consider the facts more, and they had fewer errors recalling the relevant information. The groups even became more willing to discuss the role of race case, when they hadn't before with an all-white jury. This wasn't the case because the diverse jury members brought new information to the group—it happened because, according to the author, the mere presence of diversity made people more open-minded and diligent. Given what we discussed on the benefits of diversity, it makes sense. People are more likely to be prepared, to be diligent, and to think logically about something if they know that they will be pushed or tested on it. And who else would push you or test you on something, if not someone who is different from you in perspective, experience, or thinking. "Diversity jolts us into cognitive action in ways that homogeneity simply does not."

So, the next time you are called for jury duty, or to serve on a board committee, or to make an important decision as part of a team, remember that one way to generate a great discussion and come up with a strong solution is to pull together a diverse team.

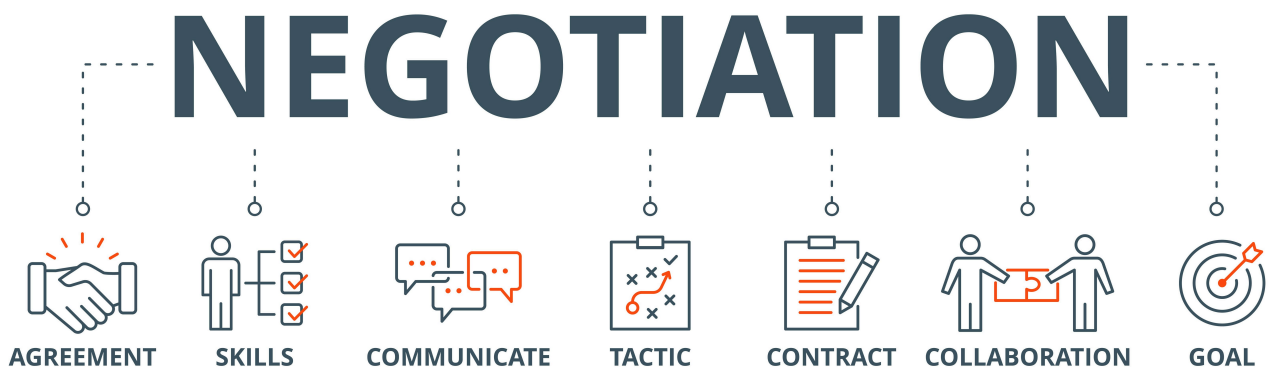
Critical Thinking Questions

1. If you don't have a diverse group of people on your team, how can you ensure that you will have robust discussions and decision-making? What techniques can you use to generate conversations from different perspectives?
2. Evaluate your own team at work. Is it a diverse team? How would you rate the quality of decisions generated from that group?

Sources: Adapted from Katherine W. Phillips, "How Diversity Makes Us Smarter," *Scientific American*, October 2014, p. 7–8.

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16: NEGOTIATION



Learning Objectives

Discuss strategies for managing conflict and negotiation in the workplace

- Describe why conflict resolution, “crucial conversations,” and other higher stakes communication is necessary to study in organizations
- Discuss the history of negotiating techniques within organizational behavior

16.1: Negotiation vs. Conflict Management
16.2: Why It Matters- Conflict and Negotiation
16.3: Introduction to Negotiation
16.4: Stages of Negotiation
16.5: Types of Negotiating Strategies
16.6: Issues in Negotiation
16.7: Third-Party Negotiations
16.8: Negotiation
16.9: Negotiation Behavior

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- 11: Conflict and Negotiation by Lumen Learning is licensed CC BY 4.0.

16.1: Negotiation vs. Conflict Management

Learning Objectives

- Discuss how negotiating is different from managing conflict

We negotiate every day. We might be looking for a better job, trying to purchase a used car, or walking down the street on the right side and seeing someone coming right toward us, seemingly unwilling to step to the left. We don't necessarily think about whether we won or lost a negotiation when we step to the left and let the walker pass, but it's a negotiation, nonetheless.

Negotiation is the process of discussing each individual's position on a topic and attempting to reach a solution that benefits both parties. We often step in and negotiate when a conflict is taking place, but conflict doesn't have to exist for there to be an opportunity for negotiation. It can be a discussion of an exchange of goods and services (or just jockeying for position on a sidewalk).

All negotiations share four common characteristics:

- The parties involved are somehow interdependent
- The parties are each looking to achieve the best possible result in the interaction for themselves
- The parties are motivated and capable of influencing one another
- The parties believe they can reach an agreement

If these conditions don't exist, neither can a negotiation. The parties have to be interdependent—whether they are experiencing a conflict at work or want to do business with one another. Each has an interest in achieving the best possible result. The parties are motivated and capable of influencing one another, like a union bargaining for better working conditions. A worker doesn't have influence over a manufacturer, but a union of workers does, and without that influence as a factor, both parties won't be motivated to come to the table for discussions. Finally, the parties need to believe they can reach an agreement; otherwise any negotiation talks will be futile.

There are two basic types of negotiation—distributive and integrative:

Distributive Negotiation

Distributive negotiation operates under zero-sum conditions. Anything one party gains in the deal is lost by the other party. There can be a winner and a loser, and parties are usually opposing each other. Any relationship between the two parties is usually short term, as at least one party will walk away a "loser" of sorts and animosities can build.

Buying a Used Car

Imagine you're looking to purchase a used car. You might meet a salesperson on the lot. You ask the price of the green Chevy. The salesperson tells you, and you shake your head—you know you don't want to pay that much. You make an offer that's significantly cheaper than the current sales price. Negotiation begins.

The new price will likely come at the commission of the salesperson, as there's a fixed amount of resources to be divided. As you "win" a discounted price, he "loses" commission. You and the salesperson are opposing each other in the price negotiation. And when the purchase is complete, you'll part ways, not likely to interact again.

Integrated Negotiation

Integrated negotiation features a variable amount of resources to be divided. In integrated negotiations, both parties can walk away winners. Their primary interests don't make them "opposing parties," but rather they're convergent or congruent with one another. In integrated negotiations, the relationship can be of longer term, because feelings are preserved and no one walks away

a loser.

Residential Amusement Park

Let's say a long-operating amusement park is now surrounded by residential housing. One fall, the park announces that they're going to open a roller coaster on the side of the park that's closest to the residential neighborhood, and they're going to build a parking structure to accommodate the extra guests they're sure the coaster will attract. Neighbors mount a protest—they don't want noise and the extra traffic that the roller coaster will bring. They complain to the city, and meetings are called.

The amusement park realizes that having the trust of these area homeowners is important because their complaints are not only well-founded but can cause delays to the park's plans. The park agrees to move the parking structure to the other side of the park, reposition speakers that might create too much noise for their neighbors and build a wall to keep the sound in the park and not out in the neighborhood. It's a win-win for both sides—neighbors keep a neighborhood free from traffic and noise, and the amusement park can add its profit-building roller coaster. Additionally, if the park can keep the neighborhood on its side, people from the neighborhood are more likely to visit the park.

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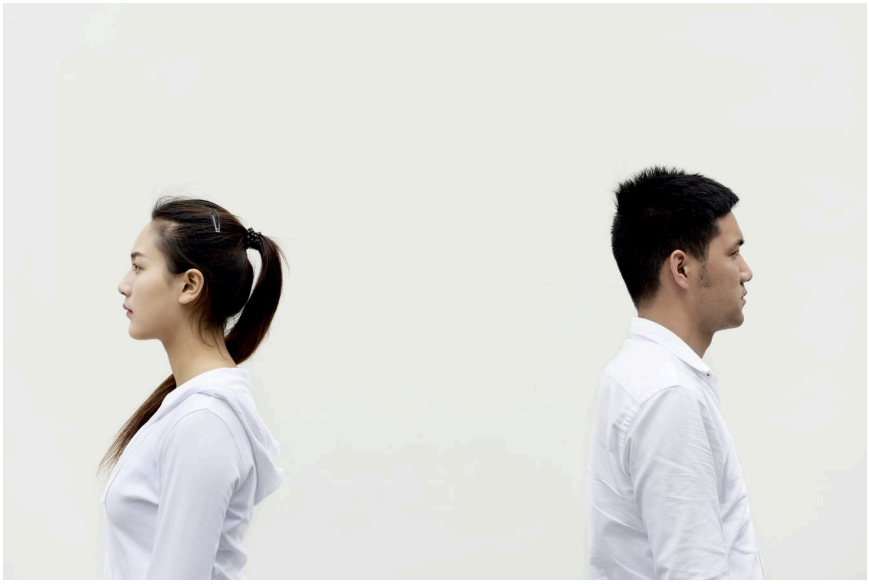
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16.2: Why It Matters- Conflict and Negotiation

Why learn about strategies for managing conflict and negotiation in the workplace?



Negotiation and conflict management events are everywhere, and the organization that faces them head on and looks to them as opportunities rather than obstacles will win the day. Think about the good that comes from negotiation and conflict management processes:

- Teachers' unions work with school boards to get increased pay for overworked educators and additional budgets for much-needed educational materials.
- City governments use tax incentives to bring new business into the area, increasing job opportunities for the community and bringing new potential revenue into the city.
- A brewery strikes up a deal with a bourbon distillery to remove used barrels from their property that may have otherwise been discarded, so they can turn around and use them to add a bourbon taste to their beer products.
- A teenager takes her life savings to the car dealership and purchases her first used car.

Negotiation and conflict management don't just make the business world go 'round, they're a part of life. Mastering these skills and understanding how to leverage the techniques will help you be more successful in work and life.

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16.3: Introduction to Negotiation

What you'll learn to do: Discuss the history of negotiating techniques within organizational behavior



Now we understand what conflict is and ways it can be managed, we will move onto negotiation. And if you think conflict causes anxiety, wait until you meet negotiation!

People are intimidated by the negotiation process, and the reason for it is because they think negotiation is personal issue. But negotiation is about solving problems and arriving at win-win solutions for all the parties involved. The people component should only add benefit to the negotiation process, not add an element of dread.

Negotiation skills are highly valuable in the business world, and here we're going to talk about techniques that bring about successful issue resolution.

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16.4: Stages of Negotiation

Learning Objectives

- Describe the stages in the process of negotiation

Negotiation, in simplified terms, is a five-step process. Those steps are shown in Figure 1.

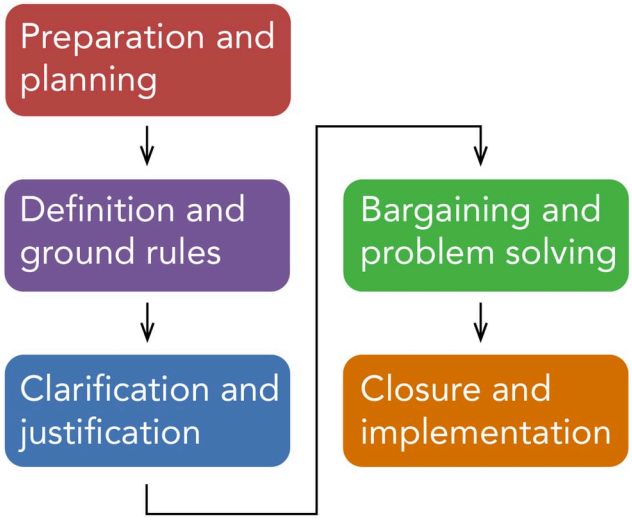


Figure 1. The five steps of negotiation

Let's take deeper look into each step.

Preparation and Planning

In the preparation and planning stage, you (as a party in the negotiation) need to determine and clarify your own goals in the negotiation. This is a time when you take a moment to define and truly understand the terms and conditions of the exchange and the nature of the conflict. What do you want to walk away with?

You should also take this moment to anticipate the same for the other party. What are their goals in this negotiation? What will they ask for? Do they have any hidden agendas that may come as a surprise to you? What might they settle for, and how does that differ from the outcome you're hoping for?

This is a time to develop a strategy for the negotiation. We'll talk more about strategies in the next section.

Definition of Ground Rules

After the planning and strategy development stage is complete, it's time to work with the other party to define the ground rules and procedures for the negotiation. This is the time when you and the other party will come to agreement on questions like

- Who will do the negotiating—will we do it personally or invite a third party?
- Where will the negotiation take place?
- Will there be time constraints placed on this negotiation process?
- Will there be any limits to the negotiation?
- If an agreement can't be reached, will there be any specific process to handle that?

Usually it's during this phase that the parties exchange their initial positions.

Clarification and Justification

Once initial positions have been exchanged, the clarification and justification stage can begin. Both you and the other party will explain, clarify, bolster and justify your original position or demands. For you, this is an opportunity to educate the other side on your position, and gain further understanding about the other party and how they feel about their side. You might each take the opportunity to explain how you arrived at your current position, and include any supporting documentation. Each party might take this opportunity to review the strategy they planned for the negotiation to determine if it's still an appropriate approach.

This doesn't need to be—and should not be—confrontational, though in some negotiations that's hard to avoid. But if tempers are high moving into this portion of the negotiation process, then those emotions will start to come to a head here. It's important for you to manage those emotions so serious bargaining can begin.

Bargaining and Problem Solving

This is the essence of the negotiation process, where the give and take begins.

You and the other party will use various negotiation strategies to achieve the goals established during the preparation and planning process. You will use all the information you gathered during the preparation and planning process to present your argument and strengthen your position, or even change your position if the other party's argument is sound and makes sense.

The communication skills of active listening and feedback serve the parties of a negotiation well. It's also important to stick to the issues and allow for an objective discussion to occur. Emotions should be kept under control. Eventually, both parties should come to an agreement.

Closure and Implementation

Once an agreement has been met, this is the stage in which procedures need to be developed to implement and monitor the terms of the agreement. They put all of the information into a format that's acceptable to both parties, and they formalize it.

Formalizing the agreement can mean everything from a handshake to a written contract.

Salesco

Let's take a look at this process in action. A team from a retail organization, Salesco, is looking to purchase widgets for resale directly to the consumer. You lead a team from WholesaleCo and are interested in negotiating an offer to sell these widgets to them at a wholesale cost.

- **Preparation and Planning.** You know that WholesaleCo will be going up against OtherCompany, who is likely to outbid you on price. You research, as best you can, the price and quantity OtherCompany is willing to come to the table with. You also know, from your earlier research, that Salesco is a company that values quality and if they're going to say no to OtherCompany, it'll be because they have a reputation for skimping on quality. Your company produces the better, but more expensive, widget. Armed with this information, you put together your proposal.
- **Definition of Ground Rules.** Salesco, as your customer, has let you know that they expect widgets to be manufactured and delivered in the first quarter of the following year. They'd like to sign with a 25% deposit. Your company usually requires 50% down, but you counter with 30%, provided you have a signed contract before the end of the year, which is approaching quickly. You offer Salesco your proposal. Salesco does not share OtherCompany's offer.
- **Clarification and Justification.** Salesco wants to understand more about your deposit requirements, and you'd like to know if your offer is otherwise in the ballpark for them. You reiterate that you provided them the best price you could for the quality product you produce. Salesco assures you your offer is good but they'll review it further with their legal team.

- **Bargaining and Problem Solving.** Salesco understands that WholesaleCo is not providing them the best price but that the quality they look to provide their customers will only come from WholesaleCo, and never OtherCompany. They'd still like to go with a 25% deposit because that's all they have budgeted for the remainder of the fiscal year. As a representative of Wholesale, you offer to go with a 25% deposit if a second payment can be made at the beginning of the next quarter, which would allow them to pay it out of next year's budget. Agreements are made.
- **Closure and Implementation.** WholesaleCo makes changes to the contract for the widgets and a representative from Salesco signs. The new contract outlines the changes in the deposit structure, and a full delivery schedule of widgets to Salesco' distribution centers by an agreed-upon date.

The negotiation process is complete.

Books have been written, and classes have been taught on the art of negotiation. The ability to master negotiation strategy is a coveted skill in the business world. Now that we understand the basics of the negotiation process, let's take a look at some of the negotiation "experts" that are out there and how they finesse the process to get the best results.

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16.5: Types of Negotiating Strategies

Learning Objectives

- Compare various types of negotiating strategies

If someone is looking to become skilled in the art of negotiation, that person would not have to look very far to find some help. The business section of your local bookstore has a shelf that's probably jammed with books promising to make you a better negotiator. There is no shortage of people who claim to have the best strategy, and each offers differing suggestions, tactics, and techniques to be used within the negotiation process that will help you get more out of your negotiations.

While there are slew of opinions and sources on the subject, we'll focus on three popular texts:

- *Getting to Yes* by William Ury and Roger Fisher
- *Getting More* by Stuart Diamond
- *Never Split the Difference* by Chris Voss with Tahl Raz

Getting to Yes by William Ury and Roger Fisher

When it was first released, *Getting to Yes* in particular got everyone's attention and changed the game for people trying to make a deal. The book was initially published in 1981, but with new editions published in 1991 and 2011 (both of which added Bruce Patton as a co-author) *Getting to Yes* remains among the most popular books on negotiation. *Getting to Yes* was written by William Ury and Roger Fisher, two Harvard University researchers and members of Harvard's Negotiation Project.

A link to an interactive elements can be found at the bottom of this page.

This book, and the concept of principled negotiation that it introduced, was determined to change the way people make deals, and millions of readers flocked to it to digest its sage advice. In principled negotiation, one moves successfully through the process by determining which needs are fixed and which needs are flexible for the negotiators. It was meant to be a negotiation strategy by which agreements could be made without damaging business relations. There are five major points that one should consider in the negotiation process:

1. **Separate the people from the problem.** This describes the way the parties should interact with each other throughout the negotiation process. Negotiators are only people, and they have personal interests in their positions. If the Party A attacks the position of Party B, it can feel as though he or she is attacking Party B personally. If parties can go into a negotiation committed to clear communication, and do their best to acknowledge the emotions that are attached to the negotiation process, there will be a better chance for amicable resolution.

2. **Focus on interests, not positions.** This is an aspect to be considered throughout the negotiation process, starting with planning and preparation and revisited in clarification and justification. A party's position is something he has decided upon. His interests are the reason why he's made that particular decision. Each party should attempt to explain their interests clearly and have a full understanding of the other party's interests.

3. **Invent options for mutual gain.** It's during this stage, that falls within the bargaining discussion part of the process, that parties should get together and try to generate as many possible options for resolution. Parties can focus on shared interests to generate as many win-win solutions as they can during the brainstorming sessions. Once all possible solutions are exhausted, evaluation of those proposed solutions can begin.

4. **Insist on using objective criteria.** Using objective criteria can keep the discussion polite and the relationship preserved during the negotiation process. This objective criteria can be introduced during the ground rules stage, or at any point thereafter, and parties should agree to its use. Objective criteria can be statistics, past legal judgments, professional standards or other data that is legitimate and practical.

5. **Understand your "BATNA."** The BATNA – the best alternative to a negotiated agreement – is the most advantageous course

of action a party can take if negotiations fail and an agreement can't be made. A party should never accept a negotiated deal that leaves him or her worse off than his BATNA. The BATNA is a leverage point in negotiations, and without a clear idea of BATNA a party is negotiating blindly.

With these suggestions, Fisher and Ury made a huge impact on the art of negotiation. People didn't look anymore to just get a "piece of the pie." They wanted to "expand the pie" and keep relationships intact by applying these integrated bargaining techniques to their next negotiation opportunities.

Getting More by Stuart Diamond

Do Fisher and Ury provide the only way to negotiate? Of course not! Many books out there take Fisher and Ury as the starting place and work from there. Pulitzer Prize-winning journalist and Wharton Law Professor Stuart Diamond was the associate director of the Harvard Negotiation Project (with which Fisher and Ury were affiliated), and he takes a different approach to negotiation strategy in his book *Getting More*.

In *Getting More*, which encompasses many of the lessons taught in his class at University of Pennsylvania, Diamond's approach focuses on finding and valuing the perceptions and emotions of others rather than using the traditional tactics of power, logic, and leverage. "Think of yourself as the least important person in the negotiation," a written quote on his website suggests. "Even with hard bargainers, it has to begin with their feelings and perceptions, their sensibilities."

Getting More emphasizes valuing the trust aspect of negotiations, encouraging participants to be transparent and constructive, not manipulative. He even encourages parties to "make emotional payments," that is, tapping into the other party's emotional psyche with empathy or simply by valuing them. *Getting More* takes the idea of preserving a relationship during the bargaining process and escalates it to the next step by actually leveraging the personal connection.

This negotiations model has been adopted by U.S. Special Operations Command for the training of U.S. Special Forces, Green Berets, U.S. Navy Seals, the U.S. Marines and other units, and Google has used the book to train 12,000 of their employees worldwide. The book rivals Ury and Fisher's *Getting to Yes* with its 1.5 million copies sold.

Never Split the Difference by Chris Voss with Tahl Raz

Former FBI hostage negotiator Chris Voss took a different stance on the negotiation process in his recent book *Never Split the Difference*, where he promotes the idea of "tactical empathy."

A link to an interactive elements can be found at the bottom of this page.

In Chris Voss's negotiation strategy, by empathizing with the other party, the negotiator is able to win trust and bring that other party over to his side, where he then involves her in the solving of "her problem." This is following Stuart Diamond's book, valuing people by acknowledging their intelligence, after which the negotiator advances his own point of view by asking the other party's opinion. The process relies simply on the idea that both parties understand each other's point of view when it comes to **this** subject.

Chris Voss also provides some psychological techniques that help connect you, as the negotiator, to the other party. He suggests "mirroring" what the other party says by repeating their last three words before adding your own thoughts. Mirroring helps the other party feel more secure and heard. The negotiator can also help foster a level of security with the other party by giving them the chance to offer up a few "no" responses to requests. "Pushing too quickly for a yes can lead to mistrust," he says. By asking questions that "bait the 'no,'" Voss helps the other party feel in control. "Is this a bad time to talk?" he might ask. "No," the other party might reply, "this is a good time."

This differs from Diamond's approach to negotiation in that Diamond is advocating for genuine personal connection to put the other party at ease, while Voss uses techniques and tactics that do the same without having to make a personal investment. But both strategies take Ury's and Fisher's recommendation of "separating the person from the problem" to a more thoughtful, purposeful level.

Cialdini's *Influence: The Power of Persuasion* and Kerry Patterson's *Crucial Conversations* are also popular reads on the subject and offer slightly different ways to hone your negotiation talents. Overall, it's important to understand that each of these approaches to negotiation strategy has something to offer and, used correctly by the right kind of negotiator, the strategies can

yield excellent results.

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16.6: Issues in Negotiation

Learning Objectives

- Identify issues in negotiating

As you might guess, negotiations don't always go smoothly. Before you step into a negotiation, you'll want to understand what kind of issues could throw a wrench into the bargaining machinery and how others manage those variables. Let's take a look at some common issues that contemporary negotiators face, and how they can be overcome.

Personality

If "talent is just personality in the right place," then what are the right and wrong kinds of personality traits for negotiation? Tomas Chamorro-Premuzic, professor of business psychology at University of London and Columbia University, suggests that high emotional intelligence is key if a negotiator is going to be successful. Emotional intelligence is the capacity to be aware of, control, and express one's emotions, and to handle interpersonal relationships judiciously and empathetically.

In his article, "The Personality Traits of Good Negotiators," for the *Harvard Business Review*, Chamorro-Premuzic cites people who show neurotic tendencies and "Machiavellianism" (a term that describes a person's tendency to exploit and manipulate others) as those who can expect to experience less attractive results at the negotiation table.

If the process is followed and strategic considerations are made for the problem and people involved, personality should neither help nor hinder the negotiation process.

Gender

Men and women don't necessarily negotiate differently; studies show that men negotiate slightly better outcomes than women do in the same situations, but the difference is often nominal. Continued emphasis is placed on collaborative, integrative negotiation, and both men and women can succeed with this approach. But there is evidence that gender affects the outcome of bargaining. Why is that?

Statistically speaking, women tend to fall short of their male counterparts is when they're negotiating for themselves; however, research has shown that when women negotiate for others, they often outperform men. What's the trick to getting past this? Fatimah Gilliam, founder and CEO of The Azara Group, a leadership development and strategy consulting business, offered advice on overcoming this hurdle in an article for University of Pennsylvania's Wharton School of Business. "Change your perspective…think beyond yourself," she said. "You're negotiating for your family. You're negotiating, if it's compensation, so that you can have more money to take care of your parents when they're old, right?"

Research also shows that women have less confidence in their negotiation abilities, which may lead to hesitation to engage in negotiation practices. Women penalize themselves by avoiding these situations when engagement is in their best interest.

Cultural Differences

Negotiation styles vary across cultures, and it's helpful to keep in mind cultural differences when engaging in negotiations. While we don't want to risk sounding stereotypical, here are some examples of how different cultures approach negotiation:

- Italians, Germans, and French don't "soften up" a party in the negotiation with praise, and hearing another party do this seems manipulative to them.
- The French enjoy conflict, so they tend to be longer in the negotiation process and aren't terribly concerned with whether the other party likes them.
- The Chinese also draw out negotiations because their belief is that they never end, so when parties from other cultures feel like they're coming to a conclusion, the Chinese party may just decide to start over.

- Japanese negotiators work to develop relationships, so tying up loose ends and details in an agreement may have no importance to them.
- The British often complain that their U.S. counterparts talk too much.
- Indian executives often interrupt each other, and when other parties are listening intently and not interrupting, they feel as though they aren't being heard.
- Americans mix business and personal lives, and other cultures compartmentalize them, so when Americans ask, "How was your weekend?" it can seem intrusive to other cultures.
- Russians ignore deadlines and make no concessions because they view concessions as a sign of weakness.

The cultural aspect of negotiation significantly affects the amount of time for preparation and planning, so the negotiator can determine how to handle these cultural differences.

Negotiations are often difficult even when there are no obstacles involved, but being aware of issues triggered by personality, gender and culture can help the parties overcome them and deal with the matter at hand.

Unethical Negotiations

When a person is in a negotiation process to get something he or she needs, ethical concerns may surface. How far do you go to get what you want? Should you always tell the truth and reveal your plan, or does doing so compromise your position? Difficult questions like these arise often in negotiations.

Some unethical (or at least questionable) behaviors that often occur during negotiations include:

- **Selective disclosure:** highlighting positive information and downplaying (or omitting) negative information
- **Misrepresentation:** negotiators misstate facts or misstate their position (e.g., they are willing to accept a lower price than they originally stated)
- **Deception and lying:** negotiators provide factually incorrect information that leads to incorrect conclusions
- **False threats and false promises:** negotiators mislead the other party as to actions they might take at the end of the negotiation process
- **Inflicting direct or indirect harm:** negotiators intentionally sabotage the other party's chances of success

Just because something is unethical does not mean that it's illegal. A lot of unethical behavior is still on the right side of the law. The most you can do to monitor ethical behavior in a negotiation is to bring it to the table yourself and be willing to say no and walk away if the other party does not.

Mistakes in Negotiation

Preparation and planning are key in avoiding common negotiation mistakes, but even the most experienced negotiator can still make them. Perceptual bias and poor decisions account for most of them. Let's look at a couple:

- **Winner's curse.** This is when a negotiator makes a high offer quickly and it's accepted just as quickly, making the negotiator feel as though he is being cheated. Lack of information and expertise are chief among the issues that cause this mistake.
- **Mythical fixed pie.** The negotiator assumes that what's good for the other side is bad for his side. For instance, imagine that two parties that want an orange. If a negotiator makes the mythical-fixed-pie mistake, he divides that orange in half and gives each party a piece. He's let competitiveness get in the way of coming up with a creative solution, and if he'd listened, he'd have understood that one party wanted the meat of the orange and the other wanted the rind.
- **Overconfidence.** The negotiator puts too much stock in his ability to be correct, and thus uses high anchors for his initial offers and adjustments. His lack of information and distorted self-perception will cost him a fairly negotiated deal.
- **Irrational escalation of commitment.** This is when the negotiator continues a course of action long after it's been proven to be the wrong choice. Causes of this include an insatiable need to win and ego, and it shows a lack of commitment to actually arriving at a fair deal.

Again, preparation and planning can help a negotiator avoid these issues, but practice is another way to get better at avoiding mistakes!

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16.7: Third-Party Negotiations

Learning Objectives

- Discuss third-party negotiations

For every negotiation that goes well, there is one that crashes and burns. In the last section, we talked about some of the ways a negotiation can go wrong—one of the parties might have an abrasive personality, might be from a different culture, or even be unethical. Or perhaps there seems to be no resolution that will satisfy all parties. Whatever the reason you're stalled in the negotiation process, you should know that help is available: it's called the third-party negotiator.



If you're surprised that such a "job" as third-party negotiator exists, you'll be even more surprised to find out that they're pretty common. A judge, a lawyer, and even an agent for a movie star is a third-party negotiator. Anyone who negotiates on your behalf or listens to your pleas and then decides your fate fits into the third-party negotiator role.

There are four basic third-party negotiator roles: arbitrator, conciliator, consultant, and mediator. Each of these third-party negotiator roles provides a specific service for the parties who have employed him or her, and their services are often situation-dependent. Let's take a look at each role and how it functions.

Arbitrators

An arbitrator is a third party with the authority to dictate agreement. Arbitration can be voluntary or forced on the parties of a negotiation by law or contract. The arbitrator's power varies according to the rules set by the negotiators. He might be limited to choosing one of the party's offers and enforcing it, or he may be able to freely suggest other solutions. In arbitration, there is always settlement.

Often used in the U.S. legal system, an arbitrator is used in lieu of a judge (though, technically, a judge is also an arbitrator!). If two people are, for example, involved in a car accident, they might agree to use an arbitrator in order to determine a fair amount of repayment for damages caused. In entering into the arbitrator situation, both parties agree to let that person make the final decision.

Conciliators

A conciliator is a trusted third party who provides communication between the negotiating parties. This approach is used frequently in international, labor, family and community disputes, and, if you're a fan of *The Godfather* movies, it's the role that Robert Duvall's character played for the Corleone family. Conciliators often engage in fact finding, interpreting messages, and persuading parties to develop an agreement.

Very often conciliators act only as a communication conduit between the parties and don't actually perform any specific negotiation duties.

Consultants

A consultant is a third-party negotiator who is skilled in conflict management and can add his knowledge and skill to the mix to help the negotiating parties arrive at a conclusion. A consultant will help parties learn to understand and work with each other, so this approach has a longer-term focus to build bridges between the conflicting parties.

A real estate agent is an excellent example of a third-party negotiator who is considered a consultant. People who are looking to buy a house might not understand the ins and outs of earnest money deposit, title insurance and document fees. A real estate agent will not only explain all of that, but prepare the purchase agreement and make the offer on behalf of her client.

Mediators

Finally, a mediator is a neutral, third party who helps facilitate a negotiated solution. The mediator may use reasoning and persuasion, he may suggest alternatives. Parties using a mediator must be motivated to settle the issue, or mediation will not work. Mediation differs from arbitration in that there is not a guaranteed settlement.

Mediators are most commonly found as third-party negotiators for labor disputes. If a labor union and a company come together to discuss contract terms, a mediator may be employed to assist in ironing out all the issues that need extra attention—like vacation days and percentage of raise.

All negotiations are going to experience issues and obstacles, and how you handle them is going to dictate your success. Every negotiation is different—it's why applying one particular strategy to a negotiation can be so complicated—but continued practice and awareness of the issues that will trip you up are a good start toward a successful negotiation meeting.

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16.8: Negotiation

Learning Outcomes

- Compare various types of negotiating strategies
- Identify issues in negotiating
- Discuss third-party negotiations

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16.9: Negotiation Behavior

4. How do you recognize and respond to cultural differences in negotiation and bargaining strategies?

We have seen the central role conflict plays in organizational processes. Clearly, there are some areas where managers would prefer to solve a problem between two parties before it results in high levels of conflict. This is usually accomplished through negotiation. **Negotiation** is the process by which individuals or groups attempt to realize their goals by bargaining with another party who has at least some control over goal attainment. Throughout the negotiation process, considerable skill in communication, decision-making, and the use of power and politics is required in order to succeed.

We will consider several aspects of negotiation, including stages of negotiation, types of negotiation behavior, and the negotiation process itself. We begin with the reasons why people engage in negotiation and bargaining in the first place.

Stages of Negotiation

In general, negotiation and bargaining are likely to have four stages. Although the length or importance of each stage can vary from situation to situation or from one culture to another, the presence and sequence of these stages are quite common across situations and cultures.

1. *Non-task time*. During the first stage, the participants focus on getting to know and become comfortable with each other and do not focus directly on the task or issue of the negotiation. In cultures such as ours, this stage is often filled with small talk. However, it is usually not very long and is not seen as important as other stages. North Americans use phrases such as “Let’s get down to business,” “I know you’re busy, so let’s get right to it,” and “Let’s not beat around the bush.” However, in other cultures such as Mexico or South Korea, the non-task stage is often longer and of more importance because it is during this stage the relationship is established. In these cultures, it is the relationship more than the contract that determines the extent to which each party can trust the other to fulfill its obligations.
2. *Information exchange*. The second stage of negotiations involves the exchange of background and general information. During this stage, participants may, for example, provide overviews of their company and its history. In Japan, this is an important stage because specific proposals or agreements must be considered and decided in the larger context. The information exchanged during the second stage provides this larger context.
3. *Influence and persuasion*. The third stage involves efforts to influence and persuade the other side. Generally, these efforts are designed to get the other party to reduce its demands or desires and to increase its acceptance of your demands or desires. There are a wide variety of influence tactics, including promises, threats, questions, and so on. The use of these tactics as well as their effectiveness is a function of several factors. First, the perceived or real power of one party relative to another is an important factor. For example, if one party is the only available supplier of a critical component, then threatening to go to a new supplier of that component unless the price is reduced is unlikely to be an effective influence tactic. Second, the effectiveness of a particular influence tactic is also a function of accepted industry and cultural norms. For example, if threats are an unacceptable form of influence, then their use could lead to consequences opposite from what is desired by the initiator of such tactics.
4. *Closing*. The final stage of any negotiation is the closing. The closing may result in an acceptable agreement between the parties involved or it may result in failure to reach an agreement. The symbols that represent the close of a negotiation vary across cultures. For example, in the United States, a signed contract is the symbol of a closed negotiation. At that point, “a deal is a deal” and failure to abide by the contents of the document is considered a breach of contract. In China, however, there is not the strong legal history or perspective that exists in the United States, and a signed document is not necessarily a symbol of the close of the negotiations. In fact, to some extent it symbolizes the beginning of the final points of negotiation. The signed document identifies the key issues that still need to be negotiated despite the fact that it may contain specific obligations for the involved parties concerning these issues. Quite simply, even though the document may obligate one party to deliver a product on a certain day and obligate the other party to pay a certain price for delivery, the document itself does not symbolize that the negotiation concerning these specifics is closed.

Each of these four stages and the sequence described above are common across most situations and cultures. However, the length of time devoted to each stage, the importance of each stage, and the specific behaviors associated with each stage can vary by situation and certainly do vary by culture.

Bargaining Strategies

Within the context of these four stages, both parties must select an appropriate strategy that they believe will assist them in the attainment of their objectives. In general, two rather distinct approaches to negotiation can be identified. These are **distributive bargaining** and **integrative bargaining.** A comparison of these two approaches is shown in Table 16.9.1.

Distributive Bargaining. In essence, distributive bargaining is "win-lose" bargaining. That is, the goals of one party are in fundamental and direct conflict with those of the other party. Resources are fixed and limited, and each party wants to maximize her share of these resources. Finally, in most cases, this situation represents a short-term relationship between the two parties. In fact, such parties may not see each other ever again.

A good example of this can be seen in the relationship between the buyer and seller of a house. If the buyer gets the house for less money (that is, she "wins"), the seller also gets less (that is, she "loses"). This win-lose situation can also be seen in classes where the professor insists on grading on a specified curve. If your friends get an A, there are fewer As to go around, and your chances are diminished.

Two Approaches to Bargaining		
Bargaining Characteristic	**Distributive Bargaining**	**Integrative Bargaining**
Payoff structure	Fixed amount of resources to be divided	Variable amount of resources to be divided
Primary motivation	I win, you lose	Mutual benefit
Primary interests	Opposed to each other	Convergent with each other
Focus of relationships	Short term	Long term

Table 16.9.1. (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)

Under such circumstances, each side will probably adopt a course of action as follows. First, each side to a dispute will attempt to discover just how far the other side is willing to go to reach an accord. This can be done by offering outrageously low (or high) proposals simply to feel out the opponent. For example, in selling a house, the seller will typically ask a higher price than she actually hopes to get (see Figure 16.9.1) The buyer, in turn, typically offers far less than she is willing to pay. These two prices are put forth to discover the opponent's resistance price. The **resistance price** is the point beyond which the opponent will not go to reach a settlement. Once the resistance point has been estimated, each party tries to convince the opponent that the offer on the table is the best one the opponent is likely to receive and that the opponent should accept it. As both sides engage in similar tactics, the winner is often determined by who has the best strategic and political skills to convince the other party that this is the best she can get.

Integrative Bargaining. Integrative bargaining is often described as the "win-win" approach. That is, with this technique, both parties try to reach a settlement that benefits both parties. Such an approach is often predicated on the belief that if people mutually try to solve the problem, they can identify some creative solutions that help everyone. A good example can be seen in bilateral trade negotiations between two nations. In such negotiations, participants usually agree that a trade war would hurt both sides; therefore, both sides attempt to achieve a balance of outcomes that are preferable to a trade war for both sides. In doing so, however, the trick is to give away as little as possible to achieve the balance.

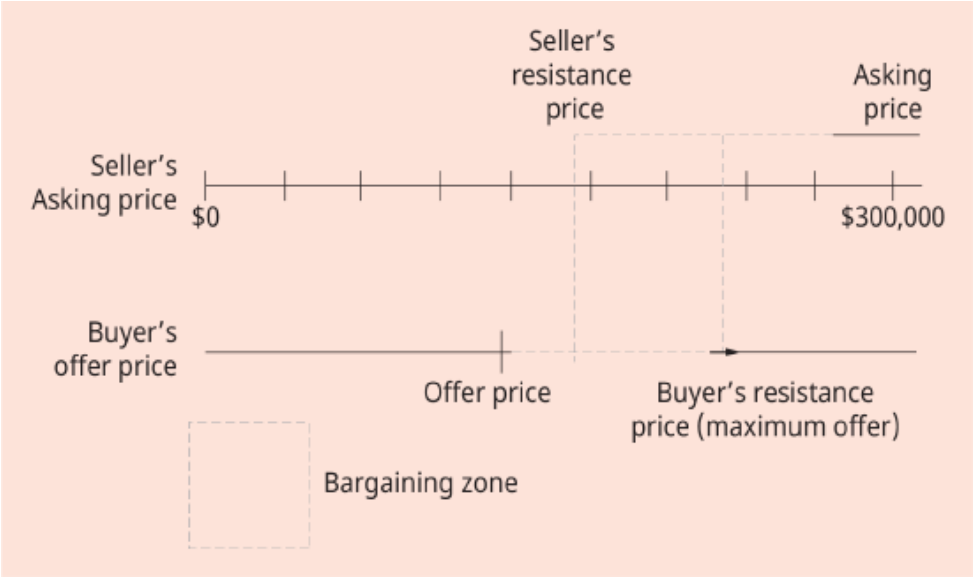


Figure 16.9.1. **Distributive Bargaining in Buying a Home** (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)

As shown previously in Table 16.9.1, this approach is characterized by the existence of variable resources to be divided, efforts to maximize joint outcomes, and the desire to establish or maintain a long-term relationship. The interests of the two parties may be convergent (noncompetitive, such as preventing a trade war between two countries) or congruent (mutually supportive, as when two countries reach a mutual defense pact).

In both cases, bargaining tactics are quite different from those typically found in distributive bargaining. Here, both sides must be able and willing to understand the viewpoints of the other party. Otherwise, they will not know where possible consensus lies. Moreover, the free flow of information is required. Obviously, some degree of trust is required here too. In discussions, emphasis is placed on identifying commonalities between the two parties; the differences are played down. And, finally, the search for a solution focuses on selecting those courses of action that meet the goals and objectives of both sides. This approach requires considerably more time and energy than distributive bargaining, yet, under certain circumstances, it has the potential to lead to far more creative and long-lasting solutions.

The Negotiation Process

The negotiation process consists of identifying one's desired goals—that is, what you are trying to get out of the exchange—and then developing suitable strategies aimed at reaching those goals. A key feature of one's strategy is knowing one's relative position in the bargaining process. That is, depending upon your relative position or strength, you may want to negotiate seriously or you may want to tell your opponent to "take it or leave it." The dynamics of bargaining power can be extrapolated directly from the discussion of power Table 16.9.2 and indicate several conditions affecting this choice. For example, you may wish to negotiate when you value the exchange, when you value the relationship, and when commitment to the issue is high. In the opposite situation, you may be indifferent to serious bargaining.

When to Negotiate		
Bargaining Strategies		
Characteristics of the Situation	**Negotiate**	**"Take It or Leave It"**
Value of exchange	High	Low
Commitment to a decision	High	Low
* Indicates relative power distribution between the two parties; "low" indicates that one has little power in the situation, whereas "high" indicates that one has considerable power.		

When to Negotiate Bargaining Strategies Characteristics of the Situation	Negotiate	"Take It or Leave It"
Trust Level	High	Low
Time	Ample	Pressing
Power distribution*	Low or balanced	High
Relationship between two parties	Important	Unimportant
* Indicates relative power distribution between the two parties; "low" indicates that one has little power in the situation, whereas "high" indicates that one has considerable power.		

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Once goals and objectives have been clearly established and the bargaining strategy is set, time is required to develop a suitable plan of action. Planning for negotiation requires a clear assessment of your own strengths and weaknesses as well as those of your opponents. Roy Lewicki and Joseph Litterer have suggested a format for preparation for negotiation. According to this format, planning for negotiation should proceed through the following phases:

1. Understand the basic nature of the conflict. What are the primary areas of agreement and disagreement?
2. What exactly do you want out of this negotiation? What are your goals?
3. How will you manage the negotiation process? Here, several issues should be recognized:
    a. Identify the primary issues to negotiate.
    b. Prioritize these issues.
    c. Develop a desirable package including these important issues.
    d. Establish an agenda.
4. Do you understand your opponent?
    a. What are your opponent's current resources and needs?
    b. What is the history of your opponent's bargaining behavior? What patterns can you see that can help you predict her moves?



Figure 16.9.2. **Negotiating with the Referee** Minnesota Gophers coach, Lindsay Whalen talks to a referee during a University of Minnesota Gophers game against Cornell University. Is this negotiation or persuasion? (Attribution: Laurie Schaul/ flickr/ Attribution 2.0 Generic (CC BY 2.0))

Research indicates that following such procedures does, in fact, lead to more successful bargaining. In Table 16.9.3, for example,

we can see differences in both the planning approaches and the actual behaviors of successful and average negotiators. Preparation clearly makes a difference, as does interpersonal style during the actual negotiation.

Differences Between Successful and Average Negotiations		
Negotiation Behavior	**Skilled Negotiators**	**Average Negotiators**
Before the Negotiation		
Number of options considered per issue	5.1	2.6
Portion of time spent focusing on anticipated areas of agreement instead of conflict	39%	11%
During Negotiation		
Portion of time spent asking questions of opponent	21%	10%
Portion of time spent in active listening	10%	4%
Portion of time spent attacking opponent	1%	6%
Source: Based on data reported in N. J. Adler and A. Gunderson, *International Dimensions of Organizational Behavior* 5th edition (Mason, OH: Cengage Learning, 2008), pp. 165–181.		

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Cultural Differences in International Negotiations

In view of the increased emphasis on international industrial competitiveness, it is important to understand what happens when the two parties to a negotiation come from different cultures or countries. A knowledge of cultural differences can assist the manager both in understanding the other party's position and in striking the best possible deal given the circumstances.

A good way to start this analysis is by recognizing how different cultures approach the art of persuasion; that is, how do people in different countries try to win you over to their side in a dispute? Although we cannot possibly examine all cultures, consider the results of a study of differences in *persuasion techniques* for North America, the Middle East, and the former Soviet Union. As can be seen in Table 16.9.4, Americans, Arabs, and Russians have significantly different approaches to persuasion. Americans tend to enter into a discussion emphasizing facts and figures, whereas Arabs may focus on emotions. The Russians may talk about ideals.

Moreover, in a negotiation situation, the American is ever-conscious of deadlines, whereas the Arab takes a more casual approach, and the Russian is often unconcerned about time. Americans make small concessions early in the bargaining process to establish a relationship. Arabs, on the other hand, make concessions throughout the bargaining process, and the Russians try not to make any concessions at all. Clearly, this study has only highlighted trends, and exceptions can be easily found. Even so, a knowledge of such differences, however general, can greatly facilitate improved interpersonal relations and bargaining success for both parties.

National Styles of Persuasion			
	North Americans	**Arabs**	**Russians**
Primary negotiating style and process	Factual: appeals made to logic	Affective: appeals made to emotions	Axiomatic: appeals made to Ideals
Conflict: opponent's arguments countered with	Objective facts	Subjective feelings	Asserted ideals
Making concessions	Small concessions made early to establish a relationship	Concessions made throughout as a part of the bargaining process	Few, if any, small concessions made
Source: Adapted from J. S. Martin, *Intercultural Business Communication*, (Englewood Cliffs, N.J.: Pearson, 2005).			

National Styles of Persuasion			
	North Americans	**Arabs**	**Russians**
Response to opponent's concessions	Usually reciprocate opponent's concessions	Almost always reciprocate opponent's concessions	Opponent's concessions viewed as weakness and almost never reciprocated
Relationship	Short-term	Long-term	No continuing relationship
Authority	Broad	Broad	Limited
Initial position	Moderate	Extreme	Extreme
Deadline	Very important	Casual	Ignored
Source: Adapted from J. S. Martin, *Intercultural Business Communication*, (Englewood Cliffs, N.J.: Pearson, 2005).			

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We can also examine the personal characteristics of negotiators from different countries. A study by John Graham focused on the key characteristics of negotiators from different countries, in this case the United States, Japan, Taiwan, and Brazil. Results of the study are shown in Table 16.9.5, which shows the rank order of the defining characteristics. Again, we can see major differences in negotiators from around the world. Each has certain strengths, yet these strengths vary considerably from country to country. Americans are seen as prepared and organized, thinking well under pressure, whereas Japanese are seen as more dedicated and shrewd. Taiwanese negotiators were found in the study to be highly persistent and determined, working hard to win the opponent's respect, and the Brazilians were amazingly similar to the Americans.

Key Individual Characteristics of Negotiators (Rank Order)			
American Managers	**Japanese Managers**	**Chinese Managers (Taiwan)**	**Brazilian Managers**
Preparation and planning skill	Dedication to job	Persistence and determination	Preparation and planning skill
Thinking under pressure	Perceive and exploit power	Win respect and confidence	Thinking under pressure
Judgment and intelligence	Win respect and confidence	Preparation and planning skill	Judgment and intelligence
Verbal expressiveness	Integrity	Product knowledge	Verbal expressiveness
Product knowledge	Listening skill	Interesting	Product knowledge
Perceive and exploit power	Broad perspective	Judgment and intelligence	Perceive and exploit power
Integrity	Verbal expressiveness		Competition
Source: "Key Individual Characteristics of Negotiators" by John Graham, Graduate School of Management, University of California, Irvine.			

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Finally, we should note that negotiators from different countries differ markedly in their verbal and nonverbal *communication patterns*. In one study (again among Americans, representing North America; Japanese, representing East Asia; and Brazilians, representing South America), observers counted the number of times each negotiator did certain things within a given time limit. The results are shown in Table 16.9.6. As can be seen, these negotiators use both verbal and nonverbal communication in very different ways. Note, for example, that Brazilians on average said "no" 83 times within a 30-minute segment, compared to 5 times for Japanese and 9 times for Americans. On the other hand, Japanese appealed to ideals and societal norms and simply sat in silence more than the others. Such differences affect not only the negotiation process but also, in many cases, the outcomes. That is, if a negotiator from one culture has annoyed or insulted the opponent (intentionally or unintentionally), the opponent may resist doing business with that person or may fail to offer attractive terms. Hence, again we see the value of better understanding cultural variations in negotiations, as in other matters.

Communication Patterns during Negotiations for Three Cultures			
Tactic	**Japan**	**United States**	**Brazil**
Verbal Communication			
Making promises	7	8	3
Making threats	4	4	2
Making recommendations	7	4	5
Appealing to ideals and norms	4	2	1
Giving a command	8	6	14
Saying “no”	5	9	83
Making initial concessions	6	7	9
Nonverbal Communication			
Periods of silence	6	3	0
Interrupting opponent	12	10	29
Looking directly into opponent’s eyes	1	3	5
Touching opponent	0	0	5
Source: Based on data reported in J. Graham, “The Influence of Culture on Business Negotiations,” Journal of International Business Studies, Spring 1985, pp. 81–96.			

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Concluding Thoughts about Conflict and Negotiations

One of the classic negotiations approaches that you might encounter is the book, Getting to Yes. This book expound the authors favored method of conflict resolution, which they term *principled negotiation*. This method attempts to find an objective standard, typically based on existing precedents, for reaching an agreement that will be acceptable to both interested parties. Principled negotiation emphasizes the parties’ enduring interests, objectively existing resources, and available alternatives, rather than transient positions that the parties may choose to take during the negotiation. The outcome of a principled negotiation ultimately depends on the relative attractiveness of each party’s so-called **BATNA:** the “Best Alternative To a Negotiated Agreement”, which can be taken as a measure of the objective strength of a party’s bargaining stance. In general, the party with the more attractive BATNA gets the better of the deal. If both parties have attractive BATNAs, the best course of action may be not to reach an agreement at all.

Conflict is most likely to occur when the goals, expectations, and/or behaviors of at least two parties differ and when those differences are difficult to avoid (such as when interdependence among the parties involved is high). Conflict itself is neither good nor bad, productive nor destructive. The key to the outcome of conflict is the manner in which it is managed. Negotiation, as a key means of managing conflict, has four distinct stages. However, the length, importance, and norms for each stage can vary by situation and especially by culture.

Expanding around the globe

Negotiating Styles in Malaysia and America

One of the emerging countries in Southeast Asia is Malaysia, whose natural resources and stable economic growth are allowing it to develop as an important manufacturing center in the region along with Singapore, Indonesia, and Thailand. What happens when American businesspeople visit Malaysia to do business? In the following example, cross-cultural researcher George Renwick describes major differences between the two cultures as they approach a negotiation.

Americans' patterns of negotiation, like all of their patterns, differ somewhat depending upon their context. The negotiating patterns of government officials working out a treaty, for example, are somewhat different from those of a business executive "hammering out" a contract. The pattern portrayed here will be that of the business executive.

The American businessperson usually begins a series of negotiating sessions in a cordial manner, but he is intent on getting things under way. He is very clear as to what he and his company want, when it is wanted, and how he will go about getting it; he has planned his strategy carefully. And he has done what he could to "psyche out" his counterpart, with whom he will be negotiating. From the outset, the American negotiator urges everyone to "dispense with the formalities" and get on with the business at hand. As soon as possible, he expresses his determination, saying something like, "Okay, let's get down to brass tacks."

The American usually states his position (at least his first position) early and definitely. He plans before long to "really get down to the nitty gritty." He wants to "zero in" on the knotty problems and get to the point where "the rubber meets the road" (the point, that is, where "the action" begins). Once the negotiations are "really rolling," the American usually deals directly with obstacles as they come up, tries to clear them away in quick order, and becomes impatient and frustrated if he cannot.

Most of what the American wants to convey, of course, he puts into words—often many of them. His approach is highly verbal and quite visible—and thoroughly planned. He has outlined his alternative ahead of time and prepared his counterproposals, contingencies, backup positions, bluffs, guarantees, and tests of compliance, all carefully calculated, and including, of course, lots of numbers. Toward the end, he sees that some bailout provisions are included, but he usually doesn't worry too much about them; making and meeting business commitments "on schedule" is what his life is all about—he is not too concerned about getting out. If he has to get out, then he has to, and he will find a way when the time comes.

The American experiences real satisfaction when all the problems have been "worked out," especially if he has been able to get provisions very favorable to his company—and to his own reputation as a "tough negotiator." He rests securely when everything is "down in black and white" and the contract is initialed or signed.

Afterward, the American enjoys himself; he relaxes "over some drinks" and carries on some "small talk" and "jokes around" with his team and their counterparts.

Malay patterns of negotiation, as might be expected, differ considerably. When they are buying something, Malays bargain with the merchant, and when they are working, they socialize with their boss and coworkers. Their purpose is to develop some sense of relationship with the other person. The relationship then provides the basis, or context, for the exchange. Malays take the same patterns and preferences into their negotiating sessions. When all is said and done, it is not the piece of paper they trust, it is the person—and their relationship with the person.

A Malay negotiator begins to develop the context for negotiations through the interaction routines appropriate to this and similar occasions. These routines are as complicated and subtle as customary American routines; they are cordial but quite formal. Like Americans and their own routines, Malays understand the Malay routines but are seldom consciously aware of them. Neither Malays nor Americans understand very clearly the routines of the other.

As the preliminary context is formed, it is important to the Malay that the proper forms of address be known beforehand and used and that a variety of topics be talked about that are unrelated to the business to be transacted. This may continue for quite a while. A Malay negotiator wants his counterpart to participate comfortably, patiently, and with interest. As in other interaction, it is not the particular words spoken which are of most importance to the Malay; rather he listens primarily to the attitudes which the words convey—attitudes toward the Malay himself and toward the matter being negotiated. Attitudes are important to the relationship. At this point and throughout the negotiations, the Malay is as much concerned about the quality of the relationship as the quantity of the work accomplished. Motivation is more important to the Malay than momentum.

The Malay negotiator, as in other situations, is also aware of feelings—his own and those of his counterpart, and the effects of the exchanges upon both. He is also aware of, and concerned about, how he looks in the eyes of his team, how his counterpart looks in the eyes of the other team, and how both he and his counterpart will look after the negotiations in the eyes of their respective superiors.

The Malay is alert to style, both his own and that of his counterpart. Displaying manners is more important than scoring points. The way one negotiates is as important as what one negotiates. Grace and finesse show respect for the other and for the matter under consideration. Negotiating, like other interaction, is something of an art form. Balance and restraint are therefore essential.

The agenda that the Malay works through in the course of the negotiation is usually quite flexible. His strategy is usually rather simple. His positions are expressed in more general terms than the American's, but no less strongly held. His proposals are more offered than argued: they are offered to the other party rather than argued with him. Malays do not enjoy sparring. They deeply dislike combat.

In response to a strong assertion, the Malay negotiator usually expresses his respect directly by replying indirectly. The stronger the assertion and the more direct the demands, the more indirect the reply—at least the verbal reply.

The Malay and his team usually formulate their positions gradually and carefully. By the time they present their position, they usually have quite a lot of themselves invested in it. Direct rejection of the position, therefore, is sometimes felt to be a rejection of the person. Negotiating for the Malay is not quite the game that it is for some Americans.

If the Malay and his team have arrived at a position from which they and those whom they represent cannot move, they will not move. If this requires a concession from the counterpart, the Malays will not try to force the concession. If the counterpart sees that a concession from him is necessary, and makes it, the Malays, as gentlemen, recognize the move and respect the man who made it. A concession, therefore, is not usually considered by the Malay team to be a sign that they can press harder and extract further concessions. Instead, a concession by either side is considered as evidence of strength and a basis for subsequent reconciliation and cooperation.

What about getting out a contract? Making and meeting business commitments is not what a Malay's life is all about. He has other, often prior, commitments. He therefore enters into contracts cautiously and prefers to have an exit provided.

In addition, Malays are certain of their control over the future (even their control of their own country) than are Americans. Therefore, promising specific kinds of performance in the future by specific dates in a contract, especially in a long-term contract where the stakes are high, is often difficult for Malays. It is even more difficult, of course, if they are not certain whether they can trust the persons to whom they are making the commitment and from whom they are accepting commitments. Malays therefore give a great deal of thought to a contract and to the contracting party before signing it. And they are uneasy if provisions have not been made for a respectable withdrawal should future circumstances make their compliance impossible.

Questions:

1. How are the different approaches important to understanding negotiations and cultural differences?

Sources:

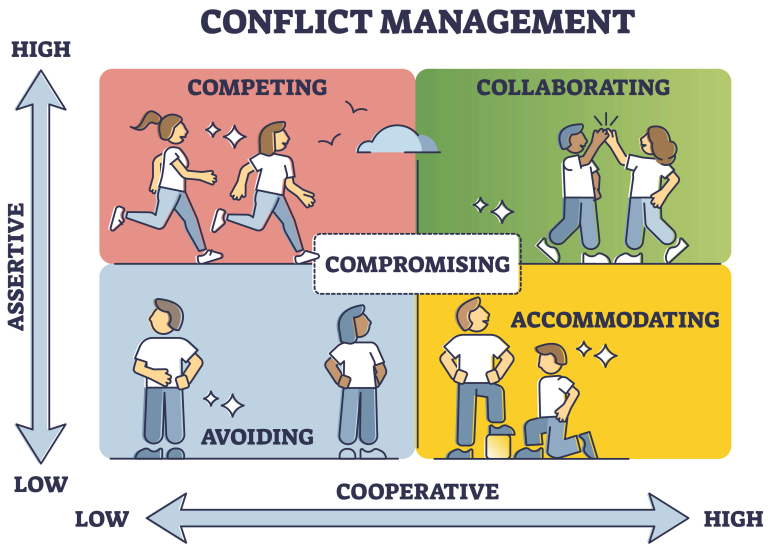
G. Renwick, *Malays and Americans: Definite Differences, Unique Opportunities* (Yarmouth, Maine: Intercultural Press, 1985), pp. 51–54.

Concept check

1. Understand the strategies in bargaining.
2. Understand the role that cultural differences have in the negotiation process.

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17: CONFLICT MANAGEMENT



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17.1: Introduction to Conflict Management

What you'll learn to do: Describe why conflict resolution, "crucial conversations," and other higher stakes communication is necessary to study in organizations

The moment there were just two automobiles on the highway, there was a potential for a vehicle crash. This is true not only of the network of open roads, but also in an organization, where just two employees can just as easily "crash" in some sort of conflict.

No matter what the size of the business, conflict is going to be a natural part of its existence. So, naturally, we need to understand how to dissect and navigate conflict and be prepared to have those conversations that lead to conflict resolution. Otherwise, conflict could result in a stalemate that stifles the purpose of the organization.

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17.2: What Is Conflict?

Learning Objectives

- Define conflict

The word “conflict” tends to generate images of anger, fighting, and other ugly thoughts that leave people bruised and beaten. Conflict isn’t uncommon in the workplace, and it isn’t always good. But it isn’t always a bad thing, either. Let’s talk a little bit about what conflict is and how we think about it.



Conflict is a perception—meaning it only really exists if it’s acknowledged by the parties that are experiencing it. If Teresa and Heitor have a heated discussion about the path the company should take to win more customers, but they walk away from the disagreement unfazed and either don’t think about the issue again or think the issue is resolved, then no conflict exists. If Teresa and Heitor both walk away feeling that their ideas weren’t heard by the other, that the other is wrong, that the other needs to come around to a better point of view . . . then conflict exists.

Teresa’s and Heitor’s situation could be viewed as a competition rather than conflict. Some people use competition and conflict interchangeably; however, while the terms are similar, they aren’t exactly synonymous. Competition is a rivalry between two groups or two individuals over an outcome that they both seek. In a competition there is a winner and a loser. Teresa might want to attract more customers by a direct mail campaign and Heitor may be championing a television campaign. They may be competing for a finite amount of marketing budget, and if Heitor’s idea is rewarded, then he is the competition’s winner. Teresa is the loser. They may shake hands after the fact, shrug it off and go on to compete another day.

Conflict is when two people or groups disagree, and the disagreement causes friction. One party needs to feel that the other’s point of view will have a negative effect on the final outcome. Teresa may feel strongly about direct mail campaigns because she’s done several with great results. Heitor may feel television is the way to go because no one reads their mail anymore—it just gets thrown out! Each of them may feel that the other’s approach is a waste of the marketing budget and that the company will not benefit from it. Teresa will jump in and prevent Heitor from trying to further his goal for television advertising, and Heitor will do the same to Teresa.

Conflict can be destructive to a team and to an organization. Disadvantages can include:

- Teams lose focus on common goals
- Winning eclipses any other goals of the group
- Judgement gets distorted

- There is a lack of cooperation
- Losing members lack motivation to continue participation

But if managed well, conflict can be healthy and spark creativity as parties try to come to consensus. Some of the benefits of conflict include:

- High energy
- Task focus
- Cohesiveness within the group
- Discussion of issues

There has been plenty of conflict over how conflict is viewed in the workplace over the years. Just like our concept of teams, our concepts of managing people and how they're motivated, our concepts of stress in the workplace have changed as we've learned.

Traditional View

Early in our pursuit of management study, conflict was thought to be a dysfunctional outcome, a result of poor communication and lack of trust between co-workers. Conflict was associated with words like violence and destruction, and people were encouraged to avoid it at all costs.

This was the case all the way up until the 1940s, and, if you think about it, it goes right along with what we thought we knew about what motivated people, how they worked together and the structure and supervision we thought we needed to provide to ensure productivity. Because we viewed all conflict as bad, we looked to eradicate it, usually by addressing it with the person causing it. Once addressed, group and organization would become more productive again.

Many of us still take the traditional view—conflict is bad and we need to get rid of it – even though evidence today tells us that's not the case.

The Human Relations View

Since the late 1940s, our studies of organizational behavior have indicated that conflict isn't so thoroughly bad. We came to view it as a natural occurrence in groups, teams and organizations. The Human Relations view suggested that, because conflict was inevitable, we should learn to embrace it.

But they were just starting to realize, with this point of view, that conflict might benefit a group's performance. These views of dominated conflict theory from the late 1940s through the mid-1970s.

The Interactionist View

In the Interactionist View of conflict, we went from accepting that conflict would exist and dealing with it to an understanding that a work group that was completely harmonious and cooperative was prone to becoming static and non-responsive to needs for change and innovation. So this view encouraged managers to maintain a minimal level of conflict, a level that was enough to keep the group creative and moving forward.

The Interactionist View is still viable today, so it's the view we're going to take from here on as we discuss conflict. We know that all conflict is both good and bad, appropriate and inappropriate, and how we rate conflict is going to depend on the type of conflict. We'll discuss types of conflict next.

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17.3: Types of Conflict

Learning Objectives

- Differentiate among types of conflict

In literature, fledgling writers learn that there are many different kinds of conflict that arise in literature. One might see a plot that outlines the “man vs. man” scenario, and another might be “man vs. nature.” When examining workplace conflict, one sees that there are four basic types, and they’re not terribly different from those other conflicts you learned in freshman literature except that they all deal with conflict among people. They are:

- Intrapersonal
- Interpersonal
- Intragroup
- Intergroup

Intrapersonal Conflict

The **intrapersonal conflict** is conflict experienced by a single individual, when his or her own goals, values or roles diverge. A lawyer may experience a conflict of values when he represents a defendant he knows to be guilty of the charges brought against him. A worker whose goal it is to earn her MBA might experience an intrapersonal conflict when she’s offered a position that requires her to transfer to a different state. Or it might be a role conflict where a worker might have to choose between dinner with clients or dinner with family.

Interpersonal Conflict

As you might guess, **interpersonal conflict** is conflict due to differences in goals, value, and styles between two or more people who are required to interact. As this type of conflict is between individuals, the conflicts can get very personal.

Jobs v Sculley

Apple is a global brand; in fact, its reach is so prevalent you’re most likely in the same room as at least one Apple product. However, it wasn’t always such a strong contender in the market.

When MacIntosh sales didn’t meet expectations during the 1984 holiday shopping season, then-CEO of Apple John Sculley demanded that Steve Jobs be relieved of his position as vice president of the MacIntosh department. Cue interpersonal conflict. As Steve Jobs was still chairman of Apple’s board, it was Sculley’s wish that Jobs represent Apple to the outside world without any influence on the internal business. Steve Jobs got wind of this and tried to sway the board in his favor. The conflict was put to an end by the board when they voted in favor of Sculley’s plan. Jobs ended up leaving the company, disclosing that hiring Sculley for the CEO position was the worst mistake he ever made.

However, Jobs went on to found the company NeXT (a computer platform development company), and when in 1997 NeXT and Apple merged, Jobs retook control of Apple as its CEO, where he remained until he resigned in 2011 because of health issues. Steve Jobs was largely responsible for revitalizing Apple and bringing it to be one of the “Big Four” of technology, alongside Google, Amazon, and Facebook.

Intragroup Conflict

Intragroup conflict is conflict within a group or team, where members conflict over goals or procedures. For instance, a board of directors may want to take a risk to launch a set of products on behalf of their organization, in spite of dissenting opinions among

several members. Intragroup conflict takes place among them as they argue the pros and cons of taking such a risk.

Intergroup Conflict

Intergroup conflict is when conflict between groups inside and outside an organization disagree on various issues. Conflict can also arise between two groups within the same organization, and that also would be considered intergroup conflict.

Within those types of conflict, one can experience horizontal conflict, which is conflict with others that are at the same peer level as you, or vertical conflict, which is conflict with a manager or a subordinate.

Creating good conflict is a tough job, and one that's not often done right. But organizations that don't encourage dissent won't be around for very long in today's world. Companies today go out of their way to create meetings where dissension can occur, reward people who are courageous enough to provide alternative points of view, and even allow employees a period of time to rate and criticize management.

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17.4: The Conflict Process

Learning Objectives

- Identify stages of the conflict process

The conflict process—that is, the process by which conflict arises—can be seen in five stages. Those stages are:

- Potential opposition or incompatibility
- Cognition and personalization
- Intentions
- Behavior
- Outcomes

Potential Opposition or Incompatibility

The first stage in the conflict process is the existence of conditions that allow conflict to arise. The existence of these conditions doesn't necessarily guarantee conflict will arise. But if conflict does arise, chances are it's because of issues regarding communication, structure, or personal variables.

- **Communication.** Conflict can arise from semantic issues, misunderstanding, or noise in the communication channel that hasn't been clarified. For instance, your new manager, Steve, is leading a project and you're on the team. Steve is vague about the team's goals, and when you get to work on your part of the project, Steve shows up half the way through to tell you you're doing it wrong. This is conflict caused by communication.
- **Structure.** Conflict can arise based on the structure of a group of people who have to work together. For instance, let's say you sell cars, and your co-worker has to approve the credit of all the people who purchase a vehicle from you. If your co-worker doesn't approve your customers, then he is standing between you and your commission, your good performance review, and your paycheck. This is a structure that invites conflict.
- **Personal variables.** Conflict can arise if two people who work together just don't care for each other. Perhaps you work with a man and you find him untrustworthy. Comments he's made, the way he laughs, the way he talks about his wife and family, all of it just rubs you the wrong way. That's personal variable, ripe to cause a conflict.

Cognition and Personalization

In the last section, we talked about how conflict only exists if it's perceived to exist. If it's been determined that potential opposition or incompatibility exists and both parties feel it, then conflict is developing.

If Joan and her new manager, Mitch, are having a disagreement, they may perceive it but not be personally affected by it. Perhaps Joan is not worried about the disagreement. It is only when both parties understand that conflict is brewing, and they internalize it as something that is affecting them, that this stage is complete.

Intentions

Intentions come between people's perceptions and emotions and help those who are involved in the potential conflict to decide to act in a particular way.

One has to infer what the other person meant in order to determine how to respond to a statement or action. A lot of conflicts are escalated because one party infers the wrong intentions from the other person. There are five different ways a person can respond to the other party's statements or actions.

- **Competing.** One party seeks to satisfy his own interests regardless of the impact on the other party.
- **Collaborating.** One party, or both, desire to fully satisfied the concerns of all parties involved in the conflict.

- **Avoiding.** One party withdraws from or suppresses the conflict once it is recognized.
- **Accommodating.** One party seeks to appease the opponent once potential conflict is recognized.
- **Compromising.** Each party to the conflict seeks to give up something to resolve the conflict.

We'll talk about this a little more in the next section when we use these styles to manage conflict.

Behavior

Behavior is the stage where conflict becomes evident, as it includes the statements, actions and reactions of the parties involved in the conflict. These behaviors might be overt attempts to get the other party to reveal intentions, but they have a stimulus quality that separates them from the actual intention stage.

Behavior is the actual dynamic process of interaction. Perhaps Party A makes a demand on Party B, Party B argues back, Party A threatens, and so on. The intensity of the behavior falls along a conflict oriented continuum. If the intensity is low, the conflict might just be a minor misunderstanding, and if the intensity is high, the conflict could be an effort to harm or even destroy the other party.

Outcomes

Outcomes of a conflict can be either functional or dysfunctional:

- Functional outcomes occur when conflict is constructive. It may be hard to think of times when people disagree and argue, and the outcome is somehow good. But think of conflict, for a moment, as the antidote to groupthink. If group members want consensus, they're bound to all agree before all the viable alternatives have been reviewed. Conflict keeps that from happening. The group may be close to agreeing on something, and a member will speak up, arguing for another point of view. The conflict that results could yield a positive result.
- Dysfunctional outcomes are generally more well known and understood. Uncontrolled opposition breeds discontent, which acts to sever ties and eventually leads to the dissolution of the group. Organizations meet their ultimate demise more often than you'd think as a result of dysfunctional conflict. People who hate each other and don't get along can't make decisions to run a company well.

Managing conflict in today's business world is a must. We'll look next at how that's done.

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17.5: Conflict Management Styles

Learning Outcomes

- Discuss the appropriate use of various conflict management styles

We talked earlier about the "intentions" stage of conflict when we discussed how conflict develops. The intentions stage discusses how each player in the conflict interprets the statements and actions of the other conflict participant, and then the reaction that they give. Those reactions are the basis for conflict management.

Whether you're managing the conflict of two subordinates or embroiled in the midst of your own conflict, you make a choice on how the conflict should be managed by weighing the importance of the goal against the importance of the relationships in questions.

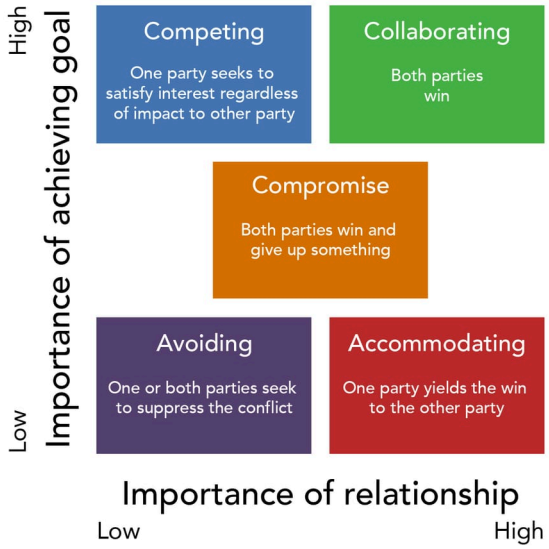


Figure 1. Five primary styles of conflict management

Each person brings his own innate style of conflict management to the party. Are they all right or all wrong? Let's look at Teresa and Heitor's situation once more—they're charged with the task of bringing new customers to their business. Teresa wants to use direct mail to bring attention to their company's offerings, and Heitor wants to move forward with an expensive television ad campaign. Teresa thinks that Heitor is wasting dollars by putting the message out there for an untargeted audience of viewers, and Heitor thinks that Teresa is wasting dollars by sending something out that's just going to get tossed in the trash.

The **avoiding style** of conflict resolution is one where one has low concern for his or her ultimate goal *and* low concern for his or her relationship with the other. In this situation, Heitor might avoid any discussion with Teresa, not wanting to start any fights. He's just not that kind of guy. But his idea isn't getting furthered along, nor is hers, nor is the company meeting its goals. The conflict hasn't gone away, and the job just isn't getting done.

The **accommodating style** of conflict resolution is where one party focuses on the needs of the other, and not the importance of the goal. If Heitor were one to adopt the accommodating style, he might look at Teresa as a valued team player who really needs a break after a couple of tough months. Without thought to the goal and the outcome the company expects, he tells Teresa to go ahead with the direct mail program.

The **competing style** of conflict resolution is defined by one party pushing ahead with his or her own mission and goals with no concern for the other party in the conflict. If Teresa were to adopt the competing style of conflict resolution, she might move forward with the plan to use direct mail and ignore anything to do with Heitor's suggestion. She'd take her idea to their boss and implement and run right over any objections Heitor had. As you might guess, this approach may exacerbate other conflicts down

the road!

Right in the middle of Figure 1 is the **compromising style** of conflict management. Here, moderate concern for others and moderate concern for the ultimate goal are exhibited, and a focus is placed on achieving a reasonable middle ground where all the parties can be happy. For Heitor and Teresa, this might mean a joint decision where they devote half of their marketing funds to the direct mail campaign that Teresa wants to do, and the other half to the television spots that Heitor wants to do. Neither party has gotten exactly what he or she wanted, but neither party is completely dissatisfied with the resolution.

Finally, the **collaborating style** is one where there is high concern for relationships and high concern for achieving one's own goal. Those with a collaborating style look to put all conflict on the table, analyze it and deal openly with all parties. They look for the best possible solution: a win for each party in the conflict. In this situation, Heitor and Teresa would sit down, look at the possible conversion rate of each of their planned marketing campaigns. Perhaps they would find that a third option—online advertising—would provide a more targeted audience at a discounted price. With this new option that both parties could get behind, conflict is resolved and both feel like the company's goal will be satisfied.

A link to an interactive elements can be found at the bottom of this page.

For Teresa and Heitor, the conditions were right for a collaborating style of conflict resolution, but it's easy to see how a different style might have been more appropriate if the situation had been different.

So, now we understand what conflict is, how it develops and how to respond. We're ready to face conflict when we find it! But...where will we find it? Where, within an organization, does conflict lurk?

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17.6: Conflict Management

Learning Outcomes

- Identify stages of the conflict process
- Discuss the appropriate use of various conflict management styles
- Identify organizational sources of conflict

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17.7: Sources of Conflict in an Organization

Learning Objectives

- Identify organizational sources of conflict

Personality conflicts make work rough. When you're not in the office, you get to choose who you hang out with, but during the work day, the cast of characters is chosen for you. If an organization is looking to hire people that fit with the company culture, then chances are good you'll get along with most of them! However, it's likely that there will be at least one coworker that you don't get along with 100 percent.

Organizational sources of conflict are those events or factors that cause goals to differ. Personality conflicts, irritating as they may be, don't actually qualify as an organizational source of conflict. They may be the most aggravating part of your day and, certainly, they're something organizations need to watch for if it interferes with daily work, but these organizational sources produce much bigger problems. Those sources are

- Goal incompatibility and differentiation
- Interdependence
- Uncertainty and resource scarcity
- Reward systems

Goal Incompatibility and Differentiation



Organizational sources of conflict occur when departments are differentiated in their goals. For instance, the research and development team at an electronics company might be instructed to come up with the best new, pie-in-the-sky idea for individual-use electronics—that thing consumers didn't know they needed. The R&D team might come up with something fantastic, featuring loads of bells and whistles that the consumer will put to excellent use.

Then, the manufacturing team gets together to look at this new design. They've been told that management likes it, and that they need to build it by the most economical means possible. They start make adjustments to the design, saving money by using less expensive materials than what were recommended by the R&D team. Conflict arises.

Goal incompatibility and differentiation is a fairly common occurrence. The manufacturing team disagrees with research and development. The sales department feels like the legal department is there to keep them from getting deals signed. Departments within the organization feel like they are working at cross-purposes, even though they're both operating under the assumption

that their choices are best for the company.

Interdependence

Interdependence describes the extent to which employees rely on other employees to get their work done. If people all had independent goals that didn't affect one another, everything would be fine. That's not the case in many organizations.

For instance, a communication department is charged with putting together speaking points that help their front-line employees deal with customer questions. Because the communications department is equipped to provide clear instructions but are not necessarily the subject matter experts, they must wait for engineering to provide product details that are important to the final message. If those details are not provided, the communication department cannot reach their goal of getting these speaking points out on time for their front-line staff to deal with questions.

The same holds true for a first-, second-, and third-shift assembly line. One shift picks up where another leaves off. The same standards of work, production numbers, and clean-up should be upheld by all three teams. If one team deviates from those standards, then it creates conflict with the other two groups.

Uncertainty and Resource Scarcity

Change. We talked about it as a source of stress, and we're going to talk about it here as an organizational source of conflict. Uncertainty makes it difficult for managers to set clear directions, and lack of clear direction leads to conflict.

Resource scarcity also leads to conflict. If there aren't enough material and supplies for every worker, then those who do get resources and those who don't are likely to experience conflict. As resources dwindle and an organization has to make do with less, departments will compete to get those resources. For instance, if budgets are slim, the marketing department may feel like they can make the most of those dollars by earning new customers. The development team may feel like they can benefit from the dollars by making more products to sell. Conflict results over resource scarcity.

Reward System

An organization's reward system can be a source of conflict, particularly if the organization sets up a win-lose environment for employee rewards.



For instance, an organization might set a standard where only a certain percent of the employees can achieve the top ranking for raises and bonuses. This standard, not an uncommon practice, creates heavy competition within its employee ranks. Competition of this nature often creates conflict.

Other forms of rewards that might incite conflict include employee of the month or other major awards that are given on a competitive basis.

Conflict can occur between two employees, between a team of employees, or between departments of an organization, brought about by the employees, teams, or organizations themselves. Now that we understand conflict, we're ready to take on negotiation. It's different from conflict, but it's easy to see how some of the skills one uses to be a great negotiator are snatched from conflict resolution.

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17.8: Conflict in Organizations- Basic Considerations

1. How do you recognize and resolve short- and long-term conflicts among group members and among groups?

By any standard of comparison, conflict in organizations represents an important topic for managers. Just how important it is can be seen in the results of a study of how managers spend their time. It was found that approximately 20 percent of top and middle managers' time was spent dealing with some form of conflict. In another study, it was found that managerial skill in handling conflict was a major predictor of managerial success and effectiveness.

A good example of the magnitude of the problems that conflict can cause in an organization is the case of General Concrete, Inc., of Coventry, Rhode Island. Operations at this concrete plant came to a halt for more than three weeks because the plant's one truck driver and sole member of the Teamsters Union began picketing after he was laid off by the company. The company intended to use other drivers from another of their plants. In response to the picketing, not a single employee of General Concrete crossed the picket line, thereby closing the plant and costing the company a considerable amount in lost production and profit. Could this problem have been handled better? We shall see.

In the sections that follow, several aspects of conflict in organizations are considered. First, conflict is defined, and variations of conflict are considered by type and by level. Next, constructive and destructive aspects of conflict are discussed. A basic model of the conflict process is then examined, followed by a look at several of the more prominent antecedents of conflict. Finally, effective and ineffective strategies for conflict resolution are contrasted. Throughout, emphasis is placed on problem identification and problem resolution.

There are many ways to determine conflict as it relates to the workplace. For our purposes here, we will define **conflict** as the process by which individuals or groups react to other entities that have frustrated, or are about to frustrate, their plans, goals, beliefs, or activities. In other words, conflict involves situations in which the expectations or actual goal-directed behaviors of one person or group are blocked—or about to be blocked—by another person or group. Hence, if a sales representative cannot secure enough funds to mount what she considers to be an effective sales campaign, conflict can ensue. Similarly, if A gets promoted and B doesn't, conflict can emerge. Finally, if a company finds it necessary to lay off valued employees because of difficult financial conditions, conflict can occur. Many such examples can be identified; in each, a situation emerges in which someone or some group cannot do what it wants to do (for whatever reason) and responds by experiencing an inner frustration.

Types of Conflict

If we are to try to understand the roots of conflict, we need to know what type of conflict is present. At least four *types of conflict* can be identified:

1. *Goal conflict*. **Goal conflict** can occur when one person or group desires a different outcome than others do. This is simply a clash over whose goals are going to be pursued.
2. *Cognitive conflict*. **Cognitive conflict** can result when one person or group holds ideas or opinions that are inconsistent with those of others. This type of conflict is evident in political debates.
3. *Affective conflict*. This type of conflict emerges when one person's or group's feelings or emotions (attitudes) are incompatible with those of others. **Affective conflict** is seen in situations where two individuals simply don't get along with each other.
4. *Behavioral conflict*. **Behavioral conflict** exists when one person or group does something (i.e., behaves in a certain way) that is unacceptable to others. Dressing for work in a way that "offends" others and using profane language are examples of behavioral conflict.

Each of these types of conflict is usually triggered by different factors, and each can lead to very different responses by the individual or group.

Levels of Conflict

In addition to different types of conflict, there exist several different *levels* of conflict. *Level* refers to the number of individuals involved in the conflict. That is, is the conflict within just one person, between two people, between two or more groups, or between

two or more organizations? Both the causes of a conflict and the most effective means to resolve it can be affected by level. Four such levels can be identified:

1. *Intrapersonal conflict*. **Intrapersonal conflict** is conflict within one person. We often hear about someone who has an approach-avoidance conflict; that is, she is both attracted to and repelled by the same object. Similarly, a person can be attracted to two equally appealing alternatives, such as two good job offers (approach-approach conflict) or repelled by two equally unpleasant alternatives, such as the threat of being fired if one fails to identify a coworker guilty of breaking plant rules (avoidance-avoidance conflict). In any case, the conflict is within the individual.
2. *Interpersonal conflict*. Conflict can also take form in an **interpersonal conflict**, where two individuals disagree on some matter. For example, you can have an argument with a coworker over an issue of mutual concern. Such conflicts often tend to get highly personal because only two parties are involved and each person embodies the opposing position in the conflict. Hence, it is sometimes difficult to distinguish between the opponent's position and her person.
3. *Intergroup conflict*. Third, conflict can be found between groups. **Intergroup conflict** usually involves disagreements between two opposing forces over goals or the sharing of resources. For example, we often see conflict between the marketing and production units within a corporation as each vies for more resources to accomplish its subgoals. Intergroup conflict is typically the most complicated form of conflict because of the number of individuals involved. Coalitions form within and between groups, and an "us-against-them" mentality develops. Here, too, is an opportunity for groupthink to develop and thrive.
4. *Interorganizational conflict*. Finally, we can see **interorganizational conflict** in disputes between two companies in the same industry (for example, a disagreement between computer manufactures over computer standards), between two companies in different industries or economic sectors (for example, a conflict between real estate interests and environmentalists over land use planning), and even between two or more countries (for example, a trade dispute between the United States and Japan or France). In each case, both parties inevitably feel the pursuit of their goals is being frustrated by the other party.

The Positive and Negative Sides of Conflict

People often assume that all conflict is necessarily bad and should be eliminated. On the contrary, there are some circumstances in which a moderate amount of conflict can be helpful. For instance, conflict can lead to the search for new ideas and new mechanisms as solutions to organizational problems. Conflict can stimulate innovation and change. It can also facilitate employee motivation in cases where employees feel a need to excel and, as a result, push themselves in order to meet performance objectives.

Conflict can at times help individuals and group members grow and develop self-identities. As noted by Coser:

Conflict, which aims at a resolution of tension between antagonists, is likely to have stabilizing and integrative functions for the relationship. By permitting immediate and direct expression of rival claims, such social systems are able to readjust their structures by eliminating their sources of dissatisfaction. The multiple conflicts which they experience may serve to eliminate the causes for dissociation and to reestablish unity. These systems avail themselves, through the toleration and institutionalization of conflict, of an important stabilizing mechanism.

Conflict can, on the other hand, have negative consequences for both individuals and organizations when people divert energies away from performance and goal attainment and direct them toward resolving the conflict. Continued conflict can take a heavy toll in terms of psychological well-being. As we will see in the next chapter, conflict has a major influence on stress and the psychophysical consequences of stress. Finally, continued conflict can also affect the social climate of the group and inhibit group cohesiveness.

Thus, conflict can be either functional or dysfunctional in work situations depending upon the nature of the conflict, its intensity, and its duration. Indeed, both too much and too little conflict can lead to a variety of negative outcomes, as discussed above. This is shown in Figure 17.8.1. In such circumstances, a moderate amount of conflict may be the best course of action. The issue for management, therefore, is not how to eliminate conflict but rather how to manage and resolve it when it occurs.

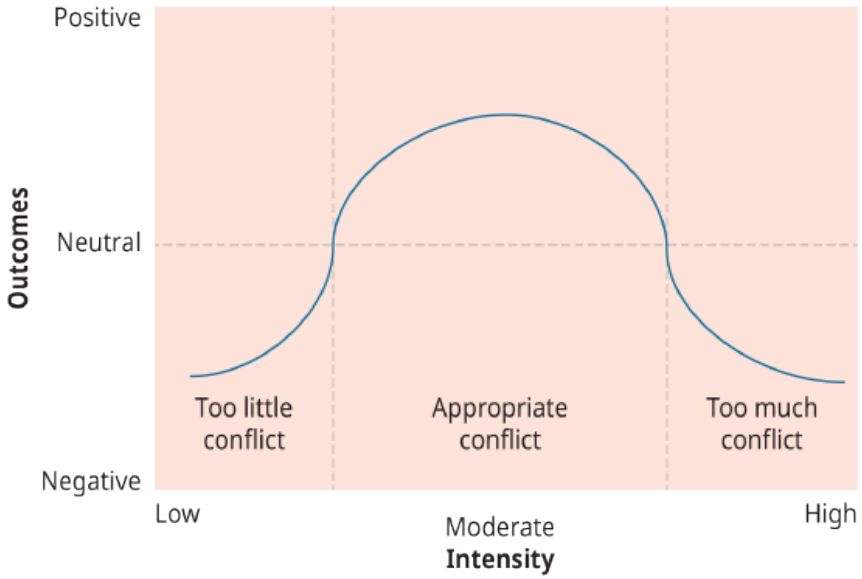


Figure 17.8.1 **The Relationship Between Conflict Intensity and Outcomes** *Source*: Adapted from L. David Brown, *Managing Conflict at Organizational Interfaces*, 1986 by Addison-Wesley Publishing Co., Inc., Reading, Massachusetts, Figure 1.1, p.8. (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)

managerial leadership

Executive Conflict Resolution Strategies

A good way to see how conflict can be functional or dysfunctional is to observe the behaviors of many of America's CEOs. Classic examples include the cases of Jack Welch, former chairman of General Electric, and Fred Ackman, former chairman of Superior Oil. Welch enjoyed a good fight and took pleasure in the give-and-take of discussions and negotiations. On one occasion, he engaged a senior vice president in a prolonged and emotional shouting match over the merits of a certain proposal. Several managers who were present were embarrassed by the confrontation. Yet after the argument, Welch thanked the vice president for standing up to him and defending his views. This is what Welch calls "constructive conflict," also termed **constructive confrontation.**

On the other hand, according to one account, Fred Ackman approached conflict quite differently. Ackman has been accused of being autocratic—he often refused even to discuss suggestions or modifications to proposals he presented. Disagreement was seen as disloyalty and was often met with an abusive temper. As one former subordinate said, "He couldn't stand it when someone disagreed with him, even in private. He'd eat you up alive, calling you a dumb S.O.B. . . . It happened all the time."

Many today will suggest that Jack Welch's management approach and the conglomerate approach of GE has led to the company's fiscal problems, while others fault the direction that Jack Welch's successor Jeff Immelt. Others say that leaders at other companies, such as Apple's Tim Cook, are making the same leadership errors as Jack Welch.

Questions:

1. How do you feel you respond to such conflict?
2. Would your friends agree with your assessment?

Sources:

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M. A. Harris, “Can Jack Welsh Reinvent GE?” *Business Week*, June 30, 1986;

S. Flax, “The Ten Toughest Bosses in America,” *Fortune*, August 6, 1984, p. 21;

J. A. Byrne, “Jack Welch successor destroyed GE he inherited,” *USA Today*, July 15, 2018, https://www.usatoday.com/story/opini...ates/368950027/.

concept check

1. How can the use of power help and harm organizations?

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17.9: Causes of Conflict in Organizations

2. How does conflict arise in organizations?

Here we will examine two aspects of the conflict process. First, several factors that have been found to contribute to conflict will be identified. After this, a model of conflict processes in organizations will be reviewed.

Why Organizations Have So Much Conflict

A number of factors are known to facilitate organizational conflict under certain circumstances. In summarizing the literature, Robert Miles points to several specific examples. These are as follows:

Task Interdependencies. The first antecedent can be found in the nature of **task interdependencies.** In essence, the greater the extent of task interdependence among individuals or groups (that is, the more they have to work together or collaborate to accomplish a goal), the greater the likelihood of conflict if different expectations or goals exist among entities, in part because the interdependence makes avoiding the conflict more difficult. This occurs in part because high task interdependency heightens the intensity of relationships. Hence, a small disagreement can very quickly get blown up into a major issue.

Status Inconsistencies. A second factor is **status inconsistencies** among the parties involved. For example, managers in many organizations have the prerogative to take personal time off during workdays to run errands, and so forth, whereas nonmanagerial personnel do not. Consider the effects this can have on the nonmanagers' view of organizational policies and fairness.

Jurisdictional Ambiguities. Conflict can also emerge from **jurisdictional ambiguities**—situations where it is unclear exactly where responsibility for something lies. For example, many organizations use an employee selection procedure in which applicants are evaluated both by the personnel department and by the department in which the applicant would actually work. Because both departments are involved in the hiring process, what happens when one department wants to hire an individual, but the other department does not?

Communication Problems. Suffice it to say that the various *communication problems* or ambiguities in the communication process can facilitate conflict. When one person misunderstands a message or when information is withheld, the person often responds with frustration and anger.

Dependence on Common Resource Pool. Another previously discussed factor that contributes to conflict is *dependence on common resource pools*. Whenever several departments must compete for scarce resources, conflict is almost inevitable. When resources are limited, a zero-sum game exists in which someone wins and, invariably, someone loses.

Lack of Common Performance Standards. Differences in performance criteria and reward systems provide more potential for organizational conflict. This often occurs because of a *lack of common performance standards* among differing groups within the same organization. For example, production personnel are often rewarded for their efficiency, and this efficiency is facilitated by the long-term production of a few products. Sales departments, on the other hand, are rewarded for their short-term response to market changes—often at the expense of long-term production efficiency. In such situations, conflict arises as each unit attempts to meet its own performance criteria.

Individual Differences. Finally, a variety of *individual differences*, such as personal abilities, traits, and skills, can influence in no small way the nature of interpersonal relations. Individual dominance, aggressiveness, authoritarianism, and tolerance for ambiguity all seem to influence how an individual deals with potential conflict. Indeed, such characteristics may determine whether or not conflict is created at all.

A Model of the Conflict Process

Having examined specific factors that are known to facilitate conflict, we can ask how conflict comes about in organizations. The most commonly accepted model of the conflict process was developed by Kenneth Thomas. This model, shown in Figure 17.9.1, consists of four stages: (1) frustration, (2) conceptualization, (3) behavior, and (4) outcome.

Stage 1: Frustration. As we have seen, conflict situations originate when an individual or group feels **frustration** in the pursuit

of important goals. This frustration may be caused by a wide variety of factors, including disagreement over performance goals, failure to get a promotion or pay raise, a fight over scarce economic resources, new rules or policies, and so forth. In fact, conflict can be traced to frustration over almost anything a group or individual cares about.

Stage 2: Conceptualization. In stage 2, the conceptualization stage of the model, parties to the conflict attempt to understand the nature of the problem, what they themselves want as a resolution, what they think their opponents want as a resolution, and various strategies they feel each side may employ in resolving the conflict. This stage is really the problem-solving and strategy phase. For instance, when management and union negotiate a labor contract, both sides attempt to decide what is most important and what can be bargained away in exchange for these priority needs.

Stage 3: Behavior. The third stage in Thomas's model is actual *behavior*. As a result of the conceptualization process, parties to a conflict attempt to implement their resolution mode by competing or accommodating in the hope of resolving problems. A major task here is determining how best to proceed strategically. That is, what tactics will the party use to attempt to resolve the conflict? Thomas has identified five modes for conflict resolution, as shown in Figure 17.9.1. These are (1) competing, (2) collaborating, (3) compromising, (4) avoiding, and (5) accommodating. Also shown in the exhibit are situations that seem most appropriate for each strategy.

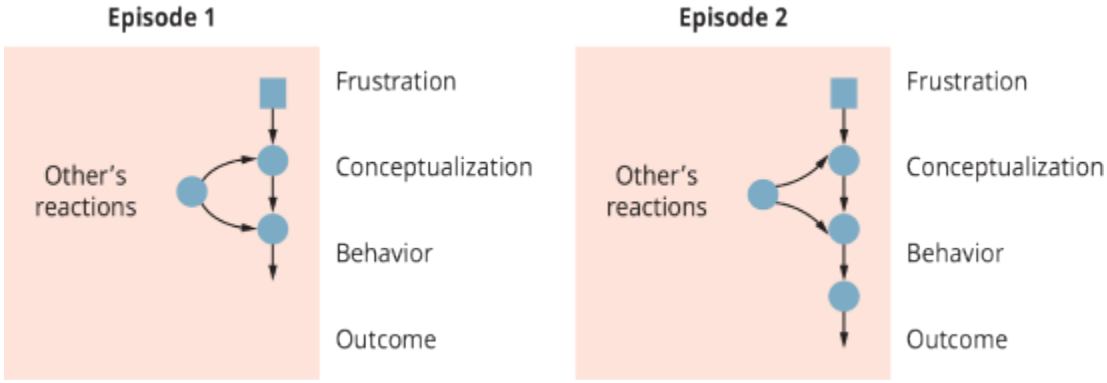


Figure 17.9.1. **A Model of the Conflict Process** *Source*: Adapted from Kenneth Thomas, "Conflict and Conflict Management," in M. D. Dunnette (ed.), *Handbook of Industrial and Organizational Behavior* (New York: Wiley, 1976), p. 895. (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)

The choice of an appropriate conflict resolution mode depends to a great extent on the situation and the goals of the party. This is shown graphically in Figure 17.9.2. According to this model, each party must decide the extent to which it is interested in satisfying its own concerns—called **assertiveness**—and the extent to which it is interested in helping satisfy the opponent's concerns—called **cooperativeness**. Assertiveness can range from assertive to unassertive on one continuum, and cooperativeness can range from uncooperative to cooperative on the other continuum.

Once the parties have determined their desired balance between the two competing concerns—either consciously or unconsciously—the resolution strategy emerges. For example, if a union negotiator feels confident she can win on an issue that is of primary concern to union members (e.g., wages), a direct competition mode may be chosen (see upper left-hand corner of Figure 17.9.2). On the other hand, when the union is indifferent to an issue or when it actually supports management's concerns (e.g., plant safety), we would expect an accommodating or collaborating mode (on the right-hand side of the exhibit).

Five Modes of Resolving Conflict	
Conflict-Handling Modes	**Appropriate Situations**
Competing	1. When quick, decisive action is vital—e.g., emergencies 2. On important issues where unpopular actions need implementing—e.g., cost cutting, enforcing unpopular rules, discipline 3. On issues vital to company welfare when you know you're right 4. Against people who take advantage of noncompetitive behavior
Collaborating	1. When trying to find an integrative solution when both sets of concerns are too important to be compromised 2. When your objective is to learn 3. When merging insights from people with different perspectives 4. When gaining commitment by incorporating concerns into a consensus 5. When working through feelings that have interfered with a relationship
Compromising	1. When goals are important but not worth the effort or potential disruption of more assertive modes 2. When opponents with equal power are committed to mutually exclusive goals 3. When attempting to achieve temporary settlements to complex issues 4. When arriving at expedient solutions under time pressure 5. As a backup when collaboration or competition is unsuccessful
Avoiding	1. When an issue is trivial, or when more important issues are pressing 2. When you perceive no chance of satisfying your concerns 3. When potential disruption outweighs the benefits of resolution 4. When letting people cool down and regain perspective 5. When gathering information supersedes immediate decision 6. When others can resolve the conflict more effectively 7. When issues seem tangential or symptomatic of other issues
Accommodating	1. When you find you are wrong—to allow a better position to be heard, to learn, and to show your reasonableness 2. When issues are more important to others than yourself—to satisfy others and maintain cooperation 3. When building social credits for later issues 4. When minimizing loss when you are outmatched and losing 5. When harmony and stability are especially important. 6. When allowing subordinates to develop by learning from mistakes.
Source: Adapted from K. W. Thomas, "Toward Multidimensional Values in Teaching: The Example of Conflict Behaviors," *Academy of Management Review 2* (1977), Table 1, p. 487.	

Table 17.9.1 (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)

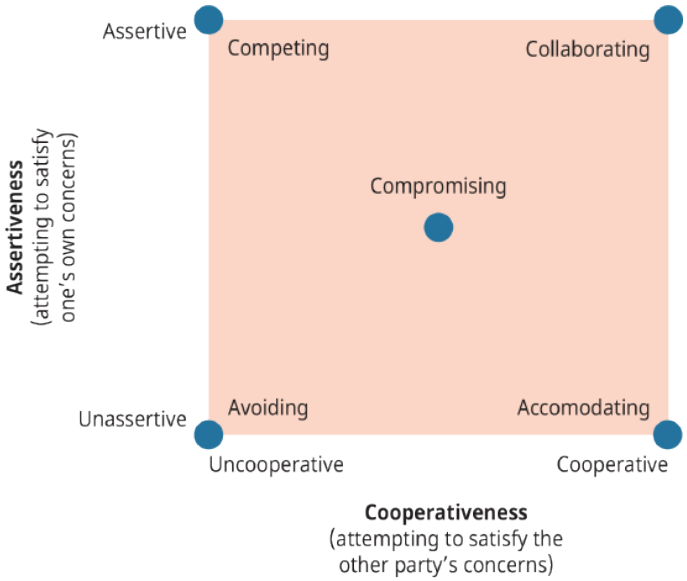


Figure 17.9.2 **Approaches to Conflict Resolution** *Source*: Adapted from Kenneth Thomas, "Conflict and Conflict Management," in M. D. Dunnette (ed.), *Handbook of Industrial and Organizational Behavior* (New York: Wiley, 1976), p. 900. (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)

What is interesting in this process is the assumptions people make about their own modes compared to their opponents'. For example, in one study of executives, it was found that the executives typically described themselves as using collaboration or compromise to resolve conflict, whereas these same executives typically described their opponents as using a competitive mode almost exclusively. In other words, the executives underestimated their opponents' concern as uncompromising. Simultaneously, the executives had flattering portraits of their own willingness to satisfy both sides in a dispute.

Stage 4: Outcome. Finally, as a result of efforts to resolve the conflict, both sides determine the extent to which a satisfactory resolution or outcome has been achieved. Where one party to the conflict does not feel satisfied or feels only partially satisfied, the seeds of discontent are sown for a later conflict, as shown in the preceding Figure 14.1.1. One unresolved conflict episode can easily set the stage for a second episode. Managerial action aimed at achieving quick and satisfactory resolution is vital; failure to initiate such action leaves the possibility (more accurately, the probability) that new conflicts will soon emerge.

concept check

1. Describe the process of the conflict model.

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17.10: Resolving Conflict in Organizations

3. When and how do you negotiate, and how do you achieve a mutually advantageous agreement?

We have discovered that conflict is pervasive throughout organizations and that some conflict can be good for organizations. People often grow and learn from conflict, as long as the conflict is not dysfunctional. The challenge for managers is to select a resolution strategy appropriate to the situation and individuals involved. A review of past management practice in this regard reveals that managers often make poor strategy choices. As often as not, managers select repressive or ineffective conflict resolution strategies.

Common Strategies that Seldom Work

At leave five conflict resolution techniques commonly found in organizations prove to be ineffective fairly consistently. In fact, not only do such techniques seldom work—in many cases, they actually serve to increase the problem. Nonetheless, they are found with alarming frequency in a wide array of business and public organizations. These five ineffective strategies are often associated with an avoidance approach and are described below.

Nonaction. Perhaps the most common managerial response when conflict emerges is *nonaction*—doing nothing and ignoring the problem. It may be felt that if the problem is ignored, it will go away. Unfortunately, that is not often the case. In fact, ignoring the problem may serve only to increase the frustration and anger of the parties involved.

Administrative Orbiting. In some cases, managers will acknowledge that a problem exists but then take little serious action. Instead, they continually report that a problem is "under study" or that "more information is needed." Telling a person who is experiencing a serious conflict that "these things take time" hardly relieves anyone's anxiety or solves any problems. This ineffective strategy for resolving conflict is aptly named **administrative orbiting**.

Due Process Nonaction. A third ineffective approach to resolving conflict is to set up a recognized procedure for redressing grievances but at the same time to ensure that the procedure is long, complicated, costly, and perhaps even risky. The **due process nonaction** strategy is to wear down the dissatisfied employee while at the same time claiming that resolution procedures are open and available. This technique has been used repeatedly in conflicts involving race and sex discrimination.

Secrecy. Oftentimes, managers will attempt to reduce conflict through *secrecy*. Some feel that by taking secretive actions, controversial decisions can be carried out with a minimum of resistance. One argument for pay secrecy (keeping employee salaries secret) is that such a policy makes it more difficult for employees to feel inequitably treated. Essentially, this is a "what they don't know won't hurt them" strategy. A major problem of this approach is that it leads to distrust of management. When managerial credibility is needed for other issues, it may be found lacking.

Character Assassination. The final ineffective resolution technique to be discussed here is **character assassination**. The person with a conflict, perhaps a woman claiming sex discrimination, is labeled a "troublemaker." Attempts are made to discredit her and distance her from the others in the group. The implicit strategy here is that if the person can be isolated and stigmatized, she will either be silenced by negative group pressures or she will leave. In either case, the problem is "solved."

Strategies for Preventing Conflict

On the more positive side, there are many things managers can do to reduce or actually solve dysfunctional conflict when it occurs. These fall into two categories: actions directed at conflict *prevention* and actions directed at conflict *reduction*. We shall start by examining conflict prevention techniques, because preventing conflict is often easier than reducing it once it begins. These include:

1. *Emphasizing organization-wide goals and effectiveness.* Focusing on organization-wide goals and objectives should prevent goal conflict. If larger goals are emphasized, employees are more likely to see the big picture and work together to achieve corporate goals.
2. *Providing stable, well-structured tasks.* When work activities are clearly defined, understood, and accepted by employees, conflict should be less likely to occur. Conflict is most likely to occur when task uncertainty is high; specifying or structuring jobs minimizes ambiguity.

3. *Facilitating intergroup communication*. Misperception of the abilities, goals, and motivations of others often leads to conflict, so efforts to increase the dialogue among groups and to share information should help eliminate conflict. As groups come to know more about one another, suspicions often diminish, and greater intergroup teamwork becomes possible.
4. *Avoiding win-lose situations*. If win-lose situations are avoided, less potential for conflict exists. When resources are scarce, management can seek some form of resource sharing to achieve organizational effectiveness. Moreover, rewards can be given for contributions to overall corporate objectives; this will foster a climate in which groups seek solutions acceptable to all.

These points bear a close resemblance to descriptions of the so-called Japanese management style. In Japanese firms, considerable effort is invested in preventing conflict. In this way, more energy is available for constructive efforts toward task accomplishment and competition in the marketplace. Another place where considerable destructive conflict is prevented is Intel.

Managerial leadership

Sustainability and Responsible Management: Constructive Conflict that Leads to Championships

Dealing with conflict lies at the heart of managing any business. Confrontation—facing issues about which there is disagreement—is avoided only at a manager's peril. Many issues can be postponed, allowed to fester, or smoothed over; eventually, they must be solved. They are not going to disappear. This philosophy not only applies to business but to sports dynamics as well.

Take two NBA all-stars, Kobe Bryant and Shaquille O'Neal. Although they are world-renowned athletes now, when they first started in the NBA, there was plenty of conflict that could have caused their careers to take a much different path.

In 1992, O'Neal was the first play taken in by the NBA draft, he dominated the court with his size and leadership from day one. Four years later, Kobe Bryant, the youngest player to start in the NBA was brought onto the same team: the Los Angeles Lakers. The two were not fast friends, and the trash talk started as Bryant publicly criticized his teammate—and continued for years.

Ultimately in 1999, Phil Jackson was brought in to coach the LA Lakers, and his creative approach to their conflict changed everything. Instead of seeing this tension and ignoring it, or chastising the players for their feud, he used their skills to develop a new way of playing the game. O'Neal brought power and strength to the court, while Bryant was fast and a great shooter. Jackson developed a way of playing that highlighted both of these talents, and he built a supporting cast around them that brought out the best in everyone. The outcome: three NBA championships in a row.

While many may have just ignored or tried to separate the two superstars, Jackson was innovative in his approach, saw the opportunity in using the conflict to create a new energy, and was able to build a very successful program.

Questions:

1. What was the key to the success for Phil Jackson and his team?
2. How would you have approached the two players (or employees) that were in conflict and causing tension on your team?
3. What strategies would have been important to employ with these two individuals to resolve the conflict?

Sources:

J. DeGraff, "3 Legendary Creative Conflicts That Sparked Revolutionary Innovation," *Huffington Post*, September 26, 2017, https://www.huffingtonpost.com/entry...b08d66155043d6;

K. Soong, "'I owe you an apology': Shaquille O'Neal explains why he loves Kobe Bryant years after feud," *Washington Post*, February, 17, 2017, https://www.washingtonpost.com/news/...=.b9cca63b5761;

M. Chiari, "Kobe Bryant Discusses Getting into Fist Fight with Shaquille O'Neal," *Bleacher Report*, March 9, 2018, https://bleacherreport.com/articles/...haquille-oneal.

Strategies for Reducing Conflict

Where dysfunctional conflict already exists, something must be done, and managers may pursue one of at least two general approaches: they can try to change employee *attitudes*, or they can try to change employee *behaviors*. If they change behavior, open conflict is often reduced, but groups may still dislike one another; the conflict simply becomes less visible as the groups are separated from one another. Changing attitudes, on the other hand, often leads to fundamental changes in the ways that groups get along. However, it also takes considerably longer to accomplish than behavior change because it requires a fundamental change in social perceptions.

Nine conflict reduction strategies are shown in Figure \({17{.}10{.}\eatSpaces{Exhibit 14.5. The techniques should be viewed as a continuum, ranging from strategies that focus on changing behaviors near the top of the scale to strategies that focus on changing attitudes near the bottom of the scale.

1. Physical separation. The quickest and easiest solution to conflict is physical separation. Separation is useful when conflicting groups are not working on a joint task or do not need a high degree of interaction. Though this approach does not encourage members to change their attitudes, it does provide time to seek a better accommodation.
2. Use of rules and regulations. Conflict can also be reduced through the increasing specification of rules, regulations, and procedures. This approach, also known as the bureaucratic method, imposes solutions on groups from above. Again, however, basic attitudes are not modified.
3. Limiting intergroup interaction. Another approach to reducing conflict is to limit intergroup interaction to issues involving common goals. Where groups agree on a goal, cooperation becomes easier. An example of this can be seen in recent efforts by firms in the United States and Canada to work together to “meet the Japanese challenge.”
4. Use of integrators. Integrators are individuals who are assigned a boundary-spanning role between two groups or departments. To be trusted, integrators must be perceived by both groups as legitimate and knowledgeable. The integrator often takes the “shuttle diplomacy” approach, moving from one group to another, identifying areas of agreement, and attempting to find areas of future cooperation.
5. Confrontation and negotiation. In this approach, competing parties are brought together face-to-face to discuss their basic areas of disagreement. The hope is that through open discussion and negotiation, means can be found to work out problems. Contract negotiations between union and management represent one such example. If a “win-win” solution can be identified through these negotiations, the chances of an acceptable resolution of the conflict increase. (More will be said about this in the next section of this chapter.)
6. Third-party consultation. In some cases, it is helpful to bring in outside consultants for third-party consultation who understand human behavior and can facilitate a resolution. A third-party consultant not only serves as a go-between but can speak more directly to the issues, because she is not a member of either group.
7. Rotation of members. By rotating from one group to another, individuals come to understand the frames of reference, values, and attitudes of other members; communication is thus increased. When those rotated are accepted by the receiving groups, change in attitudes as well as behavior becomes possible. This is clearly a long-term technique, as it takes time to develop good interpersonal relations and understanding among group members.
8. Identification of interdependent tasks and superordinate goals. A further strategy for management is to establish goals that require groups to work together to achieve overall success—for example, when company survival is threatened. The threat of a shutdown often causes long-standing opponents to come together to achieve the common objective of keeping the company going.
9. Use of intergroup training. The final technique on the continuum is intergroup training. Outside training experts are retained on a long-term basis to help groups develop relatively permanent mechanisms for working together. Structured workshops and training programs can help forge more favorable intergroup attitudes and, as a result, more constructive intergroup behavior.

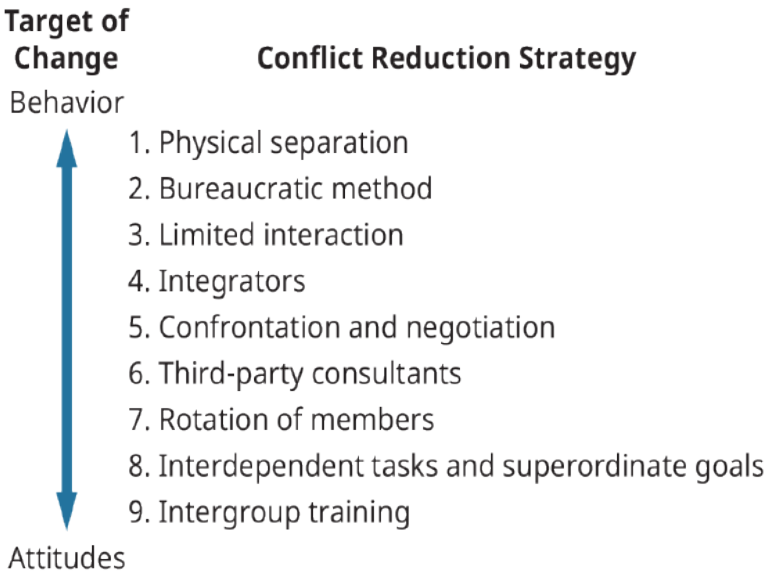


Figure Extra close brace or missing open brace. **Conflict Reduction Strategies** *Source:* Adapted from concepts in E. H. Neilsen, "Understanding and Managing Conflict," in J. Lorsch and P. Lawrence, eds., *Managing Group and Intergroup Relations* (Homewood, III.: Irwin, 1972). (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)

concept check

1. What are the strategies that managers can use that can reduce conflict?

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Key Terms:

Affective conflict
Seen in situations where two individuals simply don't get along with each other.

Behavioral conflict
Exists when one person or group does something that is unacceptable to others.

Cognitive conflict
Can result when one person or group holds ideas or opinions that are inconsistent with those of others.

Conflict
The four types of conflict are goal conflict, cognitive conflict, affective conflict, and behavioral conflict.

Constructive confrontation
A conflict that leads to a positive result.

Goal conflict
Can occur when one person or group desires a different outcome than others do. This is simply a clash over whose goals are going to be pursued.

Intergroup conflict
Usually involves disagreements between two opposing forces over goals or the sharing of resources.

Interorganizational conflict
Disputes between two companies in the same industry, two companies in different industries or economic sectors, or two or more countries.

Interpersonal conflict
Where two individuals disagree on some matter.

Intrapersonal conflict
A conflict within one person.

Assertiveness
Can range from assertive to unassertive on one continuum.

Cooperativeness
The extent to which someone is interested in helping satisfy the opponent's concerns.

Frustration
May be caused by a wide variety of factors, including disagreement over performance goals, failure to get a promotion or pay raise, a fight over scarce economic resources, new rules or policies, and so forth.

Jurisdictional ambiguities
Situations where it is unclear exactly where responsibility for something lies.

Status inconsistencies
Situations where some individuals have the opportunity to benefit whereas other employees do not. Consider the effects this can have on the nonmanagers' view of organizational policies and fairness.

Task interdependencies
The greater the extent of task interdependence among individuals or groups, the greater the likelihood of conflict if different expectations or goals exist among entities, in part because the interdependence makes avoiding the conflict more difficult.

Administrative orbiting
An ineffective strategy for resolving conflict.

Character assassination
An ineffective resolution technique where the person with a conflict attempts to discredit and distance an individual from the others in the group.

Due process nonaction
The strategy of wearing down a dissatisfied employee while at the same time claiming that resolution procedures are open and available. This technique has been used repeatedly in conflicts involving race and sex discrimination.

Negotiation
The process by which individuals or groups attempt to realize their goals by bargaining with another party who has at least some control over goal attainment.

Third-party consultation
An outside consultant that serves as a go-between and can speak more directly to the issues because she is not a member of either group.

BATNA
An acronym popularised by Roger Fisher and William Ury which stands for 'Best Alternative to a Negotiated Agreement'. BATNA answers the question: 'What would you do if you weren't able to agree a deal with your negotiation counterparty?' Your BATNA is the alternative action you'll take should your proposed agreement fail to materialize.

Distributive bargaining
Where the goals of one party are in fundamental and direct conflict with those of the other party. Resources are fixed and limited, and each party wants to maximize its share of these resources.

Integrative bargaining
Essentially "win-lose" bargaining where the goals of one party are in fundamental and direct conflict with those of the other party. Resources are fixed and limited, and each party wants to maximize its share of these resources.

Resistance price
The point beyond which the opponent will not go to reach a settlement.

Summary of Learning Outcomes

14.1 Conflict in Organizations: Basic Considerations

1. How do you recognize and resolve short- and long-term conflicts among group members and among groups?

Conflict is the process by which a person or group feels frustrated in the pursuit of certain goals, plans, or objectives. Conflict may take one of four forms: (1) goal, (2) cognitive, (3) affective, or (4) behavioral. Conflict may occur on several levels, including intrapersonal, interpersonal, intergroup, and interorganizational.

14.2 Causes of Conflict in Organizations

2. How does conflict arise in organizations?

Conflict in organizations can be caused by task interdependencies, status inconsistencies, jurisdictional ambiguities, communication problems, dependence on common resource pools, lack of common performance standards, and individual differences. A model of the conflict process follows four stages. Conflict originates (stage 1) when an individual or group experiences frustration in the pursuit of important goals. In stage 2, the individual or group attempts to understand the nature of the problem and its causes. In stage 3, efforts are made to change behavioral patterns in such a way that the desired outcome, or stage 4, is achieved.

14.3 Resolving Conflict in Organizations

3. When and how do you negotiate, and how do you achieve a mutually advantageous agreement?

Ineffective conflict resolution strategies include nonaction, administrative orbiting, due process nonaction, secrecy, and character assassination. Strategies for preventing conflict include (1) emphasizing organization-wide goals; (2) providing stable, well-structured tasks; (3) facilitating intergroup communication; and (4) avoiding win-lose situations. Strategies for reducing conflict include (1) physical separation, (2) use of rules and regulations, (3) limiting intergroup interaction, (4) use of integrators, (5) confrontation and negotiation, (6) third-party consultation, (7) rotation of members, (8) identification of interdependent tasks and superordinate goals, and (9) use of intergroup training. Negotiation is the process by which individuals and groups attempt to reach their goals by bargaining with others who can help or hinder goal attainment. Negotiation is helpful in three primary instances: (1) a conflict of interest, (2) the absence of clear rules or procedures, and (3) when there is a desire to avoid a fight. Distributive bargaining attempts to resolve a win-lose conflict in which resources are limited and each party wishes to maximize its share of these resources. Integrative bargaining occurs when both parties attempt to reach a settlement that benefits both sides in a dispute.

14.4 Negotiation Behavior

4. How do you recognize and respond to cultural differences in negotiation and bargaining strategies?

A resistance point is the point beyond which an opponent will not go to reach a settlement. Planning for a negotiation session involves (1) understanding the basic nature of the conflict, (2) knowing what the group wants to achieve in the session, (3) selecting a chief negotiator, and (4) understanding one's opponent. Cultural differences play a major role in the negotiation process and influence such factors as persuasion techniques, the key characteristics of the negotiators, and communication patterns.

Chapter Review Questions

1. Identify the types of conflict commonly found in organizations, and provide examples of each.
2. How can conflict be good for an organization?
3. Identify some reasons for the prevalence of intergroup conflict in organizations.
4. How does intergroup conflict affect behavior within a work group? behavior between two or more groups?
5. Review the basic conflict model discussed in this chapter. What lessons for management follow from this model?
6. Of the various strategies for resolving and preventing conflicts that are presented in this chapter, which ones do you feel will generally be most effective? least effective? Why?
7. What is the difference between distributive and integrative bargaining? When would each be most appropriate?
8. How can cultural differences affect bargaining behavior? If you were negotiating with a Japanese firm, what might you do differently than if you were facing an American firm? Explain.

Management Skills Application Exercises

1. You might find it interesting to see how you approach conflict resolution. To do this, simply complete this self-assessment. When you are done, refer to Appendix B for scoring details.

What Is Your Approach to Conflict Resolution?

Instructions: Think of a typical situation in which you have a disagreement with someone. Then answer the following items concerning how you would respond to the conflict. Circle the number that you feel is most appropriate.

	Highly Unlikely				Highly Likely
1. I firmly push for my goals.	1	2	3	4	5
2. I always try to win an argument.	1	2	3	4	5
3. I try to show my opponent the logic of my position.	1	2	3	4	5

4. I like to discuss disagreements openly.	1	2	3	4	5
5. I try to work through our differences.	1	2	3	4	5
6. I try to get all concerns on the table for discussion.	1	2	3	4	5
7. I try to work for a mutually beneficial solution.	1	2	3	4	5
8. I try to compromise with the other person.	1	2	3	4	5
9. I seek a balance of gains and losses on each side.	1	2	3	4	5
10. I don't like talking about disagreements.	1	2	3	4	5
11. I try to avoid unpleasantness for myself.	1	2	3	4	5
12. I avoid taking positions that may incite disagreement.	1	2	3	4	5
13. I try to think of the other person in any disagreement.	1	2	3	4	5
14. I try to preserve relationships in any conflict.	1	2	3	4	5
15. I try not to hurt the other person's feelings.	1	2	3	4	5

Managerial Decision Exercises

1. The president of your company has just told you that an Indian multinational company is interested in purchasing a large amount of the products that you and your group are responsible for. You have been charged with meeting with the team from India, hosting their visit, and negotiating the agreement, including pricing. How do you communicate during the meeting with your colleagues? What are some aspects of the social and business interactions that you will want you and your staff to avoid? What will you report back to the president regarding the meeting, and will you encourage her to take part in the meeting?

Critical Thinking Case:

College Corp.

Janice just graduated college, she's ready to head out on her own and get that first job, and she's through her first interviews. She receives an offer of a $28,000 salary, including benefits from COLLEGE CORP, from an entry-level marketing position that

seems like a perfect fit. She is thrown off by the salary they are offering and knows that it is lower than what she was hoping for. Instead of panicking, she takes the advice of her mentor and does a little research to know what the market range for the salary is for her area. She feels better after doing this, knowing that she was correct and the offer is low compared to the market rate. After understanding more about the offer and the rates, she goes back to the HR representative and asks for her preferred rate of $32,500, knowing the minimum that she would accept is $30,000. Instead of going in for her lowest amount, she started higher to be open to negotiations with the company. She also sent a note regarding her expertise that warranted why she asked for that salary. To her happy surprise, the company counter offered at $31,000—and she accepted.

Questions:

1. What key points of Janice's negotiation led to her success?
2. What could have Janice done better to get a better outcome for her salary?

Sources:

"Good & Bad Salary Negotiations," *Salary.com*, April 19, 2018, https://www.salary.com/articles/good...-negotiations/;

M. Herner, "5 Things HR Wishes You Knew About Salary Negotiation," *Payscale.com,* accessed October 21, 2018, https://www.payscale.com/salary-nego...n-tips-from-hr.

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17.12: Discussion- Conflict and Negotiation

The issues in the software development area of Informational Systems have grown into a genuine workplace conflict. One of the issue is interdependence—the Millennials want to schedule their work on their timetable and not rely on the work schedule of the older Baby Boomers. Also, the Baby Boomers are pushing for changes in the rewards system—they believe that bonuses should be commensurate with performance while the Millennials think that everyone should be rewarded equally for participation in projects.

Discussion Prompt

What recommendations would you make in order to resolve this conflict given the multi-generational and multi-cultural nature of the department?

Grading

Share your opinions below and respond to two of your classmates' thoughts.

Criteria	Not Evident	Developing	Exemplary	Points
Submit your initial response	**0 pts** No post made	**2 pts** Post is either late or off-topic	**5 pts** Post is made on time and is focused on the prompt	5 pts
Respond to at least two peers' presentations	**0 pts** No response to peers	**2 pts** Responded to only one peer	**5 pts** Responded to two peers	5 pts
			Total:	**10 pts**

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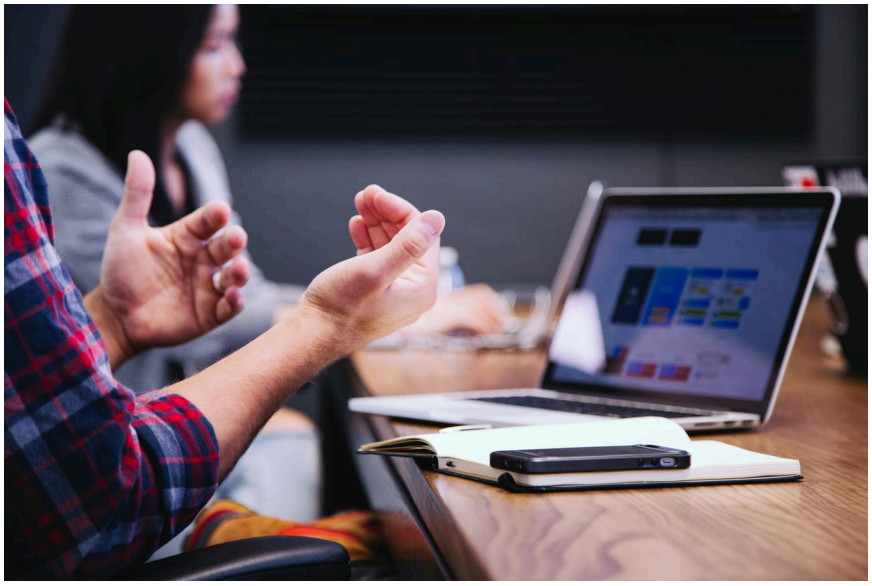
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17.13: Putting It Together- Conflict and Negotiation



Where two people come in contact with one another, there is a potential for conflict, and anything that can be done to mitigate that conflict increases productivity. Conflict causes stress, it creates distraction, and it can bring operations to a standstill. However, it can also spark creativity and healthy competition if it's managed right. Understanding where the line has to be drawn and keeping conflict on the right side of it is tantamount to success.

We gave you a couple of examples when we talked about why conflict and negotiation matter to an organization. The teacher's union went into negotiations with the school board for more pay for teachers, and a bigger budget for much needed supplies. Conflict between employees and their governing board might have resulted in a teacher's strike. But instead, negotiations were put into gear and both parties come away satisfied.

Conflict can result in the need for negotiation—or the need for negotiation can arise out of two parties' willingness to exchange goods and services. Being able to look at the whole picture and see creative solutions beyond the zero sum game, where both parties can win, can help business (and people) flourish.

Earlier, we talked about the city government that wanted to bring new businesses into the area. The city government used negotiation skills, carefully straddling the balance between much needed tax income and tax breaks that would provide incentive for businesses to operate within their city limits. When these new businesses open their doors, more people come into the city to work. They also get their morning coffee at a city business, eat their lunch there, do their grocery shopping on the way home within the city limits. The new business takes advantage of tax breaks to increase profitability in its early years of operation, and the city benefits from additional commerce and more residents employed.

Now we understand what conflict is, where it comes from and how to manage it. We understand how the negotiation process works, including how to apply strategy and avoid pitfalls. It's not difficult to see how these skills will benefit the organization for which you work, and make your life better, too.

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Part 4 - Leadership and Power

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19: THE IMPORTANCE OF LEADERSHIP



Learning Objectives

Recognize good and poor leadership and the varieties of leadership

- Describe the history of leadership as a topic inside organizational behavior
- Discuss the pros and cons of leadership styles and topics
- Describe the history, context and utility of the distinction between leadership and management

19.1: Leadership Roles and Issues
19.2: Challenges to Leadership
19.3: Introduction to Leadership vs Management
19.4: Leader or Manager?
19.5: Leader-Managers
19.6: Putting It Together- Leadership
19.7: Discussion- Leadership
19.8: Assignment- Leadership and Management

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19.1: Leadership Roles and Issues

Learning Objectives

- Identify contemporary leadership roles
- Discuss common issues leaders must face

Leadership Roles

Leaders are leaders because they're asked to face new challenges and take on new roles all the time. The most successful of them are able to adjust and put their leadership skills to work in these new atmospheres. Let's take a look at some of the demands today's business are asking their leaders to shoulder.

Providing Team Leadership



We discussed teams and team management in an earlier module. But what of the organization that decides to adopt a team approach. Traditional leadership roles are very different from that of a team leader. How do leaders move from a world of individualism to one of teams?

The command-and-control aspects in the world of individualism no longer make sense in the team environment, so this is one reason why some leaders find it impossible to adapt. Those leaders that have a more authoritarian style are likely to struggle and even fail here. But those that have a strong participative leadership style might take to team leadership like an organizational duck to water, and a large percentage of those with other leadership styles can adapt and learn.

Leaders being asked to become effective team leaders are expected to share information, give up authority, trust others and understand when to intervene. They often act more as facilitators than they do leaders. It's often a bit of a balancing act—especially at first—to determine when a team needs more autonomy and when the leader needs to jump in.

Management

Leaders often assume the "management" responsibilities around a team, like coaching, handling disciplinary issues, reviewing performance, training and communication. In addition, team leaders need to take on these four roles:

- **Liaisons with external constituencies.** The team leader represents the team to all external parties, including upper management, customers and suppliers. In this capacity, the team leader can obtain resources for the team, clarify expectations with outside parties and seek out information necessary for the team to do its job.
- **Troubleshooter.** Team leaders are often called upon to solve team problems, whether they're internal or whether they need external intervention, like gaining additional resources.
- **Conflict managers.** When disagreements occur, the team leader helps to manage them in an equitable way and tries to minimize the disruption of the disagreement.
- **Coaches.** Team leaders are looked upon to provide coaching and even some cheerleading, to support and improve the team's performance.

It's with these four roles that team leaders focus on managing the team's external boundary and facilitate the team's process.

Mentoring



Leaders are often called upon to share their knowledge and skill with less-experienced employees who are new or show potential to hold similar positions one day. Some companies have formal mentor programs that call upon their leaders to share knowledge and spend time with high-potential younger employees, and in other organizations it's informal.

In a typical mentor/mentee relationship, the mentor provides guidance and assesses the skills of the mentee through observation and modeling. He or she would provide advice on handling a particular situation, and then follow up at a later time to understand the outcome of the mentee's issue, guiding him or her through any fallout or feedback that may have occurred. A mentor might act as a sounding board for ideas the mentee has but is reluctant to share with direct supervisors. These actions help the mentee build skills.

Mentors also lobby on behalf of their mentees, helping them gain visibility through special assignments, helping them earn promotions or salary increases, and advocates for him or her in higher circles within the organization.

These are all great situations for the mentee, but what about the mentor? Do they benefit? Absolutely! Mentees provide the mentor, who is presumably at a higher level, unfiltered access to the attitudes and sentiments of the lower echelons of the organization. The mentor/mentee relationship is an important communication channel to identify issues before they become issues. Mentoring can also provide personal satisfaction to senior executives, who get the opportunity to share their knowledge and experience with others.

The organization also sees a benefit from a mentor/mentee relationship. Mentees are often more motivated and less likely to quit, so mentor/mentee programs directly impact innovation, motivation and turnover.

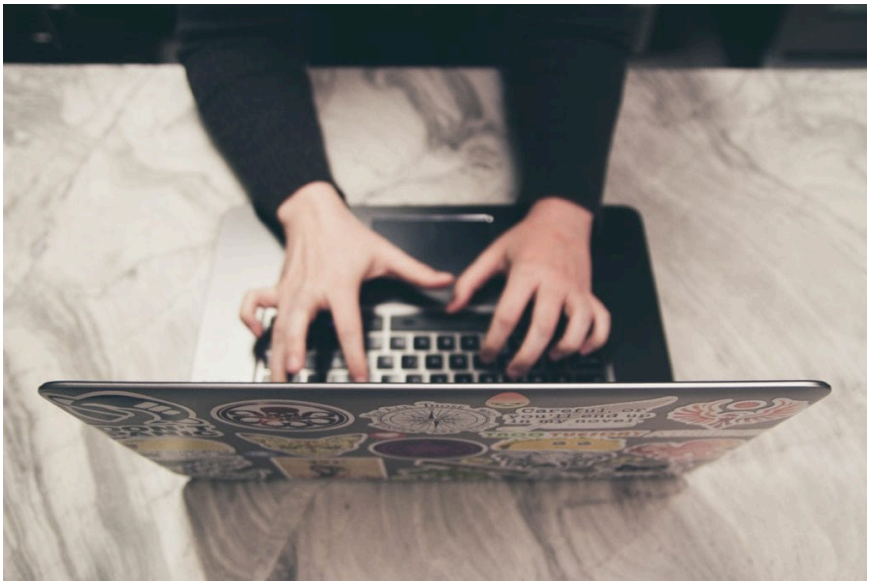
However, there are some drawbacks of the mentor/mentee program: women and minorities are less likely to be chosen, because mentors are, more often than not, white males, and people naturally choose to mentor those they relate to the easiest. However, organizations are creating formal programs to ensure that more women and minorities can benefit from this experience.

Issues in Leadership

Now that we've talked about the various roles a leader can be called on to fill, what about some of the bigger issues in today's environment?

New Technology

A retail company is testing the use of artificial intelligence for their email marketing. An employee writes an email that lets their customers know about an event or a sale going on in the store that weekend. Artificial intelligence then writes seven more email subject lines for that same email. They send all eight to a test group of their loyal shoppers, and over the course of a couple hours, the company is able to determine which of those eight subject lines entices customers to open the email. That subject line is then put on emails to all the other loyal customers in the retail chain.



The objective of using artificial intelligence to write emails is to attempt to increase email open rates. In fact, this retail company is experiencing a 5% increase in open rates, which translates to approximately eight more transactions per weekend in each of the retail chain's stores across the country.

A leader was once called upon to manage the employee who was clever enough to write a subject line that enticed customers to open emails. Now that leader is tasked with identifying technology that will help them increase the effectiveness of their email marketing programs, but they need to manage that technology, and the employees who are manipulating that technology for results.

Technology will disrupt the workforce (that retail company didn't need to hire a marketer to write emails, after all) and it will provide all the "big data" the leader could ever want to make decisions about how to market to customers. Technology is an ever-changing tide of new information that's difficult to stay on top of and difficult to manage once its within the walls of the organization. Leaders must find a way to provide guidance for employees, reinforce the company's mission and vision, and incorporate these new options into daily operations.

Industry Disruption

Technology is often the fuel for industry disruption. Leaders today are unwittingly forced into change management situations when a new business model pops up and changes all the rules they've been operating under.

New Competition

Satellite dish and cable companies were charging outlandish amounts of money per month for their television services having entered most large markets thirty years before, disrupting the broadcast television market. They were getting fat off their profits when a little company called Netflix started sending DVDs by mail . . . and then went online. Netflix was a market disruptor, and other options like Hulu followed soon behind them.

Transactional leaders quickly found themselves smack in the middle of change management situation—trying to determine how their companies could reposition themselves and distinguish them in the market, and then provide that new vision to their employees.

Leaders at the U.S. Postal Service found themselves doing it when faced with FedEx; cab and limousine services all over the country found themselves doing it when Uber and Lyft arrived on people's cell phones.

Has our last hundred years of research prepared us for the choppy waters these digital times have presented to us? Certainly, organizations are not just looking for the leader who can react to the industry disruption being forced upon them, but the leader that can do a little disrupting. According to research done by Forrester, a research and advisory firm, qualities that leader may need to have include:[1]

- Ability to break barriers
- Liberate talent and free people from "rules"
- Be a model of behavior
- Put innovation on display

If that seems a little vague, it is! As we move to a customer focused business world, industry disruption will continue to raise the bar to new and innovative heights. Leaders will either be leading the charge or responding in kind.

Dispersed Workforces



A 2017 survey showed that 2.9% of all workers in the US worked from home.[2] As a leader, it's challenging to keep employees connected to the company's vision—and each other—when they're not physically present in the workplace.

As one leadership assessment concluded, "Leadership is leadership. Being authentic, connecting with others, promoting inclusiveness, networking, and all of the interpersonal skills that build relationships and trust are always important." The application of those skills, however, is different, and leaders must learn to be deliberate and intentional in executing those skills.

Dispersed workforces require an understanding of culture (as sometimes these virtual teams are global), an effort to include all

members, and leadership focus on reinforcing goals, celebrating wins and maintaining a connection to the organization's vision.

Leaders assume roles and navigate issues so that their employees can perform at the highest possible level with as few disruptions as possible. Contemporary leaders face new roles and issues every day in this fast-paced world. Real leaders will continue to emerge as new situations present themselves.

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19.2: Challenges to Leadership

Learning Objectives

- Identify challenges to the concept of leadership

Companies need leaders—or, do they really?

When a company succeeds, people need to give someone credit for that. It's usually that company's leader, the CEO, who takes the credit. If the company fails, people need someone to blame. Trundle out the CEO again! The figurehead of the organization is the figurehead of all successes and failures that come to that organization.

In reality, organizations' successes and failures come from a wide variety of internal and external influences, some in which the CEO played a part, and some in which he or she didn't. But when things go wrong, the people, the media, even the board of directors, don't usually ask, "How is ousting the CEO going to solve our current problems?" Often times, the answer is, "It won't."

So, is leadership more about appearances than reality?

Leadership Attribution Bias

Attribution is the way people make sense out of cause and effect relationships. If a person wakes up with heartburn in the middle of the night, they may attribute it to the pizza they ate for dinner earlier. If a person is offered a promotion at their job, they may attribute it to the successful completion of a high-profile project earlier in the year.

The attribution framework shows that people characterize those with traits such as intelligence, outgoing personalities, aggressiveness, strong verbal skills and the like as leaders, or at least as leadership material. Similarly, individuals who score highly on task performance and relationship performance are seen to be good leaders. Situation doesn't really get calculated into this point of view. They just have these traits and skills, so they are, without question, good leaders.

When an organization has extremely poor (or extremely good) performance, people are going to reach to make a leadership attribution to explain that performance. Humans have a tendency to overvalue a leader's impact on performance. And this is why CEOs are either celebrated or take the fall, regardless of how much they're actually responsible for the results.

When a leader is replaced, a new leader is likely to benefit from a phenomenon called regression to the mean. That is, most teams or people who are underperforming will naturally improve, without intervention, by reverting to their historical average performance. This will lead observers to come to the conclusion that the new leader is responsible for the improved performance.

So, in keeping with this attribution bias and theory, it would seem that having the appearance of being a leader is actually more important than actual accomplishments. People who aspire to leadership roles can attempt to shape the perception that they're intelligent, have outgoing personalities, are aggressive, have strong verbal skills, and so on, and they're likely to increase the probability that their managers, colleagues and employees will view them as an effective leader.

Substitutes and Neutralizers

Just as people can place too much value on the leader's contributions to the success or failure of an organization, in some situations, a leader's contribution can be completely irrelevant.

In 1978, Steven Kerr and John Jamier developed the substitutes for leadership theory suggesting that different situational factors can substitute or neutralize the effects of a leader's efforts.[1] While there were methodological issues with their findings, the study has held up and is worth considering here.

Situations that are neutralizers make it impossible for the leader behavior to make any difference to follower outcomes. Substitutes act as a replacement for leader influence. The impact of these different substitutes and neutralizers depends on

whether leadership is relationship-based or task-based.

For instance, if an individual is intrinsically satisfied in their job, this can be a substitution for the contributions of a relationship-based leader. If an organization has very explicit formalized goals and rigid rules and procedures, this can be a substitute for task-oriented leadership.

There is some application for this theory. For example, autonomous work groups have been considered a substitution for formal leadership. In autonomous work groups, employees are divided into groups that are responsible for managing their own day-to-day work, including recruiting, hiring, distribution of tasks, etc.

Self-leadership is also an application for this theory. In self-leadership, the individual controls his or her own behavior through a set of processes. The underlying assumptions behind self-leadership are that people are able to exercise initiative without the external constraints of management, rules or regulations.

This concept has increased with the popularity of teams, as empowered, self-managed teams need team members who are, themselves, self-directed.

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1. Kerr, S. and J. M. Jermier, "Substitutes for Leadership: Their Meaning and Measurement," *Organizational Behavior and Human Performance*. 1978 ↵

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19.3: Introduction to Leadership vs Management

What you'll learn to do: Describe the history, context and utility of the distinction between leadership and management

The ideas of leadership and management were developed independently and under vastly different circumstances. The concept of the "great man" was the birth of the idea of leadership, celebrating the qualities and accomplishments of men who changed the world. The idea of "management," which included the study of employee tasks to determine which methods of performance were most productive and profitable, came from a very different, more pedestrian place. Management was a means to an end. Leadership was almost godlike.

Today, there's less of a divide between "leader" and "manager." So much so, that we contemplate and argue the differences between the two functions.

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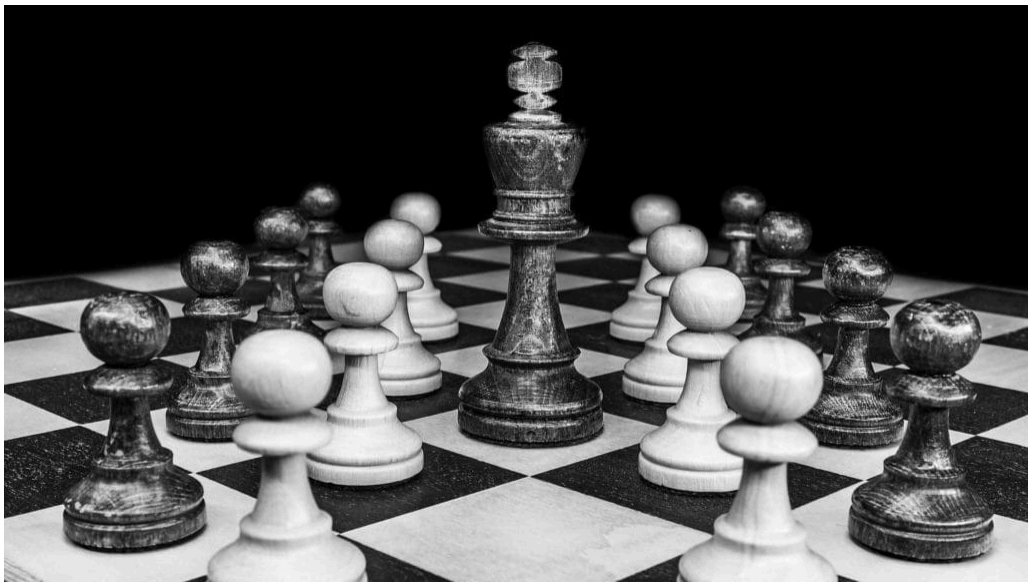
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19.4: Leader or Manager?

Learning Outcomes

- Analyze the difference between leaders and managers



We've used the word "leader" and we've used the word "manager." You may think they're interchangeable, but they aren't. They are different.

Abraham Zaleznik, Harvard Business School Professor Emeritus, was the first to write about the differences between leaders and managers. His article, "Managers and Leaders: Are They Different?" challenged the traditional view of management, which centered on organizational structure and processes.[1] Organizations, at the time, developed managers with a focus on process and control. Zaleznik argued that these same organizations were missing the opportunity to develop leaders by concentrating on this, because they were really two different types of people.

Zaleznik charged that the approach of the typical organization was omitting essential leadership elements of inspiration, vision and human passion from their concept and development of people. He went on to define a manager as someone who seeks order, control and rapid resolution of problems. A leader, he went on to say, is more like an artist, and "tolerates chaos and lack of structure." Organizations were too often not creating an environment where leaders could flourish.

In Zaleznik's view, both leaders and managers contribute to the organization. Leaders contribute by advocating change and new approaches, and do so by gaining the commitment of employees. Managers contribute by advocating stability and the status quo, exercising authority, carrying out responsibility and determining how work will get accomplished.

John Kotter, current Harvard Business School Professor Emeritus, had some additional opinions on the differences between leadership and management. In 1990, Kotter proposed that leadership and management were two distinct, yet complementary systems of action in organizations. Specifically, leadership is about coping with change, and management is about coping with complexity.

Kotter's view of the leadership process involves:

- Developing a vision for the organization
- Aligning people with that vision through communication
- Motivating people to action through empowerment and basic needs fulfillment

Conversely, Kotter's view of the management process involves:

- Planning and budgeting
- Organizing and staffing
- Controlling and problem solving

Here's an explanation of Professor Kotter's point of view from the man himself:

A link to an interactive elements can be found at the bottom of this page.

Why is it important for us to understand the difference between leaders and managers? As John Kotter indicated, it comes down to business needs. The video above, which was made in 2013, talked about the importance of leaders in a time when organizations were selecting and rewarding based on management skills. There are not, Kotter said, enough leaders to take us through these swiftly changing times, and in a time when change is the norm, it's the leader you need.

Time has gone by, and perhaps we're now putting too much emphasis on the talents of the leader and not the manager. Organizations need managers to lead and leaders to manage—certainly in hiring a manager they are given the authority to lead. Managers today need to ask themselves what kind of guidance their teams need to turn vision into reality, and that's needed at every level in the organization.

- Zaleznik proposed that managers were results driven and leaders were creative artists.
- Kotter proposed that leaders navigated change and managers navigated complexity.
- Researcher Warren Bennis said, "Managers are people who do things right, and leaders are people who do right things."

Organizations need both.

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1. Zaleznik, Abraham. "Managers and Leaders: Are They Different?" 1977. Accessed May 08, 2019 from Harvard Business Review. https://hbr.org/2004/01/managers-and-leaders-are-they-different. ↵

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19.5: Leader-Managers

Learning Objectives

- Discuss the hybrid role of leader-managers in contemporary organizations

To read articles that highlight the differences between leadership and management is to think that leadership is great and management is evil. After all, leaders inspire, and managers control. Leaders evoke passion while managers evoke obedience. Who would want to be a manager after reading things like that?

We understand now that there's a difference between the role of leader and the role of manager in an organization, and that organizations need both to function well. Leaders do provide the vision and get buy-in from employees to believe in it and execute on it. Managers provide instruction and create conformity. Having this understanding allows us to identify organizational needs around both functions, so we can shift gears to provide it.

Furthermore, we understand that people can be leaders and managers all at once. Let's take a look at this hybrid leader-manager role.

The late business management guru Peter Drucker said, "The task is to lead people. And the goal is to make productive the specific strengths and knowledge of every individual."[1] Such is the leader-manager's charge at every level in the organization.

Let's assume that you lead the financial operations of a small portion of the company. You have accounts payable and accounts receivable functions reporting to you. You, in turn, report to the company's comptroller. How do you, from your office without windows on the third floor, put Peter Drucker's advice into motion?

Have a Vision

Create momentum around your vision and the company's vision—and encourage your departments' leaders to do the same.

Perhaps your vision for the department is to be the best finance department in the company, outperforming the financial departments that support the company's other areas. Your job as leader is to tie that vision to the goals and beliefs of your employees. And, because leaders create other leaders, you encourage your accounts payable and accounts receivable managers to do the same with their smaller teams.

Explain Your Reasoning

Set examples and explain your reasoning to earn employee respect.

Employees often follow the examples of leaders who display integrity and strength in their interactions. The leader-manager often has to make unpopular decisions, and when he or she does, an explanation of the reasoning behind that decision can help the leader earn the respect of employees.

Accomplish Goals

Business people who have subordinates at almost every level will agree that inspiring others is their most important function, but most understand that accomplishing goals is the central concern of the work they're doing. Without accomplish tasks, there is no productivity, no profit. If employees are motivated and excited about the work they're doing, the leader-manager should be well on his or her way to guiding the team's accomplishments. This is where a hybrid of managerial skill and leadership traits really moves into action.

Innovate New Solutions

Obstacles and roadblocks are commonplace in the business world. Leaders embrace risk and understand that they must be taken to grow. Leaders embrace change. Managers, on the other hand, like routine and status quo, if we are to understand the assessments of researchers correctly. As a leader-manager, you will need to assess the roadblocks you see and innovate new solutions to overcome them. Some may work and some may not.

Good Boss, Bad Boss

Robert Sutton, author of the book *Good Boss, Bad Boss* and Stanford University professor, noted that Warren Bennis' statement, "The manager does things right; the leader does the right thing"[2] had some unintended negative effects on how leaders approached their work today.

In his article "True Leaders are Also Managers" for the Harvard Business Review, Sutton stated, "Some leaders now see their job as just coming up with big and vague ideas, and they treat implementing them, or even engaging in conversation and planning about the details of them, as mere 'management' work."[3]

Sutton cited some of the leaders he respected most, like Steve Jobs, Francis Ford Coppola, Anne Mulcahy because they have a remarkable ability to bounce between big picture ideas and the minuscule details that eventually contribute to the fruition of their work. On this, Sutton comments[4]

I am not rejecting the distinction between leadership and management, but I am saying that the best leaders do something that might properly be called a mix of leadership and management. At a minimum, they lead in a way that constantly takes into account the importance of management. Meanwhile, the worst senior executives use the distinction between leadership and management as an excuse to avoid the details they really have to master to see the big picture and select the right strategies.

He concluded by modifying Bennis' statement, "To do the right thing, a leader must understand what it takes to do things right." Organizations need leader-managers, people who can empower teams and guide them to their goals.

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1. "What Is the Difference Between Management and Leadership?" The Wall Street Journal. Accessed April 29, 2019. http://guides.wsj.com/management/developing-a-leadership-style/what-is-the-difference-between-management-and-leadership/. ↩
2. Ibid. ↩
3. Sutton, Robert I. "True Leaders Are Also Managers." Harvard Business Review. August 11, 2010. Accessed April 29, 2019. https://hbr.org/2010/08/true-leaders-are-also-managers. ↩
4. Ibid. ↩

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19.6: Putting It Together- Leadership

In this module, we considered all the things that a leader could be made of—the personality traits, the behaviors, and the occasions on which they are called to rise—and tried to determine how inspiring leadership happens. Are leaders born or are they made?

The answer lies in between, in a perfect storm of trait, behavior, situation, followers and style.

Organizations need both leaders and managers, and the person that holds one title will be called upon to adapt to the other. These leader-managers should be found at every level of the organization, from the senior team all the way down to the front line employee.

The organization of tomorrow needs people who do things right and do the right things.

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19.7: Discussion- Leadership

You have yet to meet with the folks in Finance at Informational Systems as part of your consulting work for Workplace Solutions Consulting, so you contact the admin for the CFO to set up a meeting. You are told that the CFO is on travel, but you could meet with the Director-level people the next day. At that meeting you get the three Directors in a conference room where they proceed to open up and share their frustrations with working with the CFO. They state that she is difficult to work for because she doesn't listen to anyone and makes all decisions without consulting them at all.

Discussion Prompt

What type of leadership is the CFO displaying? What are the benefits of this type leader? What are the limitations? Under what conditions would this type of leadership be successful?

Grading

Share your opinions below and respond to two of your classmates' thoughts.

Criteria	Not Evident	Developing	Exemplary	Points
Submit your initial response	**0 pts** No post made	**2 pts** Post is either late or off-topic	**5 pts** Post is made on time and is focused on the prompt	5 pts
Respond to at least two peers' presentations	**0 pts** No response to peers	**2 pts** Responded to only one peer	**5 pts** Responded to two peers	5 pts
			Total:	**10 pts**

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19.8: Assignment- Leadership and Management

Scenario

When you joined Workplace Solutions Consulting three years ago, you were required to participate in an intensive interview process. After going through preliminary interviews with individuals of the same rank/title and a manager-level person in your division, you then met with the Director of the Consulting division. Everyone you met thus far from the organization seemed smart, outgoing, and friendly.

Apparently the interview process had gone well as you were then scheduled to meet with company executives and officers. First, the VP of Customer Service, then the CFO, and finally the CEO of Workplace Solutions Consulting. The VP of Customer Service seemed highly meticulous in her interview questions, asking for detail behind every answer to her questions. She posed scenario questions to you regarding situations in which she was involved with tasks assigned on a daily basis.

Then you met with the CFO. He was a graduate of one of the nation's military academies (it was apparent from the office decorations and diplomas). His questions carried implication regarding your self-organization. Do you make daily lists? How do you prioritize your lists? How do you keep your calendar? He even asked to see your daily planner.

Finally it was time to meet with the CEO. After the interviews with the VP and the CFO, you could only imagine what you were getting into with the company's top leader. When you sat down with the person who had built this incredible company, imagine your surprise when he turned out to be the most pleasant, genuine, thoughtful, and enthusiastic individual you had ever met. He explained that his job as CEO was to ensure that every employee had what they needed to succeed. He told me that if you were hired, he would be working for you. You could not sign up fast enough to join his company!

Your Task

Part I

What a variety of leadership styles, roles, and traits—and all in one interview process! Which interviewer do you think you would work best with? Why do you prefer the leadership styles, roles, and traits they demonstrated?

Part II

What combination of leadership style, role, and trait would be best for the following business situations:

- A company with routine and unskilled job functions.
- A company with dangerous job functions (toxic waste handling or heavy equipment operation).
- A company preparing to disrupt an existing market with ground-breaking technology.
- A company preparing for an IPO.

Please explain your thoughts for each situation.

Grading Rubric

Criteria	Inadequate (40%)	Minimal (60%)	Adequate (80%)	Exemplary (100%)	Total Points
Organization and format	**2 pts** Writing lacks logical organization. It may show some coherence but ideas lack unity. Serious errors and generally is an unorganized format and information.	**3 pts** Writing is coherent and logically organized, using a format suitable for the material presented. Some points may be contextually misplaced and/or stray from the topic. Transitions may be evident but not used throughout the essay. Organization and format used may detract from understanding the material presented.	**4 pts** Writing is coherent and logically organized, using a format suitable for the material presented. Transitions between ideas and paragraphs create coherence. Overall unity of ideas is supported by the format and organization of the material presented.	**5 pts** Writing shows high degree of attention to details and presentation of points. Format used enhances understanding of material presented. Unity clearly leads the reader to the writer's conclusion and the format and information could be used independently.	**5 pts**
Content	**8 pts** Some but not all required questions are addressed. Content and/or terminology is not properly used or referenced. Little or no original thought is present in the writing. Concepts presented are merely restated from the source, or ideas presented do not follow the logic and reasoning presented throughout the writing.	**12 pts** All required questions are addressed but may not be addressed with thoughtful consideration and/or may not reflect proper use of content terminology or additional original thought. Additional concepts may not be present and/or may not be properly cited sources.	**16 pts** All required questions are addressed with thoughtful consideration reflecting both proper use of content terminology and additional original thought. Some additional concepts may be presented from other properly cited sources, or originated by the author following logic and reasoning they've clearly presented throughout the writing.	**20 pts** All required questions are addressed with thoughtful in-depth consideration reflecting both proper use of content terminology and additional original thought. Additional concepts are clearly presented from properly cited sources, or originated by the author following logic and reasoning they've clearly presented throughout the writing.	**20 pts**

Criteria	Inadequate (40%)	Minimal (60%)	Adequate (80%)	Exemplary (100%)	Total Points
Development—Critical Thinking	**8 pts** Shows some thinking and reasoning but most ideas are underdeveloped, unoriginal, and/or do not address the questions asked. Conclusions drawn may be unsupported, illogical or merely the author's opinion with no supporting evidence presented.	**12 pts** Content indicates thinking and reasoning applied with original thought on a few ideas, but may repeat information provided and/ or does not address all of the questions asked. The author presents no original ideas, or ideas do not follow clear logic and reasoning. The evidence presented may not support conclusions drawn.	**16 pts** Content indicates original thinking, cohesive conclusions, and developed ideas with sufficient and firm evidence. Clearly addresses all of the questions or requirements asked. The evidence presented supports conclusions drawn.	**20 pts** Content indicates synthesis of ideas, in-depth analysis and evidence beyond the questions or requirements asked. Original thought supports the topic, and is clearly a well-constructed response to the questions asked. The evidence presented makes a compelling case for any conclusions drawn.	**20 pts**
Grammar, Mechanics, Style	**2 pts** Writing contains many spelling, punctuation, and grammatical errors, making it difficult for the reader to follow ideas clearly. There may be sentence fragments and run-ons. The style of writing, tone, and use of rhetorical devices disrupts the content. Additional information may be presented but in an unsuitable style, detracting from its understanding.	**3 pts** Some spelling, punctuation, and grammatical errors are present, interrupting the reader from following the ideas presented clearly. There may be sentence fragments and run-ons. The style of writing, tone, and use of rhetorical devices may detract from the content. Additional information may be presented, but in a style of writing that does not support understanding of the content.	**4 pts** Writing is free of most spelling, punctuation, and grammatical errors, allowing the reader to follow ideas clearly. There are no sentence fragments and run-ons. The style of writing, tone, and use of rhetorical devices enhance the content. Additional information is presented in a cohesive style that supports understanding of the content.	**5 pts** Writing is free of all spelling, punctuation, and grammatical errors and written in a style that enhances the reader's ability to follow ideas clearly. There are no sentence fragments and run-ons. The style of writing, tone, and use of rhetorical devices enhance the content. Additional information is presented to encourage and enhance understanding of the content.	**5 pts**
				Total:	50 pts

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20: THE HISTORY AND THEORIES OF LEADERSHIP



Learning Outcomes

After reading this chapter, you should be able to answer these questions:

1. What is the nature of leadership and the leadership process?
2. What are the processes associated with people coming to leadership positions?
3. How do leaders influence and move their followers to action?
4. What are the trait perspectives on leadership?
5. What are the behavioral perspectives on leadership?
6. What are the situational perspectives on leadership?
7. What does the concept “substitute for leadership” mean?
8. What are the characteristics of transactional, transformational, and charismatic leadership?
9. How do different approaches and styles of leadership impact what is needed now?

20.1: Introduction to Leadership Styles and Topics
20.2: The History of Leadership
20.3: Leadership Styles
20.4: The Nature of Leadership
20.5: Trust and Leadership
20.6: The Leadership Process
20.7: Leader Emergence
20.8: Introduction to the History of Leadership Theories
20.9: Early Trait Approach
20.10: The Trait Approach to Leadership
20.11: Behavioral Approach
20.12: Behavioral Approaches to Leadership
20.13: Contingency Approach
20.14: Situational (Contingency) Approaches to Leadership
20.15: Substitutes for and Neutralizers of Leadership

20.16: Transformational, Visionary, and Charismatic Leadership
20.17: Leadership Needs in the 21st Century
20.18: Glossary
20.19: Summary Learning Outcomes
20.20: Chapter Review Questions
20.21: Management Skills Application Exercises
20.22: Managerial Decision Exercises
20.23: Critical Thinking Cases

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20.1: Introduction to Leadership Styles and Topics

What you'll learn to do: Discuss the pros and cons of leadership styles and topics.

We understand that leadership is a combination of an individual's personality traits, behaviors, and situations. But the topic of leadership goes well beyond those three measures. We have to consider a leader's style of leadership, how he or she builds relationships, and how he or she adapts to the issues and challenges that are presented in today's fast-moving environment.

In fact, is a leader even needed at all?

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20.2: The History of Leadership

Learning Objectives

- Discuss our understanding of leadership from the historical perspective

Leadership—it's the ability to influence a group toward the achievement of goals. There are some common themes among definitions of leadership that we understand without really even thinking about it:

- **Leadership is a group phenomenon.** This concept is pretty easy. Without followers, there can be no leader.
- **Leaders use influence.** Leaders need to guide people to a goal, so they need to influence and persuade.
- **Leadership is goal directed.** Without a goal to achieve, no leadership is needed.
- **Leadership assumes hierarchy.** We assume that a leader is at the top of the hierarchy and that his or her followers are aligned underneath.

A leader may be considered a leader because of a formal relationship, provided by the possession of managerial rank in an organization. Or a leader can be informal, someone who steps up and provides that guidance from within a group of people, not necessarily the person who has been given decision making authority. (As we'll discuss later in this module, not every leader is a manager and not every manager is a leader.)

Those are some fairly basic concepts about leaders and leadership. How did we arrive at what we understand about leadership today? Historically speaking, it's been quite a ride. Let's take a trip way back and take a look at how far we've come. (Note: this text will focus on the history of European and North American history, since we're addressing a largely US-based audience. There is of course, a much broader and diverse history of leaders across the world not mentioned here.)

Leadership—Historically Speaking



There are a few different varieties of King Arthur's story, one of the most prominent folklore stories from England. Most versions tell either of how Arthur became king when the Lady of the Lake gave him a sword called Excalibur, or of how he was the only one capable of pulling the sword from a stone. Either way, he was the chosen one, he possessed a certain something, and, by divine right, he became the king of Britain.

There'd be very few leaders among us today if we relied on a pulling-sword-from-stone selection process. Or, more likely, we'd watch the process unfold and then say, "Hey, nice trick, but why should I listen to you?" Concepts in leadership have changed since the sixth century.

Surely, anyone who knew the legend of King Arthur understood that it helped illustrate the concept that those who led were born and not made. Early concepts of monarchy included the element that king was a divine choice and was bound to no earthly rules. The right to rule was derived directly from the will of God. Those that were not kings were instead heroes, possessors of God-given skills that helped them achieve victory in battle. Some of these heroes were mythological, like Odysseus, descendant of the gods and hero of the Trojan War, and others, like Alexander the Great and Hannibal Barca, earned their distinction in battles won against nearly insurmountable odds, immortalized in stories retold over generations.

Plato, Plutarch, Lao-Tzu and even Machiavelli had an impact on how these rulers and heroes were defined in their instruction and shared opinions of what it meant to be a leader. Of course, they didn't use the word "leader." The word "leader" as we use it today didn't come into the English language until the 19th century.

Still, thanks to them, the "leader as hero" concept had been a clear definition for hundreds of years. In 1840, Scottish writer Thomas Carlyle stated that "the history of the world is but the biography of great men." The Great Man Theory took hold—the idea that history can be explained by the impact of great men and the decisions they made. These great men were identified by their charisma, intelligence, and wisdom. Carlyle suggested that these great men shaped history through these personal attributes and, yes, divine inspiration, too. (And since he lived in Scotland in the 1840s, there was no mention of women.)

In Carlyle's book *On Heroes, Hero-Worship and the Heroic in Society* (Carlyle, 1840), the author dove into the lives of several men he deemed "heroes," like Muhammed, Richard Wagner, Shakespeare, Martin Luther, and Napoleon. He believed that history "turned" on the decisions of these men, and encouraged others to study these heroes as a way of discovering one's own true nature.

Studies were conducted on subjects who were already leaders, often members of aristocracy that had inherited their positions. Very few people with lower status had the opportunity to lead, and this contributed to the idea that these leadership qualities were something one was born with.

This Great Man approach was pretty fashionable in the 19th century, particularly with history professors who deferred to biographies of great men to teach their subject, rather than social histories. After all, it seems as if, when we faced some of our most difficult moments in history, a man emerged to lead us successfully through it. The existence of Abraham Lincoln, Theodore Roosevelt, and others like them only seemed to prove the theory.

The Great Man Theory was a predecessor of the Early Trait Theory stage of leadership research. In the United States, we were well into the experience of the Industrial Revolution, and it was clear that leaders weren't just heroes and rulers. At the turn of the twentieth century, we were starting to understand the nuances of management and what it meant to be more strategic in leading. Could personality traits predict success in leadership?

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20.3: Leadership Styles

Learning Objectives

- Identify leadership styles

We've already talked about how personality traits, behaviors and situations (and response to those situations) affect leadership. But what about style? Every leader has their own personal approach. In fact, one might assume that there are as many leadership styles as there are leaders.

Traditional Leadership Styles

Leadership style is a leader's approach to providing direction, implementing plans, and motivating people. In 1939, psychologist Kurt Lewin and a team of researchers determined that there were three basic leadership styles: Authoritarian (Autocratic), Participative (Democratic) and Delegative (Laissez-Faire). They put these three leadership styles into action with a group of school children charged with the completion of a craft project to determine responses to the leadership styles.

Authoritarian (Autocratic) Leadership



A leader who adopts the authoritarian style dictates policy and procedure, and directs the work done by the group without looking for any meaningful input from them. The group led by an authoritarian would be expected to complete their tasks under close supervision.

Researchers found there was less creativity under an authoritarian leadership style, but the children were still productive.

While authoritarian leadership sounds stifling, it has its place: it's best applied to situations where there is little time for group decision making, or when the leader has expertise that the rest of the group does not. When authoritarian leadership strays into areas where it's not needed, it can create dysfunctional environments where followers are the "good guys" and domineering leaders the "bad guys."

Participative (Democratic) Leadership

Group members feel engaged in the decision making process when they have a participative leader. Those leaders practicing the

participative leadership style offer guidance to the group, as for their input in decision making but retain final say. Participative leaders make their group feel like they're part of a team, which creates commitment within the group.

Lewin's researchers found that the participative style of leadership yielded the most desirable results with the school children and their craft project. They weren't quite as productive as the children in the authoritarian group, but their work was a higher quality.

There are drawbacks to the participative style. If roles within the group are unclear, participative leadership can lead to communication failures. If the group is not skilled in the area in which they're making decisions, poor decisions could be the result.

Delegative (Laissez-Faire) Leadership

Leaders practicing the delegative leadership style are very hands-off. They offer little or no guidance to their group and leave decision making up to the group. A delegative leader will provide the necessary tools and resources to complete a project and will take responsibility for the group's decisions and actions, but power is basically handed over to the group.

Lewin and his team found that the group of children trying to complete the craft project under the delegative leader were the least productive. They also made more demands of their leader, were unable to work independently and showed little cooperation.

The delegative style is particularly appropriate for a group of highly skilled workers, and creative teams often value this kind of freedom. On the other hand, this style does not work well for a group that lacks the needed skills, motivation or adherence to deadlines, and that can lead to poor performance.

As you might have guessed, further research has yielded more leadership styles than the original three that Lewin and his team identified in 1939. Still, Lewin's studies were influential in establishing a starting point for this kind of research. Let's take a look at some additional leadership styles proposed by researchers since Lewin developed his original framework.

Transactional Leadership

Transactional leadership is a set of activities that involve an exchange between followers and leader and deal with daily tasks (Bass, 1990). Transactional leadership deals with those day-to-day tasks that get the job done. The majority of models we talked about in the last section—Fiedler's Contingency Theory, Path-Goal among them—are based on the concept of this exchange between leaders and followers. The leader provides followers with direction, resources and rewards in exchange for productivity and task accomplishment.

Charismatic Leadership



Charismatic leaders don't doubt their own decisions, they move forward unwaveringly and believe that the decisions they make are the correct ones. They move through a crowd of their followers shaking hands and lending an encouraging word. They are undeniably clear on their expectations and where they see the company going. They have mastered the art of developing images for themselves that others want to emulate. Charismatic leaders have four common personality traits (Conger, Kanungo, 1998):

- High degree of confidence and lack of internal conflict
- High energy and enthusiasm
- Good communication skills
- Good image and role model

The relationship between charismatic leader and followers is an emotional one (this can sometimes go awry—just think about the relationship between the leaders and followers in a cult). In order for a charismatic leader to be effective, the situation has to be right. There are four situations required for a charismatic leader to have success:

- Organization is in a time of crisis or stress.
- Organization is in need of change.
- There is opportunity for the organization to have new goals or direction.
- Availability of dramatic symbols (like the CEO taking a pay cut or donating his salary to charity)

Culturally speaking, those cultures with a tradition of prophetic salvation (e.g., Christianity, Islam) are more welcoming of the charismatic leader, while cultures without prophetic tradition are less likely to embrace them.

In spite of a limited amount of scientific study where charismatic leaders are concerned, researchers agree there are applications and lessons to be learned out of this type of leadership. Leaders should have belief in their own actions. They should seek to develop bonds with their followers. And they must be able to communicate their messages clearly.

Transformational Leadership

Transformational leadership takes a chapter out of the book of charismatic leadership. (Bass, 1990) Followers admire and are inspired to act. But the transformational leadership concept takes that one step further and expects intellectual stimulation from a leader, as well as individual consideration, in which a leader singles out followers and provides them with additional motivation.

Transformational leaders motivate and teach with a shared vision of the future. They communicate well. They inspire their group because they expect the best from everyone and hold themselves accountable as well. Transformational leaders usually exhibit the following traits:

- Integrity
- Self-awareness
- Authenticity
- Empathy

Measuring a leader's ability to inspire and enable is a challenge, so researchers rely on anecdotes to supply data. This makes scientific study difficult. And even though this theory emphasize leadership behavior, it's difficult to determine how a leader can learn to be charismatic and transformational.

Servant Leadership

If you've read up on the Southwest Airlines organization, then you already understand the concept of servant leadership – they profess to practice it daily. A "servant leader" is someone, regardless of their level on the corporate hierarchy, who leads by meeting the needs of the team. (Greenleaf, 1970)

Values are important in the world of servant leadership, and those that lead within this network do so with generosity of spirit. Servant leaders can achieve power because of their ideals and ethics.

Try It

There are many more leadership styles out there to be studied. Daniel Goleman, et. al., has written extensively about the concept of emotional intelligence in business, and he and his team review six emotional leadership styles in their book *Primal Leadership*. Flamholtz and Randle proposed a leadership style matrix in 2007 which measures the quality of people on a team versus the quality of the task to determine which leadership style is most appropriate.

By understanding various frameworks of leadership and how they work, those who are stepping up to lead can develop their own approaches to leadership and be more effective.

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20.4: The Nature of Leadership

EXPLORING MANAGERIAL CAREERS

John Arroyo: Springfield Sea Lions

John Arroyo is thrilled with his new position as general manager of the Springfield Sea Lions, a minor league baseball team in. Arroyo has been a baseball fan all of his life, and now his diligent work and his degree in sports management are paying off.

Arroyo knew he had a hard act to follow. The general manager whom John replaced, "T.J." Grevin, was a much-loved old-timer who had been with the Sea Lions since their inception 14 years ago. John knew it would be difficult for whoever followed T.J., but he didn't realize how ostracized and powerless he would feel. He tried a pep talk: "I'm the general manager—the CEO of this ball club! In time, the staff *will* respect me." [Not a very good pep talk!]

After his first season ends, Arroyo is discouraged. Ticket and concession sales are down, and some long- time employees are rumored to be thinking about leaving. If John doesn't turn things around, he knows his tenure with the Sea Lions will be short.

Questions: Is John correct in assuming that the staff will learn to respect him in time? What can John do to earn the loyalty of his staff and improve the ball club's performance?

Outcomes: During the winter, John thinks long and hard about how he can earn the respect of the Sea Lions staff. Before the next season opener, John announces his plan: "So I can better understand what your day is like, I'm going to spend one day in each of your shoes. I'm trading places with each of you. I will be a ticket taker, a roving hot dog vendor, and a janitor. And I will be a marketer, and an accountant—for a day. You in turn will have the day off so you can enjoy the game from the general manager's box." The staff laughs and whistles appreciatively. Then the Springfield mascot, Sparky the Sea Lion, speaks up: "Hey Mr. Arroyo, are you going to spend a day in my flippers?" "You bet!" says John, laughing. The entire staff cheers.

John continues. "At the close of the season, we will honor a staff member with the T.J. Grevin Award for outstanding contributions to the Sea Lions organization. T.J. was such a great guy, it's only right that we honor him." The meeting ends, but John's staff linger to tell him how excited they are about his ideas. Amidst the handshakes, he hopes that this year may be the best year yet for the Sea Lions.

Sarah Elizabeth Roisland is the manager of a district claims office for a large insurance company. Fourteen people work for her. The results of a recent attitude survey indicate that her employees have extremely high job satisfaction and motivation. Conflict is rare in Sarah's office. Furthermore, productivity measures place her group among the most productive in the entire company. Her success has brought the company's vice president of human resources to her office in an attempt to discover the secret to her success. Sarah's peers, superiors, and workers all give the same answer: she is more than a good manager—she is an outstanding leader. She continually gets high performance from her employees and does so in such a way that they enjoy working for her.

There is no magic formula for becoming a good leader. There are, however, many identifiable reasons why some people are better and more effective leaders. Leaders, especially effective leaders, are not created by simply attending a one-day leadership workshop. Yet effective leadership skills are not something most people are born with. You can become an effective leader if you are willing to invest the time and energy to develop all of the "right stuff."

According to Louise Axon, director of content strategy, and her colleagues at Harvard Business Publishing, in seeking management talent, *leadership* is an urgently needed quality in all managerial roles.[1] Good leaders and good leadership are rare. Harvard management professor John P. Kotter notes that "there is a leadership crisis in the U.S. today, "[2] and the late USC Professor Warren Bennis states that many of our organizations are overmanaged and underled.[3]

1. What is the nature of leadership and the leadership process?

The many definitions of leadership each have a different emphasis. Some definitions consider leadership an act or behavior, such as initiating structure so group members know how to complete a task. Others consider a leader to be the center or nucleus of group activity, an instrument of goal achievement who has a certain personality, a form of persuasion and power, and the art of inducing compliance.[4] Some look at leadership in terms of the management of group processes. In this view, a good leader develops a vision for the group, communicates that vision,[5] orchestrates the group's energy and activity toward goal attainment, "[turns] a group of individuals into a team," and "[transforms] good intentions into positive actions."[6]

Leadership is frequently defined as a social (interpersonal) influence relationship between two or more persons who depend on each other to attain certain mutual goals in a group situation.[7] Effective leadership helps individuals and groups achieve their goals by focusing on the group's *maintenance needs* (the need for individuals to fit and work together by having, for example, shared norms) and *task needs* (the need for the group to make progress toward attaining the goal that brought them together).



Exhibit 12.2 Joe Madden at pitcher mound Joe Maddon, manager of the Chicago Cubs baseball team, is lauded for both his managerial and leadership skills. Maddon is a role model for managers competing in the business world. Managers can learn and profit from the Cubs skipper's philosophy of instilling an upbeat attitude with the team, staying loose but staying productive, and avoiding being the center of attention.

Leader versus Manager

The two dual concepts, leader and manager, leadership and management, are not interchangeable, nor are they redundant. The differences between the two can, however, be confusing. In many instances, to be a good manager one needs to be an effective leader. Many CEOs have been hired in the hope that their leadership skills, their ability to formulate a vision and get others to "buy into" that vision, will propel the organization forward. In addition, effective leadership often necessitates the ability to manage—to set goals; plan, devise, and implement strategy; make decisions and solve problems; and organize and control. For our purposes, the two sets of concepts can be contrasted in several ways.

First, we define the two concepts differently. In Management and Organizational Behavior, we defined management as a process consisting of planning, organizing, directing, and controlling. Here we define leadership as a social (interpersonal) influence relationship between two or more people who are dependent on each another for goal attainment.

Second, managers and leaders are commonly differentiated in terms of the processes through which they initially come to their position. Managers are generally appointed to their role. Even though many organizations appoint people to positions of leadership, leadership per se is a relationship that revolves around the followers' acceptance or rejection of the leader.[8] Thus, leaders often emerge out of events that unfold among members of a group.

Third, managers and leaders often differ in terms of the types and sources of the power they exercise. Managers commonly derive their power from the larger organization. Virtually all organizations legitimize the use of certain "carrots and sticks" (rewards and punishments) as ways of securing the compliance of their employees. In other words, by virtue of the position that a manager

occupies (president, vice president, department head, supervisor), certain “rights to act” (schedule production, contract to sell a product, hire and fire) accompany the position and its place within the hierarchy of authority. Leaders can also secure power and the ability to exercise influence using carrots and sticks; however, it is much more common for leaders to derive power from followers’ perception of their knowledge (expertise), their personality and attractiveness, and the working relationship that has developed between leaders and followers.

From the perspective of those who are under the leader’s and manager’s influence, the motivation to comply often has a different base. The subordinate to a manager frequently complies because of the role authority of the manager, and because of the carrots and sticks that managers have at their disposal. The followers of a leader comply because they want to. Thus, leaders motivate primarily through intrinsic processes, while managers motivate primarily through extrinsic processes.

Finally, it is important to note that while managers may be successful in directing and supervising their subordinates, they often succeed or fail because of their ability or inability to lead.[9] As noted above, effective leadership often calls for the ability to manage, and effective management often requires leadership.

concept check

- What is the nature of leadership and the leadership process?

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20.5: Trust and Leadership

Learning Objectives

- Understanding trust as an element of successful leadership

The leader who does not establish trust will have no followers. Trust is the primary attribute associated with leadership, and trust that is broken can have an adverse effect on a group's performance. People are unlikely to follow someone they think is dishonest, or someone they think will take advantage of them. Conversely, when followers trust a leader, they're willing to be vulnerable to the leader's actions.

What Is Trust?



What is trust? Trust is a positive expectation that another individual will not act opportunistically at another's expense. Trust is dependent on history, based on relevant but limited samples of experience. Trust involves five key dimensions:

- **Integrity:** the honesty and integrity of the individual.
- **Competence:** the knowledge and ability of the individual.
- **Consistency:** the reliability of the individual.
- **Loyalty:** the willingness of the individual to protect the interests of another.
- **Openness:** the individual's willingness to be forthcoming with others.

In today's world of business, there are plenty of reasons for trust to be deteriorating. Wells Fargo took advantage of sales teams and, with them, their own customers, and their predatory behavior was called onto the carpet in front of Congress. Volkswagen's faked emissions testing cost their business customers and international relations. Facebook has been taken to task for lax security measures around users' personal information, and the lack of checks and balances in their advertising policies may have influenced our country's presidential election.

Whether trust is lost between a leader and a follower, or a customer and a company, it costs the organization money.

Types of Trust

There are three types of trust in organizational relationships.

- **Deterrence-based trust.** Perhaps the most fragile of all the types of trust, deterrence-based trust is based on the fear of reprisal if trust is violated. A new employee might extend deterrence-based trust to his or her new manager, understanding that there is limited experience on which to base any other trust. The potentially harmed party must be willing to introduce harm in return if the trust is violated. "I am willing to speak poorly of you if you do the same to me," is an example of that.
- **Knowledge-based trust.** This trust is the most common, and it's based on the behavioral predictability that comes from a history of interaction. Even when an individual can predict that another individual will be unpredictable or untrustworthy, knowledge-based trust can still exist. "I know enough to know he won't show up on time and he won't bring the pizza," is what one might say in a knowledge-based trust situation.
- **Identification-based trust.** This is the highest level of trust achieved between two individuals, because it's an emotional connection between them. This trust is based on a mutual understanding of each other's intentions and appreciation of the other's wants and desires. A happily married couple exercises identification-based trust, as well as two people in an organization who have worked together for a long period of time.

Principles of Trust

Where an organization is concerned, there are some basic trust principles that leaders should keep in mind:

- **Growth can mask mistrust.** In a time of organizational growth, leaders enjoy rapid promotions and increased power and responsibility. Leaders who don't plan to be with an organization for very long can take shortcuts and leave issues of mistrust for their successors to handle.
- **Decline tests the highest levels of trust.** There's nothing like a string of layoffs or an episode of corporate downsizing to erode even strong levels of trust.
- **Trust increases cohesion.** Group members who display trust in each other will work together and exert high levels of effort to achieve goals. Mistrusting groups should expect the exact opposite.
- **Mistrust generally reduces productivity.** While trust doesn't necessarily increase productivity, mistrust almost always decreases it. Mistrust forces group members to focus on individual differences, which makes it hard to visualize any common goals.

In a 2016 survey done by Price Waterhouse Cooper, they reported that 55% of CEOs think a lack of trust is the biggest threat to their business. Certainly , companies whose employees consider them "high trust" are experiencing a lot of advantages: their employees report 74% less stress, 106% more energy at work, 50% higher productivity, 13% fewer sick days, 76% more engagement, 29% more satisfaction with their lives, 40% less burnout.[1]

Be trustworthy.

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1. Zak, Paul J. "The Neuroscience of Trust." Harvard Business Review. January/February 2017. Accessed April 29, 2019. https://hbr.org/2017/01/the-neuroscience-of-trust. ↵

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20.6: The Leadership Process

2. What are the processes associated with people coming to leadership positions?

Leadership is a process, a complex and dynamic exchange relationship built over time between leader and follower and between leader and the group of followers who depend on each other to attain a mutually desired goal.[10] There are several key components to this "working relationship": the leader, the followers, the context (situation), the leadership process per se, and the consequences (outcomes) (see **Exhibit 12.3**).[11] Across time, each component interacts with and influences the other components, and whatever consequences (such as leader-follower trust) are created influence future interactions. As any one of the components changes, so too will leadership.[12]

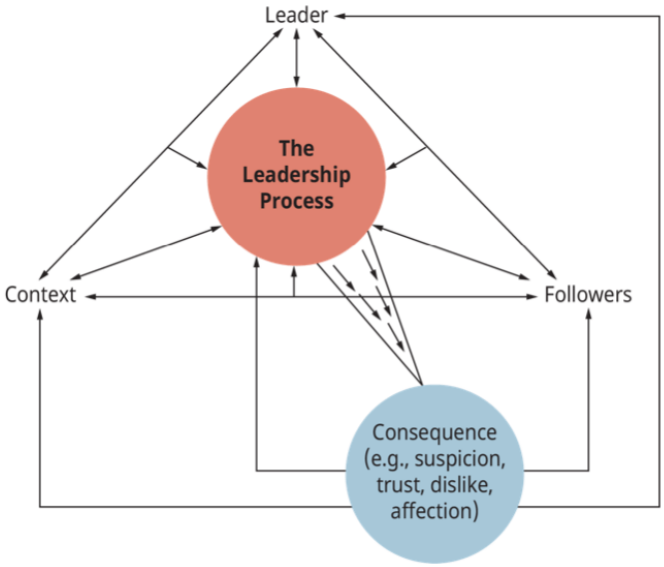


Exhibit 12.3 The Leadership Process (Attribution: Copyright Rice University, OpenStax, under CC-BY 4.0 license)

The Leader

Leaders are people who take charge of or guide the activities of others. They are often seen as the focus or orchestrater of group activity, the people who set the tone of the group so that it can move forward to attain its goals. Leaders provide the group with what is required to fulfill its maintenance and task-related needs. (Later in the chapter, we will return to the “leader as a person” as part of our discussion of the trait approach to leadership.)



Exhibit 12.4 New York Philharmonic @ UN The New York Philharmonic, conducted by Music Director Alan Gilbert, paid special tribute in the General Assembly Hall to UN Secretary-General Ban Ki-moon as a tribute to his 10-year term. Gilbert is the formal leader of the New York Philharmonic.

The Follower

The follower is not a passive player in the leadership process. Edwin Hollander, after many years of studying leadership, suggested that the follower is the most critical factor in any leadership event.[13] It is, after all, the follower who perceives the situation and comes to define the needs that the leader must fulfill. In addition, it is the follower who either rejects leadership or accepts acts of leadership by surrendering his power to the leader to diminish task uncertainty, to define and manage the meaning of the situation to the follower, and to orchestrate the follower's action in pursuit of goal attainment.

The follower's personality and readiness to follow determine the style of leadership that will be most effective. For example, individuals with an internal locus of control are much more responsive to participative styles of leadership than individuals with an external locus of control.[14] Individuals with an authoritarian personality are highly receptive to the effectiveness of directive acts of leadership.[15] It is the followers' expectations, as well as their performance-based needs, that determine what a leader must do in order to be effective.

The strength of the follower's self-concept has also been linked to the leadership process. High-self-esteem individuals tend to have a strong sense of self-efficacy, that is, a generalized belief they can be successful in difficult situations. They therefore tend to be strongly motivated to perform and persist in the face of adversity.[16] The high-self-esteem follower tends to be responsive to participative styles of leadership. Low-self-esteem individuals, who doubt their competence and worthiness and their ability to succeed in difficult situations, function better with supportive forms of leadership. This helps them deal with the stress, frustration, and anxiety that often emerge with difficult tasks. Followers without a readiness to follow, limited by their inability to perform and lack of motivation and commitment, usually need more directive forms of leadership.[17]

Follower behavior plays a major role in determining what behaviors leaders engage in. For example, followers who perform at high levels tend to cause their leaders to be considerate in their treatment and to play a less directive role. Followers who are poor performers, on the other hand, tend to cause their leaders to be less warm toward them and to be more directive and controlling in their leadership style.[18]

The Context

Situations make demands on a group and its members, and not all situations are the same. Context refers to the situation that surrounds the leader and the followers. Situations are multidimensional. We discuss the context as it pertains to leadership in greater detail later in this chapter, but for now let's look at it in terms of the task and task environment that confront the group. Is the task structured or unstructured? Are the goals of the group clear or ambiguous? Is there agreement or disagreement about goals? Is there a body of knowledge that can guide task performance? Is the task boring? Frustrating? Intrinsically satisfying? Is the environment complex or simple, stable or unstable? These factors create different contexts within which leadership unfolds, and each factor places a different set of needs and demands on the leader and on the followers.

The Process

The process of leadership is separate and distinct from the leader (the person who occupies a central role in the group). The process is a complex, interactive, and dynamic working relationship between leader and followers. This working relationship, built over time, is directed toward fulfilling the group's maintenance and task needs. Part of the process consists of an exchange relationship between the leader and follower. The leader provides a resource directed toward fulfilling the group's needs, and the group gives compliance, recognition, and esteem to the leader. To the extent that leadership is the exercise of influence, part of the leadership process is captured by the surrender of power by the followers and the exercise of influence over the followers by the leader.[19] Thus, the leader influences the followers and the followers influence the leader, the context influences the leader and the followers, and both leader and followers influence the context.

The Consequences

A number of outcomes or consequences of the leadership process unfold between leader, follower, and situation. At the group level, two outcomes are important:

- Have the group's maintenance needs been fulfilled? That is, do members of the group like and get along with one another, do they have a shared set of norms and values, and have they developed a good working relationship? Have individuals' needs been fulfilled as reflected in attendance, motivation, performance, satisfaction, citizenship, trust, and maintenance of the group membership?
- Have the group's task needs been met? That is, there are also important consequences of the leadership process for individuals: attendance, motivation, performance, satisfaction, citizenship, trust, and maintenance of their group membership.

The leader-member exchange (LMX) theory of the leadership process focuses attention on consequences associated with the leadership process. The theory views leadership as consisting of a number of dyadic relationships linking the leader with a follower. A leader-follower relationship tends to develop quickly and remains relatively stable over time. The quality of the relationship is reflected by the degree of mutual trust, loyalty, support, respect, and obligation. High- and low-quality relationships between a leader and each of his followers produce in and out groups among the followers. Members of the in group come to be key players, and high-quality exchange relationships tend to be associated with higher levels of performance, commitment, and satisfaction than are low-quality exchange relationships.[20] Attitudinal similarity and extroversion appear to be associated with a high-quality leader-member relationship.[21]

The nature of the leadership process varies substantially depending on the leader, the followers, and the situation and context. Thus, leadership is the function of an interaction between the leader, the follower, and the context.

The leadership context for the leader of a group of assembly line production workers differs from the context for the leader of a self-managing production team and from the context confronted by the lead scientists in a research laboratory. The leadership tactics that work in the first context might fail miserably in the latter two.

catching the entrepreneurial spirit

How a Start-Up Finds the Right Leader

Start-ups, by their very nature, require innovation to bring new products and services to market. Along with establishing a new brand or product, the leader has to develop the relationships and processes that make a company succeed, or risk its early demise. While leading an established firm has its challenges, a start-up requires even more from a leader.

How critical is leadership to a start-up? Ask the four cofounders of the now-defunct PYP (Pretty Young Professionals), a website founded as a source of information for young professional women. What began as four young professional women working on a new start-up ended with hurt feelings and threats of legal action. In 2010, Kathryn Minshew, Amanda Pouchot, Caroline Ghosn, and Alex Cavoulacos decided to create the website and Minshew was named CEO (Cohan 2011a). Lines blurred about Minshew's authority and the ultimate look, feel, and direction of the website. Ideals about shared leadership, where the company was going, and how it was going to get there ultimately got lost in the power shuffle. By June 2011, passwords were changed and legal actions began, and in August Minshew and Cavoulacos left altogether (Cohan 2011b).

When the legal haggling from PYP was over, Alex Cavoulacos and Kathryn Minshew, joined by Melissa McCreery, tried again. But this time, rather than hoping for the best, they put a leadership plan in place. Minshew was named CEO of the new start-up, The Daily Muse, with Cavoulacos as chief operating officer and McCreery as editor in chief. Rather than trusting to luck, the three cofounders based their team positions on strengths and personalities. Cavoulacos and McCreery agreed that Minshew's outgoing personality and confidence made her the proper choice as CEO (Casserly 2013).

No single trait will guarantee that a person can lead a start-up from idea to greatness, but a survey of successful entrepreneurs does show some common traits. According to David Barbash, a partner at Boston-based law firm Posternak Blankstein & Lund LLP, personality is paramount: "You can have great technology but if you're not a great communicator it may die in the lab" (Casserly 2013 n.p.). A start-up needs a leader who is confident and willing, if not eager, to face the future. According to Michelle Randall, a principal of Enriching Leadership International, start-up CEOs have to be willing to fundraise and not be too proud to beg (Casserly 2013). Peter Shankman, an entrepreneur and angel investor, says leaders have to be willing to make the hard decisions, even risking being the bad guy (Casserly 2013).

Gary Vaynerchuk credits his success to six factors. Angel investor, social media marketer, and early social media adopter, Vaynerchuk leveraged YouTube in its early years to market wine from the family's liquor store, eventually increasing sales from $3 million to $60 million a year (Clifford 2017). Gary believes good leaders recognize that they don't dictate to the market, but rather respond to where it is going. They have respect for and believe in other people, and have a strong work ethic, what Vaynerchuk called a "lunch pail work ethic": they are willing to put in long hours because they love the work, not the perks. He also stresses that he loves technology and doesn't fear it, is obsessed with the youth of today, and is optimistic about people and the future of humanity (Vaynerchuk 2017).

Leading a startup requires more than simple management. It requires the right leader for the right company at the right time, which means matching the right management skills with the proper flexibility and drive to keep it all together and moving in the right direction.

1. Why would start-up leaders need different leadership qualities than someone managing an established firm?
2. Vaynerchuk has been quoted as saying that if you live for Friday, get a different job. How does this apply to successful entrepreneurs?

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concept check

- What are the processes associated with people coming to leadership positions?

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20.7: Leader Emergence

3. How do leaders influence and move their followers to action?

Leaders hold a unique position in their groups, exercising influence and providing direction. Leonard Bernstein was part of the symphony, but his role as the New York Philharmonic conductor differed dramatically from that of the other symphony members. Besides conducting the orchestra, he created a vision for the symphony. In this capacity, leadership can be seen as a differentiated role and the nucleus of group activity.

Organizations have two kinds of leaders: formal and informal. A **formal leader** is that individual who is recognized by those outside the group as the official leader of the group. Often, the formal leader is appointed by the organization to serve in a formal capacity as an agent of the organization. Jack Welch was the formal leader of General Electric, and Leonard Bernstein was the formal leader of the symphony. Practically all managers act as formal leaders as part of their assigned role. Organizations that use self-managed work teams allow members of the team to select the individual who will serve as their team leader. When this person's role is sanctioned by the formal organization, these team leaders become formal leaders. Increasingly, leaders in organizations will be those who "best sell" their ideas on how to complete a project—persuasiveness and inspiration are important ingredients in the leadership equation, especially in high-involvement organizations.[22]

Informal leaders, by contrast, are not assigned by the organization. The **informal leader** is that individual whom members of the group acknowledge as their leader. Athletic teams often have informal leaders, individuals who exert considerable influence on team members even though they hold no official, formal leadership position. In fact, most work groups contain at least one informal leader. Just like formal leaders, informal leaders can benefit or harm an organization depending on whether their influence encourages group members to behave consistently with organizational goals.

As we have noted, the terms *leader* and *manager* are not synonymous. Grace Hopper, retired U.S. Navy admiral, draws a distinction between leading and managing: "You don't manage people, you manage *things*. You lead *people*."[23] Informal leaders often have considerable leverage over their colleagues. Traditionally, the roles of informal leaders have not included the total set of management responsibilities because an informal leader does not always exercise the functions of planning, organizing, directing, and controlling. However, high-involvement organizations frequently encourage their formal and informal leaders to exercise the full set of management roles. Many consider such actions necessary for self-managing work teams to succeed. Informal leaders are acknowledged by the group, and the group willingly responds to their leadership.

Paths to Leadership

People come to leadership positions through two dynamics. In many instances, people are put into positions of leadership by forces outside the group. University-based ROTC programs and military academies (like West Point) formally groom people to be leaders. We refer to this person as the **designated leader** (in this instance the designated and formal leader are the same person). **Emergent leaders**, on the other hand, arise from the dynamics and processes that unfold within and among a group of individuals as they endeavor to achieve a collective goal.

A variety of processes help us understand how leaders emerge. Gerald Salancik and Jeffrey Pfeffer observe that power to influence others flows to those individuals who possess the critical and scarce resources (often knowledge and expertise) that a group needs to overcome a major problem.24 They note that the dominant coalition and leadership in American corporations during the 1950s was among engineers, because organizations were engaged in competition based on product design. The power base in many organizations shifted to marketing as competition became a game of advertising aimed at differentiating products in the consumer's mind. About 10–15 years ago, power and leadership once again shifted, this time to people with finance and legal backgrounds, because the critical contingencies facing many organizations were mergers, acquisitions, hostile takeovers, and creative financing. Thus, Salancik and Pfeffer reason that power and thus leadership flow to those individuals who have the ability to help an organization or group [overcome its critical contingencies]. As the challenges facing a group change, so too may the flow of power and leadership.

Many leaders emerge out of the needs of the situation. Different situations call for different configurations of knowledge, skills, and abilities. A group often turns to the member who possesses the knowledge, skills, and abilities that the group requires to achieve its goals.[25] People surrender their power to individuals whom they believe will make meaningful contributions to attaining

group goals.[26] The individual to whom power is surrendered is often a member of the group who is in good standing. As a result of this member's contributions to the group's goals, he has accumulated *idiosyncrasy credits* (a form of competency-based status). These credits give the individual a status that allows him to influence the direction that the group takes as it works to achieve its goals.[27]

It is important to recognize that the traits possessed by certain individuals contribute significantly to their emergence as leaders. Research indicates that people are unlikely to follow individuals who, for example, do not display drive, self-confidence, knowledge of the situation, honesty, and integrity.

Leadership as an Exercise of Influence

As we have noted, leadership is the exercise of influence over those who depend on one another for attaining a mutual goal in a group setting. But *how* do leaders effectively exercise this influence? *Social or (interpersonal) influence* is one's ability to effect a change in the motivation, attitudes, and/or behaviors of others. *Power*, then, essentially answers the "how" question: How do leaders influence their followers? The answer often is that a leader's social influence is the source of his power.

French and Raven provide us with a useful typology that identifies the sources and types of power that may be at the disposal of leaders:

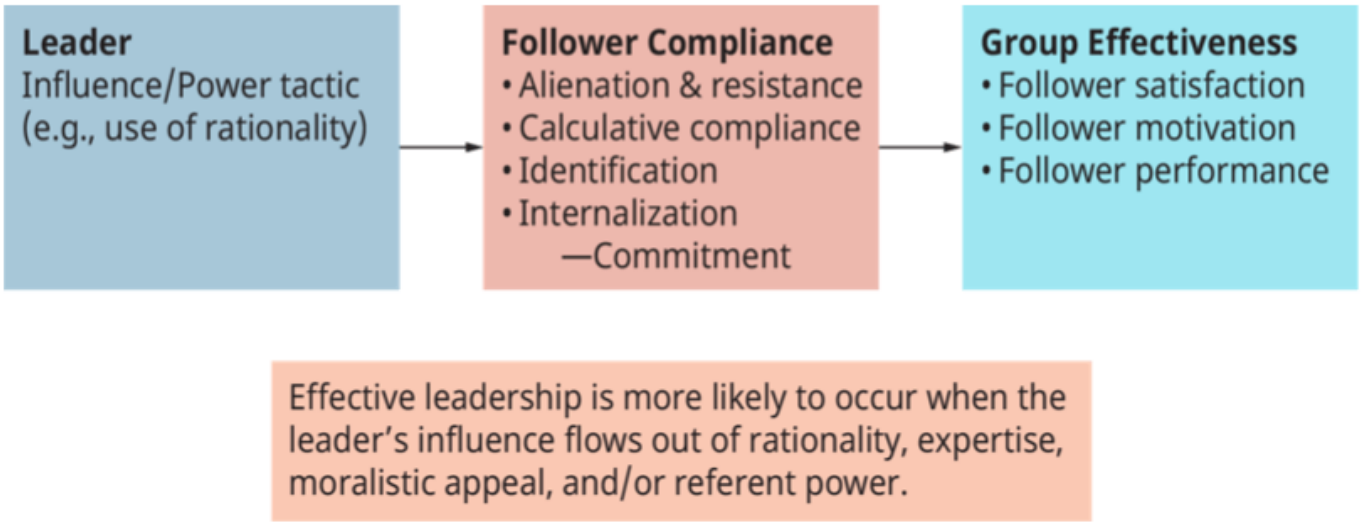
- *Reward power*—the power a person has because people believe that he can bestow rewards or outcomes, such as money or recognition that others desire
- *Coercive power*—the power a person has because people believe that he can punish them by inflicting pain or by withholding or taking away something that they value
- *Referent power*—the power a person has because others want to associate with or be accepted by him
- *Expert power*—the power a person has because others believe that he has and is willing to share expert

  knowledge that they need (The concept of *resource power* extends the idea of expert power to include the power that a person has because others believe that he possesses and is willing to share resources, such as information, time, or materials that are needed.)

- *Legitimate power*—the power a person has because others believe that he possesses the "right" to

  influence them and that they ought to obey. This right can originate in tradition; in the charisma or appeal of the person; and in laws, institutional roles within society, moralistic appeal, and rationality (that is, logical arguments, factual evidence, reason, and internally consistent positions).[28]

Not all forms of power are equally effective (see **Exhibit 12.5**), nor is a leader's total power base the simple sum of the powers at his disposal. Different types of power elicit different forms of compliance: Leaders who rely on coercive power often alienate followers who resist their influence attempts. Leaders who rely on reward power develop followers who are very measured in their responses to [what?]; the use of rewards often leads people to think in terms of "How much am I getting?" or "How much should I give?" or "Am I breaking even?" The use of referent power produces identification with the leader and his cause. The use of rationality, expert power, and/or moralistic appeal generally elicits commitment and the internalization of the leader's goals.[29]



0. **Exhibit 12.5 The Leader-Follower Power Relationship**

Leaders who use referent and expert power commonly experience a favorable response in terms of follower satisfaction and performance. Research suggests that rationality is the most effective influence tactic in terms of its impact on follower commitment, motivation, performance, satisfaction, and group effectiveness.[30]

Reward and legitimate power (that is, relying on one's position to influence others) produce inconsistent results. Sometimes these powers lead to follower performance and satisfaction, yet they also sometimes fail. Coercive power can result in favorable performance, yet follower and resistance dissatisfaction are not uncommon.

Good leaders, whether formal or informal, develop many sources of power. Leaders who rely solely on their legitimate power and authority seldom generate the influence necessary to help their organization and its members succeed. In the process of building their power base, effective leaders have discovered that the use of coercive power tends to dilute the effectiveness of other powers, while the development and use of referent power tends to magnify the effectiveness of other forms of power. A compliment or reward from a person we like generally has greater value than one from someone we dislike, and punishment from someone we love (such as "tough love" from a parent) is less offensive than the pain inflicted by someone we dislike.[31]

In sum, one key to effective leadership, especially as it pertains to the exercise of social and interpersonal influence, relates to the type of power employed by the leader. Overall leader effectiveness will be higher when people follow because they want to follow. This is much more likely to happen when the leader's influence flows out of intrinsic such as rationality, expertise, moralistic appeal, and/or referent power.

Leadership is also about having a vision and communicating that vision to others in such a way that it provides meaning for the follower.[32] Language, ritual, drama, myths, symbolic constructions, and stories are some of the tools leaders use to capture the attention of their "followers to be" to evoke emotion and to manage the meaning "of the task (challenges) facing the group."[33] These tools help the leader influence the attitudes, motivation, and behavior of their followers.

The Tannenbaum and Schmidt Continuum

In the 1950s, Tannenbaum and Schmidt created a continuum (see **Exhibit 12.6**) along which leadership styles range from authoritarian to extremely high levels of worker freedom.34 Subsequent to Tannenbaum and Schmidt's work, researchers adapted the continuum by categorizing leader power styles as *autocratic* (boss-centered), *participative* (workers are consulted and involved), or *free-rein* (members are assigned the decide on their own how to do it; the leader relinquishes the active assumption of the role of leadership).

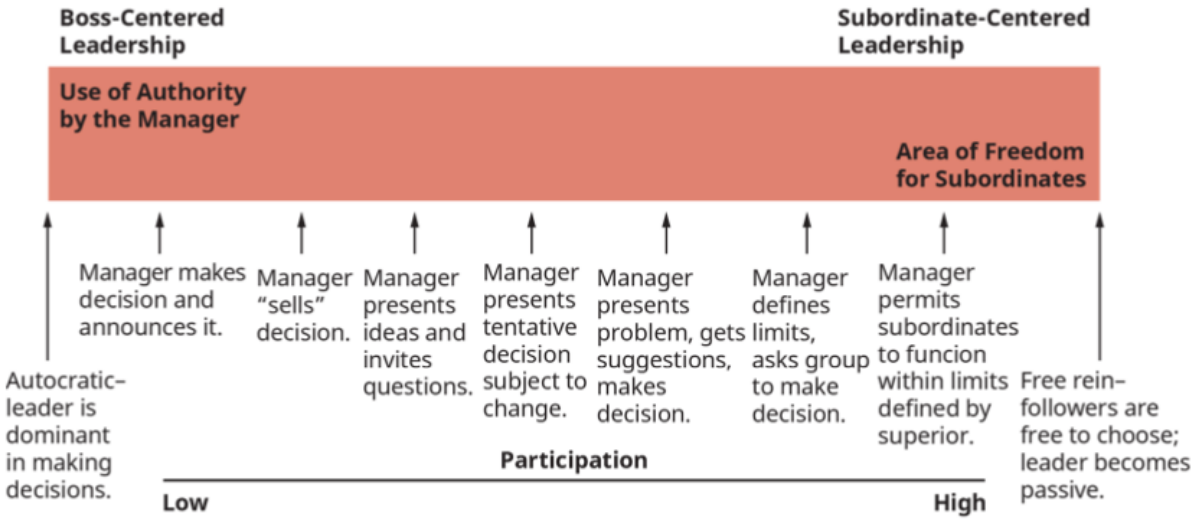


Exhibit 12.6 Tannenbaum and Schmidt's Leadership Continuum *Source:* Modified from R. Tannenbaum and W. H. Schmidt. May—June 1971. How to choose a leadership pattern. *Harvard Business Review*, 167.

Theory X and Theory Y Leaders

McGregor's Theory X and Theory Y posits two different sets of attitudes about the individual as an organizational member.[36] Theory X and Y thinking gives rise to two different styles of leadership. The **Theory X leader** assumes that the average individual dislikes work and is incapable of exercising adequate self-direction and self-control. As a consequence, they exert a highly controlling leadership style. In contrast, *Theory Y leaders* believe that people have creative capacities, as well as both the ability and desire to exercise self-direction and self-control. They typically allow organizational members significant amounts of discretion in their jobs and encourage them to participate in departmental and organizational decision-making. Theory Y leaders are much more likely to adopt involvement-oriented approaches to leadership and organically designed organizations for their leadership group.

Theory X and Theory Y thinking and leadership are not strictly an American phenomenon. Evidence suggests that managers from different parts of the global community commonly hold the same view. A study of 3,600 managers from 14 countries reveals that most of them held assumptions about human nature that could best be classified as Theory X.[37] Even though managers might publicly endorse the merits of participatory management, most of them doubted their workers' capacities to exercise self-direction and self-control and to contribute creativity.[38]

Directive/Permissive Leadership Styles

Contemplating the central role of problem-solving in management and leadership, Jan P. Muczyk and Bernard C. Reimann of Cleveland State University offer an interesting perspective on four different leadership styles (see **Exhibit 12.7**) that revolve around decision-making and implementation processes.[39]

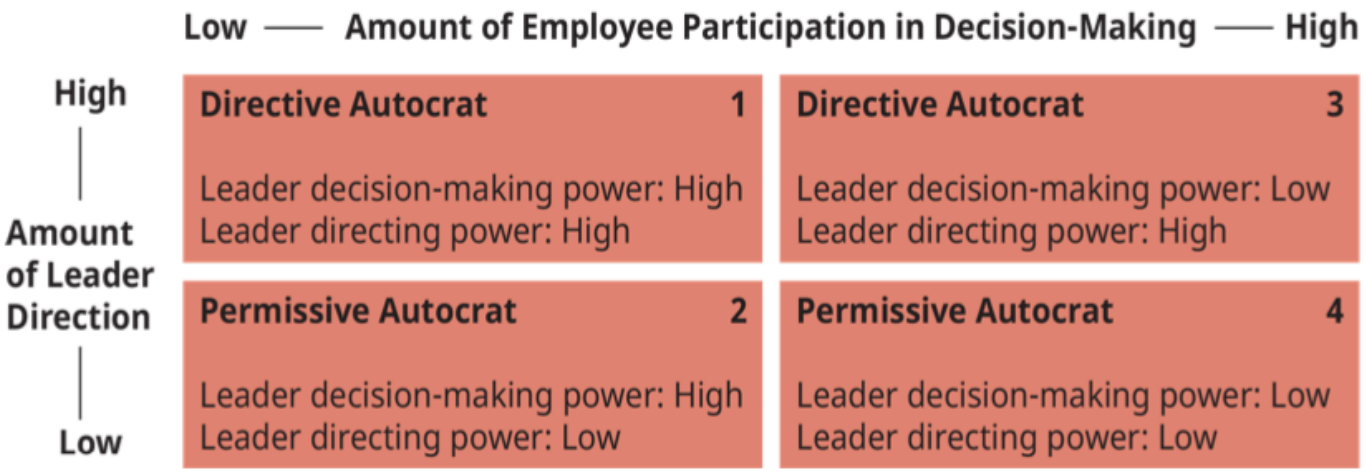


Exhibit 12.7 Leadership Behavior and the Uses of Power *Source:* Modified from J. P. Muczyk and B. C. Reimann. 1987. The case for directive leadership. *Academy of Management Executive*, 1:304.

A *directive autocrat* retains power, makes unilateral decisions, and closely supervises workers' activities. This style of leadership is seen as appropriate when circumstances require quick decisions and organizational members are new, inexperienced, or underqualified. A doctor in charge of a hastily constructed shelter for victims of a tornado may use this style to command nonmedical volunteers.

The *permissive autocrat* mixes his or her use of power by retaining decision-making power but permitting organizational members to exercise discretion when executing those decisions. This leader behavior is recommended when decision-making time is limited, when tasks are routine, or when organizational members have sufficient expertise to determine appropriate role behaviors.

Also sharing power is the *directive democrat,* who encourages participative decision-making but retains the power to direct team members in the execution of their roles. This style is appropriate when followers have valuable opinions and ideas, but one person needs to coordinate the execution of the ideas. A surgeon might allow the entire surgical team to participate in developing a plan for a surgical procedure. Once surgery begins, however, the surgeon is completely in charge.

Finally, the *permissive democrat* shares power with group members, soliciting involvement in both decision- making and execution. This style is appropriate when participation has both informational and motivational value, when time permits group decision-making, when group members are capable of improving decision quality, and when followers are capable of exercising self-management in their performance of work.

The permissive democratic approach to leadership is characteristic of leadership in high-involvement organizations. Here, leaders act as facilitators, process consultants, network builders, conflict managers, inspirationalists, coaches, teachers/mentors, and cheerleaders.[40] Such is the role of Ralph Stayer, founder, owner, and CEO of Johnsonville Foods. He defines himself as his company's philosopher. At Quad/Graphics, president Harry V. Quadracci is a permissive democrat because he encourages all Quad employees to play a major role in decision-making and execution as they manage their teams as independent profit centers.



Exhibit 12.8 Jeff Bezos Jeff Bezos, founder and CEO of Amazon, used to bring an empty chair to meetings to signal and remind participants of the most important people that did not have a seat at the table: the customers. He has now replaced the empty chair with Amazon employees with the job title Customer Experience Bar Raisers.

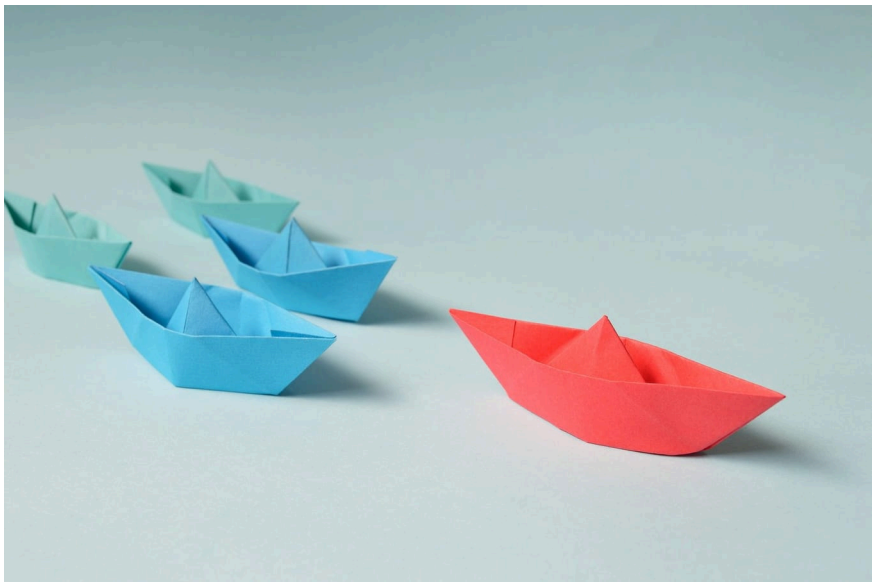
concept check

- What is the role of the leader and follower in the leadership process?
- How do the theories of Tannenbaum and Schmidt's leadership continuum and McGregor's Theory X and Theory Y attempt to define leadership?

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20.8: Introduction to the History of Leadership Theories

What you'll learn to do: Describe the history of leadership as a topic inside organizational behavior



We can all recognize a good leader when we see one, but defining what qualities and practices a good leader has can be difficult. In fact, the one thing that researchers seem to agree on regarding leadership is that they don't always agree.

Are great leader defined by their accomplishments? Are leaders defined by the appraisal of their followers? Is nature or nurture the more important factor in determining leadership? Can leadership be learned, or is there a magical combination of trait, behavior and situation that allows leaders to rise to the occasion? Historically, in western civilization, we've struggled to answer these questions, and in the next few sections we'll give you enough information that you can start contemplating these issues along with us.

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20.9: Early Trait Approach

Learning Objectives

- Describe the early trait approach

From the turn of the century until the 1940s, most leadership studies focused on the personality traits of individuals that made them leaders and not followers. Thomas Carlyle set the stage for the great man theory, and other researchers followed suit, trying to determine what kind of traits made a great leader great.

Francis Galton, an English scientist and researcher, wrote a book *Hereditary Genius* in 1869, which was the first social scientific attempt to study genius and greatness (Galton, 1869). To determine if human ability was hereditary, he chose "eminent" men (men who exhibited extraordinary leadership qualities) and counted the relatives to see how many additional "eminent" men were in their background. Galton hypothesized that there would be a higher percentage of "eminent" men in their lineage than in the general population. His testing (for which he invented methods of historiometry) showed that numbers of eminent relatives dropped off when going from first degree to second degree relatives, and from second to third. He took this as evidence of the inheritance of abilities.

As you might guess, even Galton recognized the limitations of these studies. He went on to study twins and adopted children, testing the "nature vs. nurture" term that he'd coined, but never strayed too far from the idea that qualities were inherited instead of taught.

In the early 1900s, American psychologist (and, like Galton, a eugenicist) Lewis Terman studied gifted children, and he conducted a variety of studies on the children and their parents to reinforce the idea of inheritance of abilities. And in the July, 1928 issue of *The Journal of Abnormal and Social Psychology*, researcher W.H. Cowley wrote,

The approach to the study of leadership usually has been and perhaps always must be through the study of traits. Leadership obviously is not a simple trait but rather a complex of main traits fashioned together as a unity. An adequate appraisal of leadership would reduce this complex to its individual units, and any study of leadership to be of value should produce a list of traits which go together to make the leader. (Cowley 1928)

In 1948, after years of experiments and studies, researcher Ralph Stogdill determined that leadership exists between persons in a social situation, and that persons who are leaders in one situation may not necessarily be leaders in other situations (Stogdill, 1948). This marked the end of researchers' tenacious ideas that individual differences characterized leadership, or that they'd be able to predict leadership effectiveness. In the next sections, we'll talk about the behavioral and contingency approaches these new theories sparked. But we have to acknowledge here that this wasn't the end of studying traits in leadership. The trait approach wasn't done—it just took a break.

Looking at Trait Theory Today

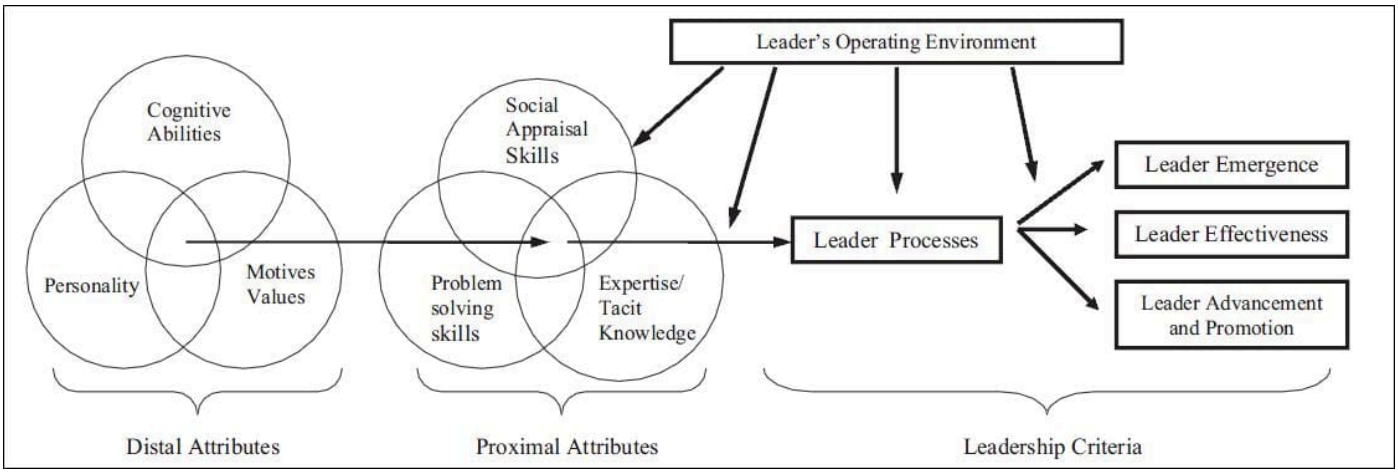
So, if studying leadership traits isn't useful, why are we talking about it? Well, surprisingly, interest in the topic continues, supported by media and general public opinion. Think about how media describes business leaders like Mary Barra and Bill Gates. They're innovative. They make tough decisions. They're philanthropic. The media is constantly throwing their personality traits out there for us to digest.

Twelve percent of all the research published on the topic of leadership between 1990 and 2004 contains the keywords "personality" and "leadership." Interest persists, and new information has been uncovered. Researcher Steven J. Zaccaro pointed out that, even in Stogdill's argument against traits, his studies contained conclusions suggesting that individual differences can still predict leader effectiveness.

Remember that Cowley wrote that traits collectively lent themselves to leadership effectiveness. Taking a page from this book, Zaccaro and colleagues developed the trait-leadership model that attempted to address traits and their influence on a leader's effectiveness. The premise of the Trait-Leadership Model (Zaccaro, Kemp, Bader, 2004) is that (a) leadership emerges from the combined influence of multiple traits (integrated, rather than individual, traits) and (b) leader traits differ in their proximal

influence on leadership.

Zaccaro's model looks like this:



This model comes with a list of leader traits, which Zaccaro reminds us are always not exhaustive. But traits based on his 2004 model include extraversion, agreeableness, openness, neuroticism, creativity, and others.

Two other models have emerged in recent trait leadership studies. The Leader Trait Emergency Effectiveness Model, created by researcher Timothy Judge and colleagues, combines behavioral genetics and evolutionary psychology theories of how traits are developed and puts them into a model that attempts to explain leader emergence and effectiveness. A second model, the Integrated Model of Leader Traits, Behaviors, and Effectiveness, created by D. S. Derue and colleagues, combines traits and behaviors in predicting leader effectiveness and tested the mediation effect of leader behaviors on the relationship between leader traits and effectiveness.

In spite of the increased focus of researchers on trait theory, it remains among the more criticized theories of leadership. Some argue it's too simplistic. Others criticize that it studies leadership effectiveness as it's perceived by followers, rather than actual leadership effectiveness. But we want to leave you with two thoughts on the trait approach before we move on:

- Traits can predict leadership. Years ago the evidence suggested otherwise, but the presence of proper framework for classifying and organizing traits now help us understand this better.
- Traits do a better job of predicting the emergence of leaders and the appearance of leadership than they do distinguishing between effective and ineffective leadership.

Stogdill's comments encouraged researchers to look in other directions back in the late 1940s. If it's not the personality traits that predict effective leadership, perhaps it's the behavior of those leaders we should be studying. Let's take a look at the behavioral approach to leadership next.

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20.10: The Trait Approach to Leadership

4. What are the trait perspectives on leadership?

Ancient Greek, Roman, Egyptian, and Chinese scholars were keenly interested in leaders and leadership. Their writings portray leaders as heroes. Homer, in his poem *The Odyssey*, portrays Odysseus during and after the Trojan War as a great leader who had vision and self-confidence. His son Telemachus, under the tutelage of Mentor, developed his father's courage and leadership skills.[41] Out of such stories there emerged the "great man" theory of leadership, and a starting point for the contemporary study of leadership.

The **great man theory of leadership** states that some people are born with the necessary attributes to be great leaders. Alexander the Great, Julius Caesar, Joan of Arc, Catherine the Great, Napoleon, and Mahatma Gandhi are cited as naturally great leaders, born with a set of personal qualities that made them effective leaders. Even today, the belief that truly great leaders are born is common. For example, Kenneth Labich, writer for *Fortune* magazine, commented that "the best leaders seem to possess a God-given spark."[42]

During the early 1900s, scholars endeavored to understand leaders and leadership. They wanted to know, from an organizational perspective, what characteristics leaders hold in common in the hope that people with these characteristics could be identified, recruited, and placed in key organizational positions. This gave rise to early research efforts and to what is referred to as the *trait approach to leadership*. Prompted by the great man theory of leadership and the emerging interest in understanding what leadership is, researchers focused on the leader—Who is a leader? What are the distinguishing characteristics of the great and effective leaders? The great man theory of leadership holds that some people are born with a set of personal qualities that make truly great leaders. Mahatma Gandhi is often cited as a naturally great leader.

Leader Trait Research

Ralph Stogdill, while on the faculty at The Ohio State University, pioneered our modern (late 20th century) study of leadership.43 Scholars taking the trait approach attempted to identify physiological (appearance, height, and weight), demographic (age, education, and socioeconomic background), personality (dominance, self-confidence, and aggressiveness), intellective (intelligence, decisiveness, judgment, and knowledge), task- related (achievement drive, initiative, and persistence), and social characteristics (sociability and cooperativeness) with leader emergence and leader effectiveness. After reviewing several hundred studies of leader traits, Stogdill in 1974 described the successful leader this way:

The [successful] leader is characterized by a strong drive for responsibility and task completion, vigor and persistence in pursuit of goals, venturesomeness and originality in problem solving, drive to exercise initiative in social situations, self-confidence and sense of personal identity, willingness to accept consequences of decision and action, readiness to absorb interpersonal stress, willingness to tolerate frustration and delay, ability to influence other person's behavior, and capacity to structure social interaction systems to the purpose at hand.[44]

The last three decades of the 20th century witnessed continued exploration of the relationship between traits and both leader emergence and leader effectiveness. Edwin Locke from the University of Maryland and a number of his research associates, in their recent review of the trait research, observed that successful leaders possess a set of core characteristics that are different from those of other people.[45] Although these core traits do not solely determine whether a person will be a leader—or a successful leader—they are seen as preconditions that endow people with leadership potential. Among the core traits identified are:

- *Drive*—a high level of effort, including a strong desire for achievement as well as high levels of ambition, energy, tenacity, and initiative
- *Leadership motivation*—an intense desire to lead others
- *Honesty and integrity*—a commitment to the truth (nondeceit), where word and deed correspond
- *Self-confidence*—an assurance in one's self, one's ideas, and one's ability
- *Cognitive ability*—conceptually skilled, capable of exercising good judgment, having strong analytical

  abilities, possessing the capacity to think strategically and multidimensionally

- *Knowledge of the business*—a high degree of understanding of the company, industry, and technical matters
- *Other traits*—charisma, creativity/originality, and flexibility/adaptiveness[46]

While leaders may be "people with the right stuff," effective leadership requires more than simply possessing the correct set of motives and traits. Knowledge, skills, ability, vision, strategy, and effective vision implementation are all necessary for the person who has the "right stuff" to realize their leadership potential.[47] According to Locke, people endowed with these traits engage in behaviors that are associated with honesty and integrity, self-confidence, and the motivation to lead.

Personality psychologists remind us that behavior is a result of an interaction between the person and the situation—that is, Behavior = *f* [(Person) (Situation)]. To this, psychologist Walter Mischel adds the important observation that personality tends to get expressed through an individual's behavior in "weak" situations and to be suppressed in "strong" situations.[48] A strong situation is one with strong behavioral norms and rules, strong incentives, clear expectations, and rewards for a particular behavior. Our characterization of the mechanistic organization with its well-defined hierarchy of authority, jobs, and standard operating procedures exemplifies a strong situation. The organic social system exemplifies a weak situation. From a leadership perspective, a person's traits play a stronger role in their leader behavior and ultimately leader effectiveness when the situation permits the expression of their disposition. Thus, personality traits prominently shape leader behavior in weak situations.

Finally, about the validity of the "great person approach to leadership": Evidence accumulated to date does not provide a strong base of support for the notion that leaders are born. Yet, the study of twins at the University of Minnesota leaves open the possibility that part of the answer might be found in our genes. Many personality traits and vocational interests (which might be related to one's interest in assuming responsibility for others and the motivation to lead) have been found to be related to our "genetic dispositions" as well as to our life experiences.[49] Each core trait recently identified by Locke and his associates traces a significant part of its existence to life experiences. Thus, a person is not born with self-confidence. Self-confidence is developed, honesty and integrity are a matter of personal choice, motivation to lead comes from within the individual and is within his control, and knowledge of the business can be acquired. While cognitive ability does in part find its origin in the genes, it still needs to be developed. Finally, drive, as a dispositional trait, may also have a genetic component, but it too can be self- and other-encouraged. It goes without saying that none of these ingredients are acquired overnight.

Other Leader Traits

Sex and gender, disposition, and self-monitoring also play an important role in leader emergence and leader style.

Sex and Gender Role

Much research has gone into understanding the role of sex and gender in leadership.[50] Two major avenues have been explored: sex and gender roles in relation to leader emergence, and whether style differences exist across the sexes.

Evidence supports the observation that men emerge as leaders more frequently than women.[51] Throughout history, few women have been in positions where they could develop or exercise leadership behaviors. In contemporary society, being perceived as experts appears to play an important role in the emergence of women as leaders. Yet, gender role is more predictive than sex. Individuals with "masculine" (for example, assertive, aggressive, competitive, willing to take a stand) as opposed to "feminine" (cheerful, affectionate, sympathetic, gentle) characteristics are more likely to emerge in leadership roles.[52] In our society males are frequently socialized to possess the masculine characteristics, while females are more frequently socialized to possess the feminine characteristics.

Recent evidence, however, suggests that individuals who are androgynous (that is, who simultaneously possess both masculine and feminine characteristics) are as likely to emerge in leadership roles as individuals with only masculine characteristics. This suggests that possessing feminine qualities does not distract from the attractiveness of the individual as a leader.[53]

With regard to leadership style, researchers have looked to see if male-female differences exist in task and interpersonal styles, and whether or not differences exist in how autocratic or democratic men and women are. The answer is, when it comes to interpersonal versus task orientation, differences between men and women appear to be marginal. Women are somewhat more

concerned with meeting the group's interpersonal needs, while men are somewhat more concerned with meeting the group's task needs. Big differences emerge in terms of democratic versus autocratic leadership styles. Men tend to be more autocratic or directive, while women are more likely to adopt a more democratic/participative leadership style.[54] In fact, it may be because men are more directive that they are seen as key to goal attainment and they are turned to more often as leaders.[55]

Dispositional Trait

Psychologists often use the terms *disposition* and *mood* to describe and differentiate people. Individuals characterized by a positive affective state exhibit a mood that is active, strong, excited, enthusiastic, peppy, and elated. A leader with this mood state exudes an air of confidence and optimism and is seen as enjoying work-related activities.

Recent work conducted at the University of California-Berkeley demonstrates that leaders (managers) with positive affectivity (a positive mood state) tend to be more competent interpersonally, to contribute more to group activities, and to be able to function more effectively in their leadership role.[56] Their enthusiasm and high energy levels appear to be infectious, transferring from leader to followers. Thus, such leaders promote group cohesiveness and productivity. This mood state is also associated with low levels of group turnover and is positively associated with followers who engage in acts of good group citizenship.[57]

Self-Monitoring

Self-monitoring as a personality trait refers to the strength of an individual's ability and willingness to read verbal and nonverbal cues and to alter one's behavior so as to manage the presentation of the self and the images that others form of the individual. "High self-monitors" are particularly astute at reading social cues and regulating their self-presentation to fit a particular situation. "Low self-monitors" are less sensitive to social cues; they may either lack motivation or lack the ability to manage how they come across to others.

Some evidence supports the position that high self-monitors emerge more often as leaders. In addition, they appear to exert more influence on group decisions and initiate more structure than low self-monitors. Perhaps high self-monitors emerge as leaders because in group interaction they are the individuals who attempt to organize the group and provide it with the structure needed to move the group toward goal attainment.[58]

concept check

- What are the trait perspectives on leadership?

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20.11: Behavioral Approach

Learning Objectives

- Describe the behavioral approach

If the answer isn't in the traits a leader exhibits, perhaps it lies in what a leader does. Behavioral theories of leadership suggest that specific behaviors differentiate leaders from nonleaders. The implications for this idea are pretty big. Think about it. The trait approach can help you pick out a leader, or predict that an individual might step up to leadership. The behavioral approach suggests that leaders can be trained.

Let's head back to the 1940s, around the time that Stogdill sent leadership studies off in a different direction, and look at the emergence of a few different instances of behavioral leadership research.

The Ohio State University Studies

Back in the late 1940s, research began at The Ohio State University to identify independent dimensions of leader behavior.[1] The team began with a list of over a thousand different dimensions and eventually narrowed the list to two leadership behaviors as they were described by employees. Those behaviors were task focused and people focused.

Those leaders that are concerned with the task are engaging in behaviors called initiation of structure. This doesn't mean that they don't care about people—it means that they approach leadership from the task point of view. They organize and define the task so that followers can achieve the goal. For instance, a CEO might want to acquire a new company for a conglomerate. In the initiation of structure framework, the CEO will bring in his or her senior staff and start to direct them as to how and when he or she believes the work should be done.

Alternatively, consideration is a leadership behavior aimed at creating mutual trust and respect with their followers. An example of consideration might be a leader who, in a time of change and turmoil in an organization, walks the floor of the assembly plant to see how workers are faring, or meets with the his team to determine if they need extra support.

Extensive research showed that leaders who rated high in both initiation of structure and consideration (a "high-high") were more likely to achieve high employee performance and satisfaction more frequently than those that scored high in only one of the two categories, or low in both categories. However, "high-high" scoring did not always result in positive consequences. Those leaders that scored high in initiation of structure often experienced higher levels of grievances, absenteeism and turnover. Others found that high consideration scores for a leader resulted in lower performance evaluation scores from that leader's own manager.

The Ohio State team suggested that "high-high" generally resulted in positive outcomes but there were enough exceptions to indicate that situational factors also needed to be considered.

The University of Michigan Studies

Studies at University of Michigan were conducted around the same time the Ohio State research was going on, and they had similar research objectives.[2] The University of Michigan team wanted to locate behavioral characteristics of leaders that appeared to be related to measures of performance effectiveness.

The University of Michigan team also came up with two dimensions of leadership behavior. They labeled them employee-oriented and production oriented.

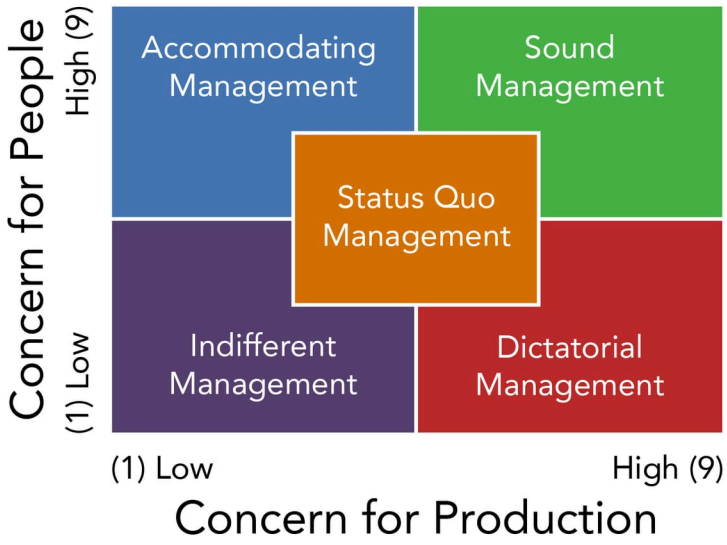
Employee-oriented leaders emphasized interpersonal relations. They took a personal interest in the needs of employees and embraced individual differences among members. The production-oriented leaders tended to emphasize the technical or task aspects of the job. Their main concern was accomplishing objectives and the group members were just a means to reach that goal.

The University of Michigan team concluded that employee-oriented leaders were associated with higher group productivity and higher job satisfaction, and production-oriented leaders tended to score low in both those areas.

Blake and Mouton's Managerial Grid

In 1964, researchers Robert Blake and Jane Moutin introduced their managerial grid as a graphic portrayal of a two-dimensional view of leadership.[3]

Like the Ohio State and University of Michigan studies, Blake and Mouton concentrated on concern for production and concern for people. They scored each of those areas on a scale of 1 (low) to 9 (high) to create 81 different positions in which the leader's style might fall. The result was five different types of behavioral styles.



- In the **accommodating management style**, leaders yield and comply. They pay attention to the comfort of the employees in hopes that they'll be productive. This style often results in happy employees but is not necessarily productive.
- In the **indifferent management style**, leaders evade and elude. They don't give much consideration to people or production, and try to fly under the radar a bit without getting into trouble.
- In the **sound management style**, leaders contribute and commit. They pay high attention to both people and production and encourage teamwork and commitment. It's very Theory Y!
- In the **dictatorial management style**, leaders control and dominate. They pay attention to production but not to people, and use rules and punishment to achieve goals. It's very Theory X!
- In the **status quo management style**, leaders balance and compromise. They are middle-of-the-road, and as a result, people needs and production needs aren't necessarily met.

Managers performed best when they scored in the "sound" area. But the grid offered better framework for conceptualizing leadership style rather than presenting any new information in clarifying leadership behaviors, because there's very little substantive evidence to support the conclusion that a sound style is most effective in all situations.

The Scandinavian Studies

We're going to fast forward a few years to the 1990s, when Scandinavian researchers Ekvall and Arvonen began to reassess the idea that there were only two dimensions that captured the essence of leadership behavior.[4] In a changing world, they decided, leaders would exhibit development-oriented behavior. By exhibiting development-oriented behavior, these leaders would value experimentation, seek out new ideas and generate and implement change.

In their review of the Ohio State studies, Ekvall and Arvonen found that the researchers had identified behaviors such as "pushes new ways of doing things" and "encourages employees to do new things," but those items didn't explain much about leadership

in 1940s, when those behaviors didn't have as great an impact. Their studies indicate that just concentrating on two different dimensions of behavior may not be adequate to capture leadership in the twenty-first century.

Behavioral theories had modest success in identifying consistent relationships between leadership behavior and group performance. But none of these consider situation as a factor. Would Ralph Nader have been as successful a consumer activist if he'd been in Nicaragua and not the United States? Would Franklin Delano Roosevelt have been as successful leading the nation through the Revolutionary or the Civil Wars? None of these behavioral theories could clarify these situational differences. So, as we continued to grow in our theories of leadership, we started to look at contingency theories—theories that considered the leader *and* the situation.

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2. Kahn, R and D. Katz. "Leadership Practices in Relation to Productivity and Morale," *Group Dynamics: Research and Theory,* 1960 ↩
3. Blake, R. R. and J. S. Mouton. *The Managerial Grid*. 1964 ↩
4. Ekvall, G and J. Arvonen, "Change-Centered Leadership: An Extension of the Two-Dimensional Model," *Scandinavian Journal of Management*, 1991. M. Lindell and G. Rosenqvist, "Is there a Third Management Style?" *Finnish Journal of Business Economics 3*, 1992. M. Lindell and G. Rosenqvist, "Management Behavior Dimensions and Development Orientation," *Leadership Quarterly*, 1992. ↩

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20.12: Behavioral Approaches to Leadership

5. What are the behavioral perspectives on leadership?

The nearly four decades of research that focused on identifying the personal traits associated with the emergence of leaders and leader effectiveness resulted in two observations. First, leader traits are important—people who are endowed with the "right stuff" (drive, self-confidence, honesty, and integrity) are more likely to emerge as leaders and to be effective leaders than individuals who do not possess these characteristics. Second, traits are only a part of the story. Traits only account for part of why someone becomes a leader and why they are (or are not) effective leaders.

Still under the influence of the great man theory of leadership, researchers continued to focus on the leader in an effort to understand leadership—who emerges and what constitutes effective leadership. Researchers then began to reason that maybe the rest of the story could be understood by looking at what it is that leaders *do*. Thus, we now turn our attention to leader behaviors and the behavioral approaches to leadership.

It is now common to think of effective leadership in terms of what leaders do. CEOs and management consultants agree that effective leaders display trust in their employees, develop a vision, keep their cool, encourage risk, bring expertise into the work setting, invite dissent, and focus everyone's attention on that which is important.59 William Arruda, in a *Fortune* article, noted that "organizations with strong coaching cultures report their revenue to be above average, compared to their peer group." Sixty-five percent of employees "from strong coaching cultures rated themselves as highly engaged," compared to 13 percent of employees worldwide."66 Jonathan Anthony calls himself an entrapreneur and corporate disorganizer, because same-old, same-old comms practices are dying in front of our eyes.[61] Apple found Steve Jobs believed that the best leaders are coaches and team cheerleaders. Similar views have been frequently echoed by management consultant Tom Peters.

During the late 1940s, two major research programs—The Ohio State University and the University of Michigan leadership studies—were launched to explore leadership from a behavioral perspective.

The Ohio State University Studies

A group of Ohio State University researchers, under the direction of Ralph Stogdill, began an extensive and systematic series of studies to identify leader behaviors associated with effective group performance. Their results identified two major sets of leader behaviors: consideration and initiating structure.

Consideration is the "relationship-oriented" behavior of a leader. It is instrumental in creating and maintaining good relationships (that is, addressing the group's maintenance needs) with organizational members. Consideration behaviors include being supportive and friendly, representing people's interests, communicating openly with group members, recognizing them, respecting their ideas, and sharing concern for their feelings.

Initiating structure involves "task-oriented" leader behaviors. It is instrumental in the efficient use of resources to attain organizational goals, thereby addressing the group's task needs. Initiating structure behaviors include scheduling work, deciding what is to be done (and how and when to do it), providing direction to organizational members, planning, coordinating, problem-solving, maintaining standards of performance, and encouraging the use of uniform procedures.

After consideration and initiating structure behaviors were first identified, many leaders believed that they had to behave one way or the other. If they initiated structure, they could not be considerate, and vice versa. It did not take long, however, to recognize that leaders can simultaneously display any combination of both behaviors.

The Ohio State studies are important because they identified two critical categories of behavior that distinguish one leader from another. Both consideration and initiating structure behavior can significantly impact work attitudes and behaviors. Unfortunately, the effects of consideration and initiating structure are not consistent from situation to situation.[62] In some of the organizations studied, for example high levels of initiating structure increased performance. In other organizations, the amount of initiating structure seemed to make little difference. Although most organizational members reported greater satisfaction when leaders acted considerately, consideration behavior appeared to have no clear effect on performance.

Initially, these mixed findings were disappointing to researchers and managers alike. It had been hoped that a profile of the most

effective leader behaviors could be identified so that leaders could be trained in the best ways to behave. Research made clear, however, that there is no one best style of leader behavior for all situations.

The University of Michigan Studies

At about the same time that the Ohio State studies were underway, researchers at the University of Michigan also began to investigate leader behaviors. As at Ohio State, the Michigan researchers attempted to identify behavioral elements that differentiated effective from ineffective leaders.[63]

The two types of leader behavior that stand out in these studies are job centered and organizational member centered. *Job-centered behaviors* are devoted to supervisory functions, such as planning, scheduling, coordinating work activities, and providing the resources needed for task performance. *Employee-member- centered* behaviors include consideration and support for organizational members. These dimensions of behavior, of course, correspond closely to the dimensions of initiating structure and consideration identified at Ohio State. The similarity of the findings from two independent groups of researchers added to their credibility. As the Ohio State researchers had done, the Michigan researchers also found that any combination of the two behaviors was possible.

The studies at Michigan are significant because they reinforce the importance of leader behavior. They also provide the basis for later theories that identify specific, effective matches of work situations and leader behaviors. Subsequent research at Michigan and elsewhere has found additional behaviors associated with effective leadership: support, work facilitation, goal emphasis, and interaction facilitation.[64]

These four behaviors are important to the successful functioning of the group in that support and interaction facilitation contribute to the group's maintenance needs, and goal emphasis and work facilitation contribute to the group's task needs. The Michigan researchers also found that these four behaviors do not need to be brought to the group by the leader. In essence, the leader's real job is to set the tone and create the climate that ensure these critical behaviors are present.[65]

The Leadership Grid®

Much of the credit for disseminating knowledge about important leader behaviors must go to Robert R. Blake and Jane S. Mouton, who developed a method for classifying styles of leadership compatible with many of the ideas from the Ohio State and Michigan studies.[66] In their classification scheme, *concern for results* (production) emphasizes output, cost effectiveness, and (in for-profit organizations) a concern for profits. *Concern for people* involves promoting working relationships and paying attention to issues of importance to group members. As shown in **Exhibit 12.9**, the Leadership Grid® demonstrates that any combination of these two leader concerns is possible, and five styles of leadership are highlighted here.

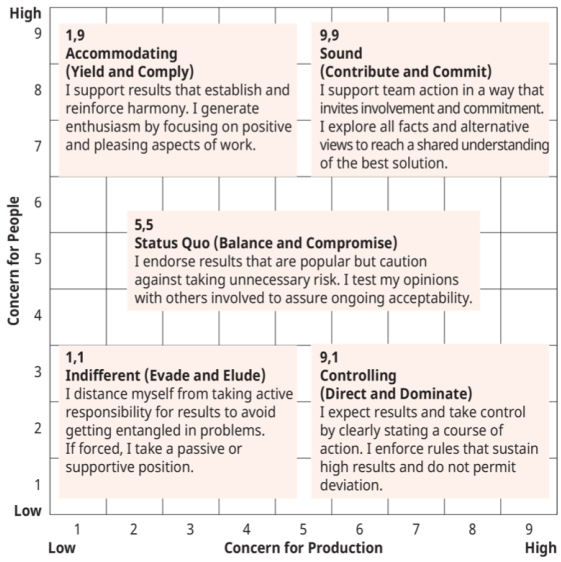


Exhibit 12.9 Blake and Mouton's Managerial Grid® *Source:* Adapted from R. McKee and B. Carlson. 1999. *The Power to Change*, p.16.

Blake and Mouton contend that the sound (contribute and commit) leader (a high concern for results and people, or 9,9) style is universally the most effective.[67] While the Leadership Grid® is appealing and well structured, research to date suggests that there is no universally effective style of leadership (9,9 or otherwise).[68] There are, however, well-identified situations in which a 9.9 style is unlikely to be effective. Organizational members of high-involvement organizations who have mastered their job duties require little production-oriented leader behavior. Likewise, there is little time for people-oriented behavior during an emergency. Finally, evidence suggests that the "high-high" style may be effective when the situation calls for high levels of initiating structure. Under these conditions, the initiation of structure is more acceptable, favorably affecting follower satisfaction and performance, when the leader is also experienced as warm, supportive, and considerate.[69]

concept check

- What are the behavioral approaches to defining leadership?
- What roles do gender and the popular perceptions of gender roles have on views of leadership traits?

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20.13: Contingency Approach

Learning Objectives

- Describe the contingency approach and its variations

We know that traits and behaviors both have an impact on a leader's success, but what about situation? This is the contingency approach. Circumstances might lead to peers and followers shunning a particular leader, and then seeing him or her in a different way later on. Since the 1960s, the guiding light for research has been the assumption that what makes a leader great depends on the situation.

The failure of researchers to arrive at any consistent results around leadership in the mid-twentieth center led to the study of situational influence. As they started to realize that a certain style and set of skills was appropriate for one situation and failed in another, they sought to determine which conditions matched which styles and skills. This led to several theories on isolating key situational variables, and we'll look at a few of those now.

Fiedler Model

Fred Fiedler developed the first comprehensive contingency model for leadership and proposed that effective group performance depended on a solid match between the leader's style and the degree to which the situation gives control to the leader.[1]

Fiedler started his study by determining whether a leader was more task oriented or relationship oriented in his or her behavioral traits. He determined to measure the leader's propensity to one trait or another by developing the least preferred coworker questionnaire (LPC). The least preferred coworker asked leaders to react to sixteen sets of contrasting adjectives that would describe their least preferred coworker. LPCs respondents that described their least preferred coworker in relatively positive terms, it stood to reason that the leader employed a relationship based approach. Those that described their least favorite coworker unfavorably were deemed to be more task oriented.

It's worth noting that about sixteen percent of those taking the evaluation scored right in the middle and fall outside the predictions of this theory. So the rest of our discussion concentrates on that 84% of respondents that took one side or the other.

At this point, Fiedler sought to define situations by which to compare these results. He did, in fact, identify three contingency dimensions that he was convinced defined the key situation factors that determine leadership effectiveness. Those situations were

- **Leader-member relations:** the degree to which members have confidence and trust in their leader (good or poor).
- **Task structure:** the degree to which job assignments are proceduralized (high or low).
- **Position power:** the degree of influence a leader has over power variables, such as hiring, firing, discipline, promotions and salary increases (strong or weak).

Fiedler then started comparing task-oriented and relationship-oriented leaders and their performances, based on the twenty-four possible combinations of the situations above, and this was the result:

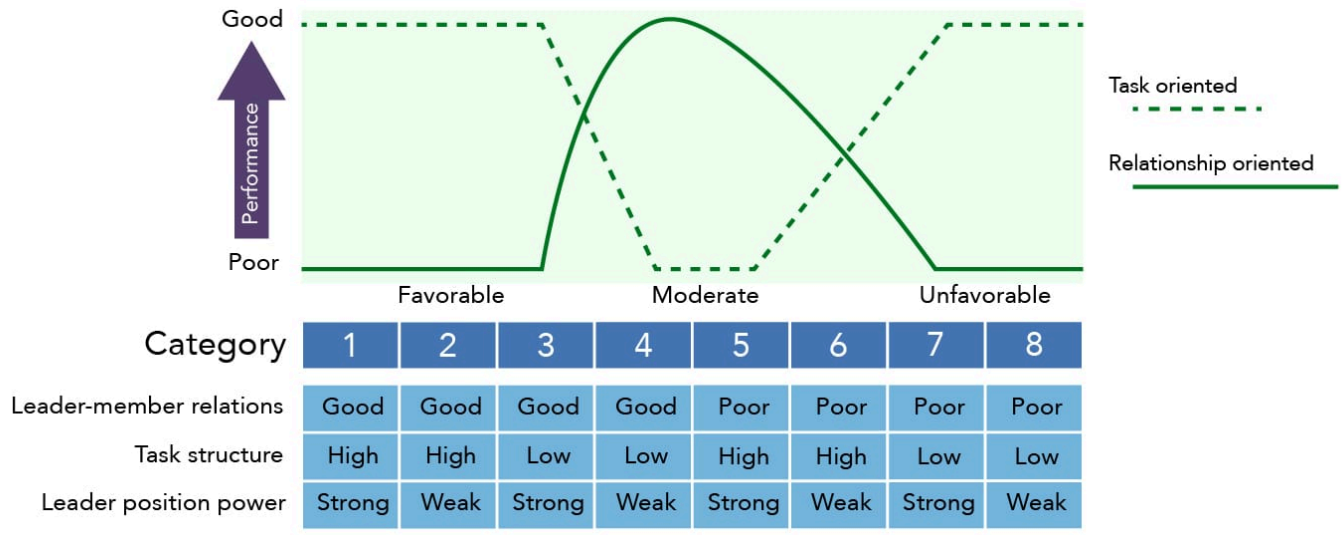


Figure 1. Fiedler Model

Fiedler concluded that task oriented leaders tended to perform better when situations were very favorable or very unfavorable to them. Relationship oriented leaders perform better when situations are moderately favorable. Fiedler then modified his conclusions to state that task oriented leaders performed better in situations of high or low control, while relationship oriented leaders performed better in situations of moderate control.

While there are problems with the LPC evaluation and studies show that respondents' scores are not stable, there is considerable evidence to support Fiedler's conclusions. Still, it's often difficult in practice to determine the quality of leader-member relations, the structure of task and how much position power the leader possesses.

Cognitive Resource Theory

More recently, Fiedler and an associate, Joe Garcia, reconceptualized Fiedler's original theory, this time focusing on the role of stress as a form of situational unfavorableness and how a leader's intelligence and experience influence his or her reaction to it.[2]

Essentially, Fiedler and Garcia propose that it's difficult for leaders to think logically or analytically when they're under stress, and how their intelligence and experience impacts their effectiveness in low- and high-stress situations. In other words, bright individuals perform worse in stressful situations, and experienced people perform worse in low-stress situations. This theory is garnering solid research support.

Hersey and Blanchard's Situational Theory

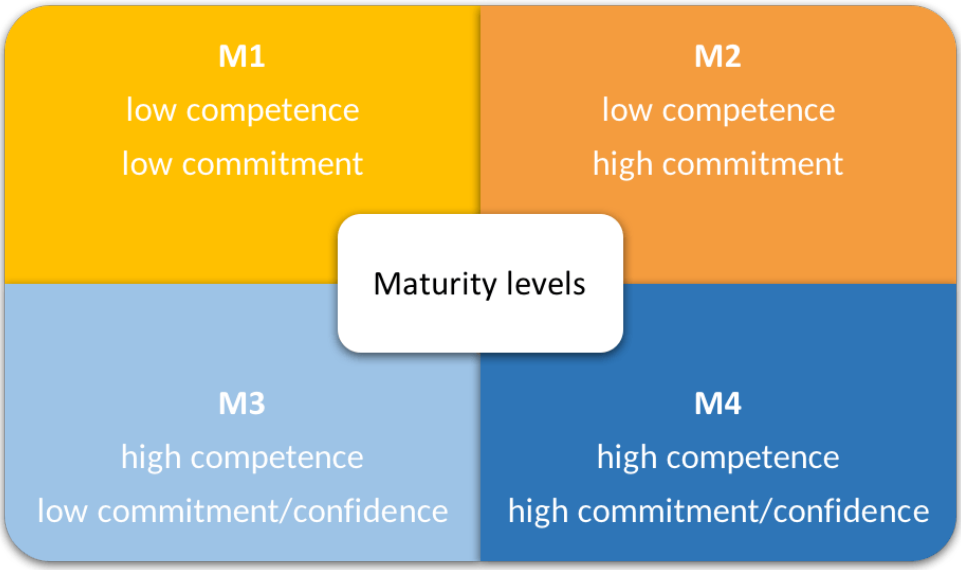
The term "situational leadership" is most commonly derived from and connected with Paul Hersey and Ken Blanchard's **Situational Leadership Theory**. This approach to leadership suggests the need to match two key elements appropriately: the leader's leadership style and the followers' maturity or preparedness levels.

The theory identifies four main leadership approaches:

- **Telling:** Directive and authoritative approach. The leader makes decisions and tells employees what to do.
- **Selling:** The leader is still the decision maker, but he communicates and works to persuade the employees rather than simply directing them.
- **Participating:** The leader works with the team members to make decisions together. He supports and encourages them and is more democratic.
- **Delegating:** The leader assigns decision-making responsibility to team members but oversees their work.

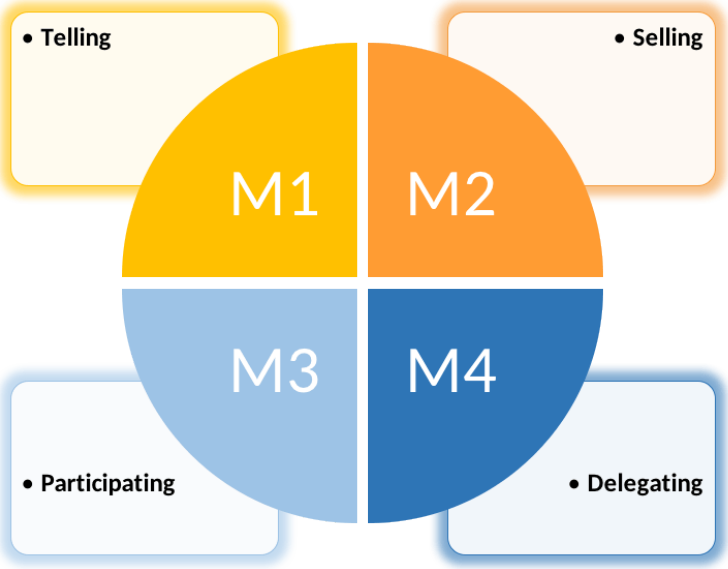
In addition to these four approaches to leadership, there are also four levels of follower maturity:

- **Level M1:** Followers have low competence and low commitment.
- **Level M2:** Followers have low competence, but high commitment.
- **Level M3:** Followers have high competence, but low commitment and confidence.
- **Level M4:** Followers have high competence and high commitment and confidence.



In Hersey and Blanchard's approach, the key to successful leadership is matching the proper leadership style to the corresponding maturity level of the employees. As a general rule, each of the four leadership styles is appropriate for the corresponding employee maturity level:

- Telling style works best for leading employees at the M1 level (low competence, low commitment).
- Selling style works best for leading employees at the M2 level (low competence, high commitment).
- Participating style works best for leading employees at the M3 level (high competence, low commitment/confidence).
- Delegating style works best for leading employees at the M4 level (high competence, high commitment/confidence).



Maturity levels and leadership styles

Identifying the employee maturity level becomes a very important part of the process, and the leader must have the willingness and ability to use any of the four leadership styles as needed.

Leader-Member Exchange Theory

The leader-member exchange theory considers leaders relationships with people, and proposed that, because of time constraints, leaders establish relationships with a small group of their followers.[3] These individuals make up an “in-group” and are more likely to receive attention from the leader. Other followers fall into the “out-group.”

How the leader chooses the “in-group” is somewhat unclear, but it’s assumed that the leader chooses the individuals based on their similarities to his or her own characteristics, or because of their higher competence levels.

Research testing the leader-member exchange theory has been generally supportive and provides evidence that leaders do differentiate among followers, that these disparities aren’t random, and that the individuals in the “in-group” will perform better, have lower turnover, etc.

Path-Goal Theory

In the Path-Goal theory, it’s the leader’s job to assist followers in attaining their goals and to provide the necessary direction and/or support to ensure their goals are compatible with the overall objectives of the group or organization.[4] Developed by Robert House, he determined that there were four types of leaders that played into this theory:

- **The supportive leader:** is friendly and shows concerns for the followers.
- **The participative leader:** checks with followers for suggestions before making a decision.
- **The directive leader:** lets followers know what work is to be done, gives guidance on how to accomplish tasks.
- **The achievement-oriented leader:** sets challenging goals, expects followers to perform at high levels.

The factors are environmental (task structure, formal authority system, work group) and subordinate (locus of control, experience, perceived ability). The environmental factors are beyond followers’ control, and the subordinate factors are, obviously within their control. Environmental factors dictate which of the leadership behaviors above will be most effective, and the subordinate factors dictate how those leadership behaviors are interpreted.

In other words, if a directive leader is paired with followers who already have a high ability and experience, the leader’s skills are likely to be perceived as redundant. The followers don’t need someone to tell them what to do. They’d be more successful with an achievement-oriented leader.

Research supports this theory. It’s logical that a leader will be successful if he or she is “filling in the blanks” where environmental and subordinate factors are concerned, and giving the team what they don’t already have.

Leader-Participation Model

Victor Vroom, the researcher who developed the expectancy framework by which we compared motivational approaches, also has things to say about leadership.[5] He paired with Phillip Yetton to create a leader-participation model, and then with Arthur Jago to create a revised one. The revised model , the more widely accepted of the two, provides a set of rules to determine the form and amount of participative decision making in different situations.

In fact, there are 12 contingency variables, 8 problem types, and 5 leadership styles to be considered in the process, and that’s part of what makes the model difficult for managers to use. Beyond the complexity of the model, this model doesn’t take stress, intelligence and experience into consideration as important variables.

All of these contingency models, which have been discussed and contemplated for more than forty years, seem to suggest, above all things, that there is no one right way to lead. But don’t worry, that doesn’t mean we’ve wasted our time!

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1. Fiedler, F. E. (1967) *A Theory of Leadership Effectiveness*, New York: McGraw-Hill. ↵
2. Fiedler, F. E. and Garcia, J. E. (1987) *New Approaches to Leadership, Cognitive Resources and Organizational Performance*, New York: John Wiley and Sons. ↵
3. Dienesch, R.M. and Liden, R.C. (1986) *Leader-Member Exchange Model of Leadership: A Critique and Further Development.* Academy of Management Review, 11, 618-634. ↵

4. House, Robert J.; Mitchell, T.R. (1974). "Path-goal theory of leadership". *Journal of Contemporary Business. 3:* 1–97. ↩
5. Vroom, Victor H.; Yetton, Phillip W. (1973). Leadership and Decision-Making. Pittsburgh: University of Pittsburgh ↩

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20.14: Situational (Contingency) Approaches to Leadership

6. What are the situational perspectives on leadership?

As early as 1948, Ralph Stogdill stated that "the qualities, characteristics, and skills required in a leader are determined to a large extent by the demands of the situation in which he is to function as a leader."[70] In addition, it had been observed that two major leader behaviors, initiating structure and consideration, didn't always lead to equally positive outcomes. That is, there are times when initiating structure results in performance increases and follower satisfaction, and there are times when the results are just the opposite. Contradictory findings such as this lead researchers to ask "Under what conditions are the results positive in nature?" and "When and why are they negative at other times?" Obviously, situational differences and key contingencies are at work.

Several theories have been advanced to address this issue. These are Fiedler's contingency theory of leadership, the path-goal theory of leader effectiveness, Hersey and Blanchard's life cycle theory, cognitive resource theory, the decision tree, and the decision process theory.[71] We explore two of the better-known situational theories of leadership, Fred Fiedler's contingency model and Robert J. House's path-goal theory, here. Victor Vroom, Phillip Yetton, and Arthur Jago's decision tree model also applies.

Fiedler's Contingency Model

One of the earliest, best-known, and most controversial situation-contingent leadership theories was set forth by Fred E. Fiedler from the University of Washington.[72] This theory is known as the **contingency theory of leadership**. According to Fiedler, organizations attempting to achieve group effectiveness through leadership must assess the leader according to an underlying trait, assess the situation faced by the leader, and construct a proper match between the two.

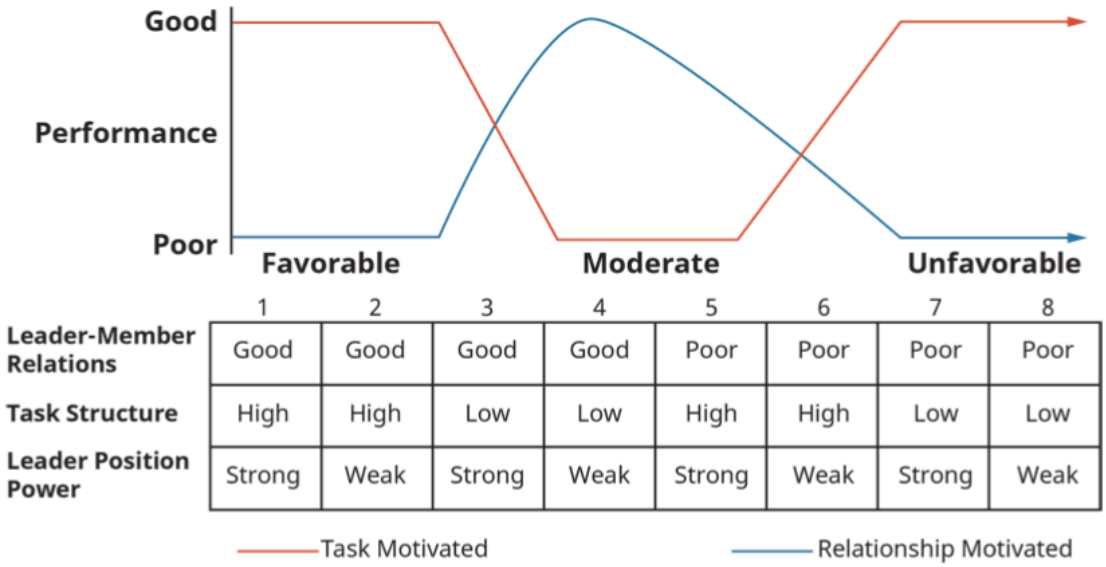
The Leader's Trait

Leaders are asked about their **least-preferred coworker (LPC),** the person with whom they *least* like to work. The most popular interpretation of the LPC score is that it reflects a leader's underlying disposition toward others—for example: pleasant/unpleasant, cold/warm, friendly/unfriendly, and untrustworthy/trustworthy. (You can examine your own LPC score by completing the LPC self-assessment on the following page.)

Fiedler states that leaders with high LPC scores are *relationship oriented*—they need to develop and maintain close interpersonal relationships. They tend to evaluate their least-preferred coworkers in fairly favorable terms. Task accomplishment is a secondary need to this type of leader and becomes important only after the need for relationships is reasonably well satisfied. In contrast, leaders with low LPC scores tend to evaluate the individuals with whom they least like to work fairly negatively. They are *task-oriented* people, and only after tasks have been accomplished are low-LPC leaders likely to work on establishing good social and interpersonal relations.

The Situational Factor

Some situations favor leaders more than others do. To Fiedler, *situational favorableness* is the degree to which leaders have control and influence and therefore feel that they can determine the outcomes of a group interaction.[73] Several years later, Fiedler changed his situational factor from the situational favorability to situational control—where situational control essentially refers to the degree to which a leader can influence the group process.[74] Three factors work together to determine how favorable a situation is to a leader. In order of importance, they are (1) *leader-member relations*—the degree of the group's acceptance of the leader, their ability to work well together, and members' level of loyalty to the leader; (2) *task structure*—the degree to which the task specifies a detailed, unambiguous goal and how to achieve it; and (3) *position power*—a leader's direct ability to influence group members. The situation is most favorable for a leader when the relationship between the leader and group members is good, when the task is highly structured, and when the leader's position power is strong (cell 1 in **Exhibit 12.10**). The least-favorable situation occurs under poor leader-member relations, an unstructured task, and weak position power (cell 8).



	1	2	3	4	5	6	7	8
Leader-Member Relations	Good	Good	Good	Good	Poor	Poor	Poor	Poor
Task Structure	High	High	Low	Low	High	High	Low	Low
Leader Position Power	Strong	Weak	Strong	Weak	Strong	Weak	Strong	Weak

Exhibit 12.10 Fiedler's Contingency Model of Leader-Situation Matches *Source:* Adapted from F. E. Fiedler and M. M. Chemers. 1974. *Leadership and effective management*. Glenview, IL: Scott, Foresman.

Leader-Situation Matches

Some combinations of leaders and situations work well; others do not. In search of the best combinations, Fiedler examined a large number of leadership situations. He argued that most leaders have a relatively unchangeable or dominant style, so organizations need to design job situations to fit the leader.[75]

While the model has not been fully tested and tests have often produced mixed or contradictory findings,[76] Fiedler's research indicates that relationship-oriented (high-LPC) leaders are much more effective under conditions of intermediate favorability than under either highly favorable or highly unfavorable situations. Fiedler attributes the success of relationship-oriented leaders in situations with intermediate favorability to the leader's nondirective, permissive attitude; a more directive attitude could lead to anxiety in followers, conflict in the group, and a lack of cooperation.

For highly favorable and unfavorable situations, task-oriented leaders (those with a low LPC) are very effective. As tasks are accomplished, a task-oriented leader allows the group to perform its highly structured tasks without imposing more task-directed behavior. The job gets done without the need for the leader's direction. Under unfavorable conditions, task-oriented behaviors, such as setting goals, detailing work methods, and guiding and controlling work behaviors, move the group toward task accomplishment.

As might be expected, leaders with mid-range LPC scores can be more effective in a wider range of situations than high- or low-LPC leaders.[77] Under conditions of low favorability, for example, a middle-LPC leader can be task oriented to achieve performance, but show consideration for and allow organizational members to proceed on their own under conditions of high situational favorability.

Controversy over the Theory

Although Fiedler's theory often identifies appropriate leader-situation matches and has received broad support, it is not without critics. Some note that it characterizes leaders through reference to their attitudes or personality traits (LPC) while it explains the leader's effectiveness through their behaviors—those with a particular trait will behave in a particular fashion. The theory fails to make the connection between the least-preferred coworker attitude and subsequent behaviors. In addition, some tests of the model have produced mixed or contradictory findings.[78] Finally, what is the true meaning of the LPC score-exactly what is being revealed by a person who sees their least-preferred coworker in positive or negative terms? Robert J. House and Ram N. Aditya recently noted that, in spite of the criticisms, there has been substantial support for Fiedler's theory.[79]

Path-Goal Theory

Robert J. House and Martin Evans, while on the faculty at the University of Toronto, developed a useful leadership theory. Like Fiedler's, it asserts that the type of leadership needed to enhance organizational effectiveness depends on the situation in which the leader is placed. Unlike Fiedler, however, House and Evans focus on the leader's observable behavior. Thus, managers can either match the situation to the leader or modify the leader's behavior to fit the situation.

The model of leadership advanced by House and Evans is called the **path-goal theory of leadership** because it suggests that an effective leader provides organizational members with a *path* to a valued *goal*. According to House, the motivational function of the leader consists of increasing personal payoffs to organizational members for work-goal attainment, and making the path to these payoffs easier to travel by clarifying it, reducing roadblocks and pitfalls, and increasing the opportunities for personal satisfaction en route.[80]

Effective leaders therefore provide rewards that are valued by organizational members. These rewards may be pay, recognition, promotions, or any other item that gives members an incentive to work hard to achieve goals. Effective leaders also give clear instructions so that ambiguities about work are reduced and followers understand how to do their jobs effectively. They provide coaching, guidance, and training so that followers can perform the task expected of them. They also remove barriers to task accomplishment, correcting shortages of materials, inoperative machinery, or interfering policies.

An Appropriate Match

According to the path-goal theory, the challenge facing leaders is basically twofold. First, they must analyze situations and identify the most appropriate leadership style. For example, experienced employees who work on a highly structured assembly line don't need a leader to spend much time telling them how to do their jobs—they already know this. The leader of an archeological expedition, though, may need to spend a great deal of time telling inexperienced laborers how to excavate and care for the relics they uncover.

Second, leaders must be flexible enough to use different leadership styles as appropriate. To be effective, leaders must engage in a wide variety of behaviors. Without an extensive repertoire of behaviors at their disposal, a leader's effectiveness is limited.[81] All team members will not, for example, have the same need for autonomy. The leadership style that motivates organizational members with strong needs for autonomy (participative leadership) is different from that which motivates and satisfies members with weaker autonomy needs (directive leadership). The degree to which leadership behavior matches situational factors will determine members' motivation, satisfaction, and performance (see **Exhibit 12.11**).[82]

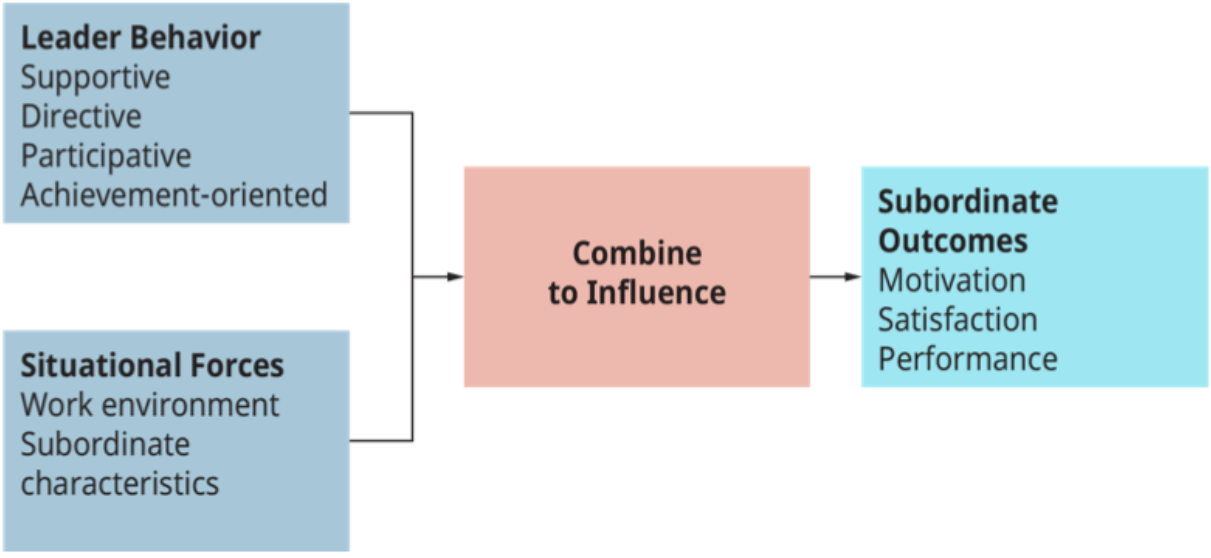


Exhibit 12.11 The Path-Goal Leadership Model (Attribution: Copyright Rice University, OpenStax, under CC-BY 4.0 license)

Behavior Dimensions

According to path-goal theory, there are four important dimensions of leader behavior, each of which is suited to a particular set of situational demands.[83]

- *Supportive leadership*—At times, effective leaders demonstrate concern for the well-being and personal needs of organizational members. Supportive leaders are friendly, approachable, and considerate to individuals in the workplace. Supportive leadership is especially effective when an organizational member is performing a boring, stressful, frustrating, tedious, or unpleasant task. If a task is difficult and a group member has low self-esteem, supportive leadership can reduce some of the person's anxiety, increase his confidence, and increase satisfaction and determination as well.
- *Directive leadership*—At times, effective leaders set goals and performance expectations, let organizational members know what is expected, provide guidance, establish rules and procedures to guide work, and schedule and coordinate the activities of members. Directive leadership is called for when role ambiguity is high. Removing uncertainty and providing needed guidance can increase members' effort, job satisfaction, and job performance.

  •*Participative leadership*—At times, effective leaders consult with group members about job-related activities and consider their opinions and suggestions when making decisions. Participative leadership is effective when tasks are unstructured. Participative leadership is used to great effect when leaders need help in identifying work procedures and where followers have the expertise to provide this help.

- *Achievement-oriented leadership*—At times, effective leaders set challenging goals, seek improvement in performance, emphasize excellence, and demonstrate confidence in organizational members' ability to attain high standards. Achievement-oriented leaders thus capitalize on members' needs for achievement and use goal-setting theory to great advantage.

Cross-Cultural Context

Gabriel Bristol, the CEO of Intelifluence Live, a full-service customer contact center offering affordable inbound customer service, outbound sales, lead generation and consulting services for small to mid-sized businesses, notes "diversity breeds innovation, which helps businesses achieve goals and tackle new challenges."[84] *Multiculturalism* is a new reality as today's society and workforce become increasingly diverse. This naturally leads to the question "Is there a need for a new and different style of leadership?"

The vast majority of the contemporary scholarship directed toward understanding leaders and the leadership process has been conducted in North America and Western Europe. Westerners have "developed a highly romanticized, heroic view of leadership."[85] Leaders occupy center stage in organizational life. We use leaders in our attempts to make sense of the performance of our groups, clubs, organizations, and nations. We see them as key to organizational success and profitability, we credit them with organizational competitiveness, and we blame them for organizational failures. At the national level, recall that President Reagan brought down Communism and the Berlin Wall, President Bush won the Gulf War, and President Clinton brought unprecedented economic prosperity to the United States during the 1990s.

This larger-than-life role ascribed to leaders and the Western romance with successful leaders raise the question "How representative is our understanding of leaders and leadership across cultures?" That is, do the results that we have examined in this chapter generalize to other cultures?

Geert Hofstede points out that significant value differences (individualism-collectivism, power distance, uncertainty avoidance, masculinity-femininity, and time orientation) cut across societies. Thus, leaders of culturally diverse groups will encounter belief and value differences among their followers, as well as in their own leader-member exchanges.

There appears to be consensus that a universal approach to leadership and leader effectiveness does not exist. Cultural differences work to enhance and diminish the impact of leadership styles on group effectiveness. For example, when leaders empower their followers, the effect for job satisfaction in India has been found to be negative, while in the United States, Poland, and Mexico, the effect is positive.86 The existing evidence suggests similarities as well as differences in such areas as the effects of leadership styles, the acceptability of influence attempts, and the closeness and formality of relationships. The distinction between task and relationship-oriented leader behavior, however, does appear to be meaningful across cultures.[87] Leaders whose behaviors reflect support, kindness, and concern for their followers are valued and effective in Western and Asian cultures. Yet it is also clear that democratic, participative, directive, and contingent-based rewards and punishment do not produce the same

results across cultures. The United States is very different from Brazil, Korea, New Zealand, and Nigeria. The effective practice of leadership necessitates a careful look at, and understanding of, the individual differences brought to the leader-follower relationship by cross-cultural context.[88]

concept check

- Identify and describe the variables presented in Fiedler's theory of leadership.
- What are the leadership behaviors in the path-goal theory of leadership?
- What role does culture have in how leadership is viewed?
- What are the differences between the trait, behavioral, and situational approaches to defining leadership?

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20.15: Substitutes for and Neutralizers of Leadership

7. What does the concept “substitute for leadership” mean?

Several factors have been discovered that can substitute for or neutralize the effects of leader behavior (see **Table 12.1**).[89] *Substitutes* for leadership behavior can clarify role expectations, motivate organizational members, or satisfy members (making it unnecessary for the leader to attempt to do so). In some cases, these substitutes supplement the behavior of a leader. Sometimes it is a group member’s characteristics that make leadership less necessary, as when a master craftsperson or highly skilled worker performs up to his or her own high standards without needing outside prompting. Sometimes the task’s characteristics take over, as when the work itself—solving an interesting problem or working on a familiar job—is intrinsically satisfying. Sometimes the characteristics of the organization make leadership less necessary, as when work rules are so clear and specific that workers know exactly what they must do without help from the leader (see *An Inside Look* at flat management structure and the orchestra with no leader).

Substitutes for and Neutralizers of Leader Behavior

Supportive or Neutralizer	Leader Behavior Influenced: Substitute Leadership	Leader Behavior Influenced: Instrumental Leadership
A. Subordinate Characteristics:		
1. Experience, ability, training		Substitute
2. “Professional” orientation	Substitute	Substitute
3. Indifference toward rewards offered by organization	Neutralizer	Neutralizer
B. Task Characteristics:		
1. Structured, routine, unambiguous task		Substitute
2. Feedback provided by task		Substitute
3. Intrinsically satisfying task	Substitute	
C. Organization Characteristics:		
1. Cohesive work group	Substitute	Substitute
2. Low position power (leader lacks control over organizational rewards)	Neutralizer	Neutralizer
3. Formalization (explicit plans, goals, areas of responsibility)		Substitute
4. Inflexibility (rigid, unyielding rules and procedures)		Neutralizer
5. Leader located apart from subordinates with only limited communication possible	Neutralizer	Neutralizer

Source: Adapted from *Leadership in organizations* by G. A. Yukl.

Table 12.1

Neutralizers of leadership, on the other hand, are not helpful; they prevent leaders from acting as they wish. A computer-paced assembly line, for example, prevents a leader from using initiating structure behavior to pace the line. A union contract that specifies that workers be paid according to seniority prevents a leader from dispensing merit-based pay. Sometimes, of course, neutralizers can be beneficial. Union contracts, for example, clarify disciplinary proceedings and identify the responsibilities of both management and labor. Leaders must be aware of the presence of neutralizers and their effects so that they can eliminate troublesome neutralizers or take advantage of any potential benefits that accompany them (such as the clarity of responsibilities provided by a union contract). If a leader's effectiveness is being neutralized by a poor communication system, for example, the leader might try to remove the neutralizer by developing (or convincing the organization to develop) a more effective system.

Followers differ considerably in their *focus of attention* while at work, thereby affecting the effectiveness of the act of leadership. Focus of attention is an employee's cognitive orientation while at work. It reflects what and how strongly an individual thinks about various objects, events, or phenomena while physically present at work. Focus of attention reflects an individual difference in that not all individuals have the same cognitive orientation while at work—some think a great deal about their job, their coworkers, their leader, or off-the-job factors, while others daydream.[90] An employee's focus of attention has both "trait" and "state" qualities. For example, there is a significant amount of minute-by-minute variation in an employee's focus of attention (the "state" component), and there is reasonable consistency in the categories of events that employees think about while they are at work (the "trait" component).

Research suggests that the more followers focus on off-job (nonleader) factors, the less they will react to the leader's behaviors. Thus, a strong focus on one's life "away from work" (for example, time with family and friends) tends to neutralize the motivational, attitudinal, and/or behavioral effects associated with any particular leader behavior. It has also been observed, however, that a strong focus on the leader, either positive or negative, enhances the impact that the leader's behaviors have on followers.[91]

managerial Leadership

You Are Now the Leader

Leading and managing are two very different things. Being a manager means something more than gaining authority or charge over former colleagues. With the title does come the power to affect company outcomes, but it also comes with something more: the power to shape the careers and personal growth of subordinates.

According to Steve Keating, a senior manager at the Toro Company, it is important not to assume that being made a manager automatically makes you a leader. Rather, being a manager means having the *opportunity* to lead. Enterprises need managers to guide processes, but the employees—the people—need a leader. Keating believes that leaders need a mindset that emphasizes people, and the leader's job is to help the people in the organization to be successful. According to Keating, "If you don't care for people, you can't lead them" (Hakim 2017 n.p.).

For someone who has been promoted over his peers, ground rules are essential. "Promotion doesn't mean the end of friendship but it does change it," according to Keating. If a *peer* has been promoted, rather than grouse and give in to envy, it is important to step back and look at the new manager; take a hard look at why the peer was promoted and what skill or characteristic made you a less appealing fit for the position (Hakim 2017).

Carol Walker, president of Prepared to Lead, a management consulting firm, advises new managers to develop a job philosophy. She urges new managers to develop a core philosophy that provides a guide to the day-to-day job of leading. She urges managers to build up the people they are leading and work as a "servant leader." The manager's perspective should be on employee growth and success. Leaders must bear in mind that employees don't work for the manager; they work for the organization—and for themselves. Managers coordinate this relationship; they are not the center of it. Work should not be assigned haphazardly, but with the employee's skills and growth in mind. "An employee who understands why she has been asked to do something is far more likely to assume true ownership for the assignment," Walker says (Yakowicz 2015 n.p.). A leader's agenda should be on employee success, not personal glory. Employees are more receptive when they recognize that their leader is working not for their own success, but for the employee's success.

A survey from HighGround revealed one important item that most new managers and even many seasoned managers overlook: asking for feedback. Everyone has room for growth, even managers. Traditional management dictates a top-down style in which managers review subordinates. But many companies have found it beneficial to turn things around and ask employees, "How can I be a better manager?" Of course, this upward review only works if employees believe that their opinion will be heard. Managers need to carefully cultivate a rapport where employees don't fear reprisals for negative feedback.

Listening to criticism from those you are leading builds trust and helps ensure that as a manager, you are providing the sort of leadership that employees need to be successful (Kauflin 2017). Showing respect and caring for employees by asking this simple question is *inspiring*—an important aspect of leadership itself. Whether asking for feedback or focusing on an employee's fit with a particular job description, a leader helps guide employees through the day-to-day, builds a positive culture, and helps employees improve their skills.

Questions

1. What do you think are the most important qualities in a leader? In a manager? Are your two lists mutually exclusive? Why?
2. How do you think a leader can use feedback to model the growth process for employees?

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concept check

- Identify and describe substitutes of leadership.

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20.16: Transformational, Visionary, and Charismatic Leadership

8. What are the characteristics of transactional, transformational, and charismatic leadership?

Many organizations struggling with the need to manage chaos, to undergo a culture change, to empower organizational members, and to restructure have looked for answers in “hiring the right leader.” Many have come to believe that the transformational, visionary, and charismatic leader represents the style of leadership needed to move organizations through chaos.

The Transformational and Visionary Leader

Leaders who subscribe to the notion that “if it ain’t broke, don’t fix it” are often described as *transactional leaders*. They are extremely task oriented and instrumental in their approach, frequently looking for incentives that will induce their followers into a desired course of action.[92] These reciprocal exchanges take place in the context of a mutually interdependent relationship between the leader and the follower, frequently resulting in interpersonal bonding.[93] The transactional leader moves a group toward task accomplishment by initiating structure and by offering an incentive in exchange for desired behaviors. The **transformational leader**, on the other hand, moves and changes (fixes) things “in a big way”! Unlike transactional leaders, they don’t cause change by offering inducements. Instead, they inspire others to action through their personal values, vision, passion, and belief in and commitment to the mission.[94] Through charisma (idealized influence), individualized consideration (a focus on the development of the follower), intellectual stimulation (questioning assumptions and challenging the status quo), and/or inspirational motivation (articulating an appealing vision), transformational leaders move others to follow.

The transformational leader is also referred to as a visionary leader. **Visionary leaders** are those who influence others through an emotional and/or intellectual attraction to the leader’s dreams of what “can be.” Vision links a present and future state, energizes and generates commitment, provides meaning for action, and serves as a standard against which to assess performance.[95] Evidence indicates that vision is positively related to follower attitudes and performance.[96] As pointed out by Warren Bennis, a vision is effective only to the extent that the leader can communicate it in such a way that others come to internalize it as their own.[97]

As people, transformational leaders are engaging. They are characterized by extroversion, agreeableness, and openness to experience.[98] They energize others. They increase followers' awareness of the importance of the designated outcome.[99] They motivate individuals to transcend their own self-interest for the benefit of the team and inspire organizational members to self-manage (become self-leaders).100 Transformational leaders move people to focus on higher-order needs (self-esteem and self-actualization). When organizations face a turbulent environment, intense competition, products that may die early, and the need to move fast, managers cannot rely solely on organizational structure to guide organizational activity. In these situations, transformational leadership can motivate followers to be fully engaged and inspired, to internalize the goals and values of the organization, and to move forward with dogged determination!

Transformational leadership is positively related to follower satisfaction, performance, and acts of citizenship. These effects result from the fact that transformational leader behaviors elicit trust and perceptions of procedural justice, which in turn favorably impact follower satisfaction and performance.[101] as R. Pillai, C. Schriesheim, and E. Williams note, “when followers perceive that they can influence the outcomes of decisions that are important to them and that they are participants in an equitable relationship with their leader, their perceptions of procedural justice [and trust] are likely to be enhanced."[102] Trust and experiences of organizational justice promote leader effectiveness, follower satisfaction, motivation, performance, and citizenship behaviors.

Charismatic Leadership

Ronald Reagan, Jesse Jackson, and Queen Elizabeth I have something in common with Martin Luther King Jr., Indira Gandhi, and Winston Churchill. The effectiveness of these leaders originates in part in their **charisma**, a special magnetic charm and appeal that arouses loyalty and enthusiasm. Each exerted considerable personal influence to bring about major events.

It is difficult to differentiate the charismatic and the transformational leader. True transformational leaders may achieve their results through the magnetism of their personality. In this case, the two types of leaders are essentially one and the same, yet it is important to note that not all transformational leaders have a personal "aura."

Sociologist Max Weber evidenced an interest in charismatic leadership in the 1920s, calling **charismatic leaders** people who possess legitimate power that arises from "exceptional sanctity, heroism, or exemplary character."[103] Charismatic leaders "single-handedly" effect changes even in very large organizations. Their personality is a powerful force, and the relationship that they forge with their followers is extremely strong.



Exhibit 12.12 Travis Kalanick Travis Kalanick was a praised CEO of Uber who managed to increase the value of the company to over $60 billion. He was forced to resign after taking a leave of absence and having several key executives resign due to allegations of creating a hostile and unethical workplace.

The charismatic leadership phenomenon involves a complex interplay between the attributes of the leader and followers' needs, values, beliefs, and perceptions.[104] At its extreme, leader-follower relationships are characterized by followers' unquestioning acceptance; trust in the leader's beliefs; affection; willing obedience to, emulation of, and identification with the leader; emotional involvement with his mission; and feelings of self-efficacy directed toward the leader's mission.[105] This can work to better the welfare of individuals, such as when Lee Iacocca saved thousands of jobs through his dramatic turnaround of a failing corporate giant, the Chrysler Corporation. It also can be disastrous, as when David Koresh led dozens and dozens of men, women, and children to their fiery death in Waco, Texas. Individuals working for charismatic leaders often have higher task performance, greater task satisfaction, and lower levels of role conflict than those working for leaders with considerate or structuring behaviors.[106] What are the charactersitics of these people who can exert such a strong influence over their followers? Charismatic leaders have a strong need for power and the tendency to rely heavily on referent power as their primary power base.[107] Charismatic leaders also are are extremely self-confident and convinced of the rightness of their own beliefs and ideals. This self-confidence and strength of conviction make people trust the charismatic leader's judgment, unconditionally following the leader's mission and directives for action.[108] The result is a strong bond between leader and followers, a bond built primarily around the leader's personality.

Although there have been many effective charismatic leaders, those who succeed the most have coupled their charismatic capabilities with behaviors consistent with the same leadership principles followed by other effective leaders. Those who do not add these other dimensions still attract followers but do not meet organizational goals as effectively as they could. They are (at least for a time) the pied pipers of the business world, with lots of followers but no constructive direction.

ethics in practice

Uber's Need for an Ethical Leader

Almost since its initial founding in 2009 as a luxury car service for the San Francisco area, controversy has followed Uber. Many complaints are against the tactics employed by the company's founder and former CEO, Travis Kalanick, but the effects are found throughout the business and its operations.

In 2009, UberBlack was a "black car" service, a high-end driving service that cost more than a taxi but less than hiring a private driver for the night. It wasn't until 2012 that the company launched UberX, the taxi-esque service most people think of today when they say "Uber." The UberX service contracted with private drivers who provided rides in their personal vehicles. A customer would use Uber's smartphone app to request the ride, and a private driver would show up. Originally launched in San Francisco, the service spread quickly, and by 2017, Uber was in 633 cities. The service was hailed by many as innovative and the free market's answer to high-priced and sometimes unreliable taxi services. But Uber has not been without its critics, both inside and outside of the company.

In 2013, as the UberX service spread, some UberBlack drivers protested at the company's headquarters complaining about poor company benefits and pay. They also claimed that competition from the newly launched UberX service was cutting into their sales and undermining job security. Kalanick rebuffed the protests, basically calling the complaints sour grapes: most of the protestors had been laid off earlier for poor service (Lawler 2013). Controversy also arose over the use of contract drivers rather than full-time employees. Contractors complained about a lack of benefits and low wages. Competitors, especially taxi services, complained that they were being unfairly undercut because Uber didn't have to abide by the same screening process and costs that traditional yellow taxi companies did. Some municipalities agreed, arguing further than Uber's lack of or insufficient screening of drivers put passengers at risk.

Uber quickly generated a reputation as a bully and Kalanick as an unethical leader (Ann 2016). The company has been accused of covering up cases of sexual assault, and Kalanick himself has been quoted as calling the service "Boob-er," a reference to using the service to pick up women (Ann 2016). Uber has been criticized for its recruiting practices; in particular, it has been accused of bribing drivers working for competitors to switch over and drive for Uber (Ann 2016).The company was also caught making false driver requests for competing companies and then canceling the order. The effect was to waste the other driver's time and make it more difficult for customers to secure rides on the competing service (D'Orazio 2014). Susan J. Fowler, former site reliability engineer at Uber, went public with cases of outright sexual harassment within Uber (Fowler 2017). Former employees described Uber's corporate culture as an "a**hole culture" and a "'Hobbesian jungle' where you can never get ahead unless someone else dies." (Wong 2017) One employee described a leadership that encouraged a company practice of developing incomplete solutions for the purpose of beating the competitor to market. Fowler went so far as to compare the experience to Game of Thrones, and other former employees even consider "making it" at Uber a black mark on a resume (Wong 2017).

In terms of social acrimony and PR disasters, arguably caused or even encouraged by leadership, Uber's rise to notoriety has arguably been more bad than good. In June 2017, Kalanick made one too many headlines and agreed to step down as the company's CEO.

Questions

1. In the summer of 2017, Transport of London (TfL) began proceedings to revoke Uber's permit to operate in London. How do think Uber's poor corporate reputation may have been a factor in TfL's thinking?
2. What steps do you think Uber's new CEO, Dara Khosrowshahi, needs to take to repair Uber's reputation?
3. Despite Uber's apparent success in launching in multiple markets, it continues to post quarterly losses in the millions and shareholders effectively subsidize 59 percent of every ride (www.reuters.com/article/us-u...n-question-as- investors-assess-firms-value-idUSKCN1B31O3). How is this an outworking of Uber's overall corporate culture?

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concept check

- What are the defining characteristics of transformational and charismatic leaders?

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20.17: Leadership Needs in the 21st Century

9. How do different approaches and styles of leadership impact what is needed now?

Frequent headlines in popular business magazines like *Fortune* and *Business Week* call our attention to a major movement going on in the world of business. Organizations are being reengineered and restructured, and network, virtual, and modular corporations are emerging. People talk about the transnational organization, the boundaryless company, the post-hierarchical organization. By the end of the decade, the organizations that we will be living in, working with, and competing against are likely to be vastly different from what we know today.

The transition will not be easy; uncertainty tends to breed resistance. We are driven by linear and rational thinking, which leads us to believe that "we can get there from here" by making some incremental changes in who we are and what we are currently doing. Existing paradigms frame our perceptions and guide our thinking. Throwing away paradigms that have served us well in the past does not come easily.

A look back tells most observers that the past decade has been characterized by rapid change, intense competition, an explosion of new technologies, chaos, turbulence, and high levels of uncertainty. A quick scan of today's business landscape suggests that this trend is not going away anytime soon. According to Professor Jay A. Conger from Canada's McGill University, "In times of great transition, leadership becomes critically important. Leaders, in essence, offer us a pathway of confidence and direction as we move through seeming chaos. The magnitude of today's changes will demand not only *more* leadership, but *newer forms* of leadership."109

According to Conger, two major forces are defining for us the genius of the next generation of leaders. The first force is the organization's external environment. Global competitiveness is creating some unique leadership demands. The second force is the growing diversity in organizations' internal environments. Diversity will significantly change the relationship between organizational members, work, and the organization in challenging, difficult, and also very positive ways.

What will the leaders of tomorrow be like? Professor Conger suggests that the effective leaders of the 21st century will have to be many things.[110] They will have to be *strategic opportunists;* only organizational visionaries will find strategic opportunities before competitors. They will have to be *globally aware*; with 80 percent of today's organizations facing significant foreign competition, knowledge of foreign markets, global economics, and geopolitics is crucial. They will have to be *capable of managing a highly decentralized organization*; movement toward the high-involvement organization will accelerate as the environmental demands for organizational speed, flexibility, learning, and leanness increase. They will have be *sensitive to diversity*; during the first few years of the 21st century, fewer than 10 percent of those entering the workforce in North America will be white, Anglo-Saxon males, and the incoming women, minorities, and immigrants will bring with them a very different set of needs and concerns. They will have to be *interpersonally competent*; a highly diverse workforce will necessitate a leader who is extremely aware of and sensitive to multicultural expectations and needs. They will have to be *builders of an organizational community*; work and organizations will serve as a major source of need fulfillment, and in the process leaders will be called on to help build this community in such a way that organizational members develop a sense of ownership for the organization and its mission.

Finally, it is important to note that leadership theory construction and empirical inquiry are an ongoing endeavor. While the study of traits, behavior, and contingency models of leadership provide us with a great deal of insight into leadership, the mosaic is far from complete. During the past 15 years, several new theories of leadership have emerged; among them are leader-member exchange theory, implicit leadership theory, neocharismatic theory, value-based theory of leadership, and visionary leadership,[111] each of which over time will add to our bank of knowledge about leaders and the leadership process.

Leaders of the 21st-century organization have a monumental challenge awaiting them and a wealth of self- enriching and fulfilling opportunities. The challenge and rewards awaiting effective leaders are awesome!

concept check

- What is the role of leadership in the 21st century?

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charisma A special personal magnetic charm or appeal that arouses loyalty and enthusiasm in a leader- follower relationship.

charismatic leader A person who possesses legitimate power that arises from “exceptional sanctity, heroism, or exemplary character.”

consideration A “relationship-oriented” leader behavior that is supportive, friendly, and focused on personal needs and interpersonal relationships.

contingency theory of leadership A theory advanced by Dr. Fred E. Fiedler that suggests that different leadership styles are effective as a function of the favorableness of the leadership situation least preferred.

designated leader The person placed in the leadership position by forces outside the group.

emergent leader The person who becomes a group’s leader by virtue of processes and dynamics internal to the group.

formal leader That individual who is recognized by those outside the group as the official leader of the group.

great man theory of leadership The belief that some people are born to be leaders and others are not.

informal leader That individual whom members of the group acknowledge as their leader.

initiating structure A “task-oriented” leader behavior that is focused on goal attainment, organizing and scheduling work, solving problems, and maintaining work processes.

leadership A social (interpersonal) influence relationship between two or more persons who depend on each other to attain certain mutual goals in a group situation.

Least-preferred coworker (LPC) The person with whom the leader least likes to work.

path-goal theory of leadership A theory that posits that leadership is path- and goal-oriented, suggesting that different leadership styles are effective as a function of the task confronting the group.

transformational leader A leader who moves and changes things “in a big way” by inspiring others to perform the extraordinary.

visionary leader A leader who influences others through an emotional and/or intellectual attraction to the leader’s dreams of what “can be.”

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20.19: Summary Learning Outcomes

12.1 The Nature of Leadership

1. What is the nature of leadership and the leadership process?

Leadership is a primary vehicle for fulfilling the directing function of management. Because of its importance, theorists, researchers, and practitioners have devoted a tremendous amount of attention and energy to unlocking the secrets of effective leadership. They have kept at this search for perhaps a greater period of time than for any other single issue related to management.

12.2 The Leadership Process

2. What are the processes associated with people coming to leadership positions?

Organizations typically have both formal and informal leaders. Their leadership is effective for virtually identical reasons. Leadership and management are not the same. Although effective leadership is a necessary part of effective management, the overall management role is much larger than leadership alone. Managers plan, organize, direct, and control. As leaders, they are engaged primarily in the directing function.

12.3 Leader Emergence

3. How do leaders influence and move their followers to action?

There are many diverse perspectives on leadership. Some managers treat leadership primarily as an exercise of power. Others believe that a particular belief and attitude structure makes for effective leaders. Still others believe it is possible to identify a collection of leader traits that produces a leader who should be universally effective in any leadership situation. Even today, many believe that a profile of behaviors can universally guarantee successful leadership. Unfortunately, such simple solutions fall short of the reality.

12.4 The Trait Approach to Leadership

4. What are the trait perspectives on leadership?

12.5 Behavioral Approaches to Leadership

5. What are the behavioral perspectives on leadership?

It is clear that effective leaders are endowed with the “right stuff,” yet this “stuff” is only a precondition to effective leadership. Leaders need to connect with their followers and bring the right configuration of knowledge, skills, ability, vision, and strategy to the situational demands confronting the group.

12.6 Situational (Contingency) Approaches to Leadership

6. What are the situational perspectives on leadership?

We now know that there is no one best way to be an effective leader in all circumstances. Leaders need to recognize that how they choose to lead will affect the nature of their followers’ compliance with their influence tactics, and ultimately impacts motivation, satisfaction, performance, and group effectiveness. In addition, the nature of the situation—contextual demands and characteristics of the follower—dictates the type of leadership that is likely to be effective. Fiedler focuses on leader traits and argues that the favorableness of the leadership situation dictates the type of leadership approach needed. He recommends selecting leaders to match the situation or changing the situation to match the leader. Path-goal theory focuses on leader behavior that can be adapted to the demands of a particular work environment and organizational members’ characteristics. Path-goal theorists believe both that leaders can be matched with the situation and that the situation can be changed to match leaders. Together, these theories make clear that leadership is effective when the characteristics and behavior of the leader match the demands of the situation.

12.7 Substitutes for and Neutralizers of Leadership

7. What does the concept of “substitute for leadership” mean?

Characteristics of followers, tasks, and organizations can substitute for or neutralize many leader behaviors. Leaders must remain aware of these factors, no matter which perspective on leadership they adopt. Such awareness allows managers to use substitutes for, and neutralizers of, leadership to their benefit, rather than be stymied by their presence.

12.8 Transformational, Visionary, and Charismatic Leadership

8. What are the characteristics of transactional, transformational, and charismatic leadership?

In recent years, there has been a renewed interest in key leader traits and behaviors. As organizations face increasing amounts of chaos in their external environments, searches for “the right leader” who can bring about major organizational transformations has intensified. This search once again focuses our attention on a set of “key” motives, knowledge, skills, and personality attributes. Emerging from this search has been the identification of the charismatic and transformational leader.

12.9 Leadership Needs in the 21st Century

9. How do different approaches and styles of leadership impact what is needed now?

Leadership in the high-involvement organization differs dramatically from that in the traditional and control- oriented organization. Leaders external to the team have as one of their primary roles empowering group members and the teams themselves to self-lead and self-manage. Leaders internal to the team are peers; they work alongside and simultaneously facilitate planning, organizing, directing, controlling, and the execution of the team’s work.

Although we know a great deal about the determinants of effective leadership, we have much to learn. Each theory presented in this chapter is put into practice by managers every day. None provides the complete answer to what makes leaders effective, but each has something important to offer.

Finally, our understanding of leadership has many shortcomings and limitations. The existing literature is largely based on observations from a Western industrialized context. The extent to which our theories of leadership are bound by our culture, limiting generalization to other cultures, is largely unknown. Cross- cultural leadership research will no doubt intensify as the global economy becomes an ever more dominant force in the world.

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20.20: Chapter Review Questions

1. Define leadership and distinguish between leadership and management.
2. Discuss the processes associated with people coming to positions of leadership.
3. Discuss the different forms of power available to leaders and the effects associated with each.
4. It has been observed that effective leaders have the “right stuff.” What traits are commonly associated with leader emergence and effective leaders?
5. Both the Ohio State University and University of Michigan leadership studies identified central leader behaviors. What are these behaviors, and how are they different from one another?
6. Blake and Mouton’s work with the Leadership Grid® identified several leadership types. What are they, and how does this leadership model look from the perspective of situation theories of leadership?
7. Identify and describe the three situational variables presented in Fiedler’s contingency theory of leadership.
8. What are the four leadership behaviors in the path-goal theory of leadership?
9. Discuss the differences between the internal and external leadership roles surrounding self-managed work teams.
10. What are substitutes for leadership? What are neutralizers? Give an example of each.
11. What are the distinguishing features of the transformational and the charismatic leader?

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20.21: Management Skills Application Exercises

1. Identify a charismatic leader and a leader with little charisma. What are the traits and skills that allow them to succeed in their roles? How can you incorporate the traits that allow them to be successful in their roles into the skills you will need to have in a leadership position?
2. You have just taken a leadership position where 40 percent of the workforce telecommutes. You want to encourage teamwork and want to ensure that telecommuting is not hurting teamwork. What is your plan to discover how things are working and how to communicate your desire to have effective teamwork?
3. You are at a meeting, and during the meeting someone on the team addresses their manager and points out a crucial mistake that could doom the project. The person says that their manager should have caught it and because of that should resign. As a leader of the group, how would you deal with the subordinate, the manager, and communication with the entire team?

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20.22: Managerial Decision Exercises

1. You are the newly appointed commissioner of a major sports league that is currently in a very public game three of a best-of-seven-game playoff. After an emotional opening ceremony that recognizes a tragic event in the community that is widely praised, you settle in to enjoy the game. Early in the game, a player on one team is seen celebrating a scoring play by acting out a racially insensitive behavior after the play. How would you act in a leadership position? Read the ESPN article [**http://www.espn.com/mlb/ story/_/id/21199462/rob-manfred-leadership-was-tested-yuli-gurriel-racially-insensitive-behavior- passed**] and comment on how this commissioner acted in this instance.
2. One of the challenges for a new manager in a leadership position is managing stress. Reflect on a time in your life where you have taken a leadership role in a summer job, as a member of a team, or in a study group for this or another course. Develop a stress management plan that includes how you can recognize stress, how you will notice the stress, how you will manage changes to address stress, and how you will seek outside counsel and help, including a mentor to help you manage stress.
3. Few people would want to hire a skilled manager with no leadership skills, and you would not want to hire an inspirational leader who can't manage planning, delegating, or keeping things organized. Draw two "T accounts" with positive attributes on the left and negative attributes on the right for managerial skills and leadership skills that you would look for as a hiring manager for a crucial managerial and leadership position in your organization.

Managerial Skills	
+	−

Leadership Skills	
+	−

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20.23: Critical Thinking Cases

The Leadership Challenge at United

Anyone who has traveled even a little has at least one airline horror story: being stranded at an airport, obnoxious passengers, missed connections, flight delays, or just bad in-flight food. Even the most seasoned travelers would be hard-pressed to match Dr. David Dao's experience of being forcibly removed, kicking and screaming, from a United Airlines flight. Most airline horror stories don't end in a concussion, missing teeth, and a broken nose.

United Airlines CEO Oscar Munoz's strangely detached response only made things worse. The incident was caught on video, and that video went viral almost immediately. Munoz issued a response that mischaracterized what plainly happened in the video and termed the violent assault as a passenger "re- accommodation" (Taylor 2017). Social media erupted with condemnation, which was echoed by late-night monologues. United was left with a damaged reputation, and its management was left wondering why their processes failed, what to do to mitigate the damage, and how to both restore their reputation and ensure that company values are followed in the future.

William Taylor (2017), in a commentary in *Fortune*, attributes United's "re-accommodation" disaster as the product of company policy, airport security procedures, pilot protocols, and the "wisdom of crowds." At each step, the gate agent, pilot, airport security, and the passengers themselves could have intervened but didn't.

Brian Fielkow, business leader, author, and keynote speaker, writing at Entrepreneur.com, outlined some points that apply to Munoz's response and the first reactions by United. Citing United's core values, Fielkow points to Munoz's failure to address the incident in light of the company's values, take the blame, or even accurately describe what happened on the plane. Any *one* of these lapses in leadership would have caused confusion or stymied the recovery process. As a leader, Munoz was setting the tone for thousands of people. Seemingly abandoning United's core values likely caused a rift in trust or just simple confusion company-wide. Miscasting the situation in a world of smartphones and social media reach only multiplied the effect. As a leader, Munoz was duty-bound to take responsibility for what literally the entire world saw—a breach of social ethics, let alone United's core values. Failing to do this immediately created a problem larger than poorly planned company policy or just a perfect storm of contributing outside factors. Fielkow is keen to point out another crucial part of a company response— "You can't walk it back" (2017 n.p.). Before responding, leadership should take time to gather the facts and thoroughly consider the possibilities of how the message will be received. Again, Munoz's response failed at several key points, leading to the perception that Munoz's second statement was "an attempt at damage control" (Fielkow 2017 n.p.).

Al Bolea, a leadership trainer, also attributes the incident to leadership failure. In a piece written for *Applied Leadership*, Bolea writes, "It's about front line employees getting the wrong messages from the most senior levels of the company." He contends that the mindset within United put procedures above context in the minds of the employees. What the gate agents should have considered was the company's reputation, which should have prevented them from doing something most airline customers see as "profoundly immoral" (Bolea 2017 n.p.)

William C. Taylor, cofounder of Fast Company, also criticized the lack of leadership across United. As the presumptive leader of the flight, shouldn't the pilot have done something? Why didn't the gate agent think outside the box to solve the problem of getting the crew members from Chicago to Louisville, Kentucky? Why didn't—or couldn't—the gate agent use what Taylor refers to as a "common sense and a little bit of creativity" and prevent a highly embarrassing (and ultimately expensive) fiasco? Taylor muses that he would like to think he would have done more than shoot video, but the passengers on the flight remained quiet and submissive, expressing no group outrage. Finally, Taylor questions the weak initial response from United's CEO, Oscar Munoz, writing, "If CEO Oscar Munoz's goal was to make a disastrous situation even worse, well, he gets credit as a leader for succeeding at that" (2017 n.p.). And of the board, he questions their response, and says that response will be a "make or break test" of the company's character (Taylor 2017).

So what will it take to lead United out of such a public mistake?

According to Brian Fielkow, the incident flew in the face of United's core values, values which should never be sacrificed. United should have acknowledged this and addressed that failure. United should have held itself accountable for the incident rather than try to deflect blame. Fielkow contends that Munoz's first response was to blame the passenger when Munoz should have accepted responsibility instead. Further, Fielkow writes that companies should anticipate what "can" go wrong, something the gate agents at United failed to do. Increasing passenger compensation to even three times the normal ticket price would have been cheaper

than the PR nightmare (and stock price drop) that followed. After Munoz's tepid response failed to quell general complaints about United's handling of the passenger, he tried to issue a second "more appropriate" statement, but by then the damage had been done. Fielkow recommends waiting before issuing a response if need be. It's better to prepared and issue a suitable response than to try to walk back a bad response. Above all, Fielkow recommends leaders "be human." The first response Munoz gave had little empathy and made him, and United, appear insensitive and callous. A company's first response should be to empathize with the customer, even if the customer is wrong. He writes, "When triaging a difficult problem, above all recognize the human factor" (Fielkow 2017 n.p.).

Writing in *Forbes*, Glenn Llopis emphasizes that how managers react to failure shapes their futures as leaders. Not only how leaders respond, but what is learned from a failure, will affect how future decisions are approached. Remember, you have to be doing something to fail, and if you never fail, then you aren't stretching yourself. Venturing into the unknown and unfamiliar always risks failure (Llopis 2012)

Questions:

1. How have other airlines handled similar situations?
2. How much was in United Airlines's control, and how much was actually outside their control? What social or company factors caused a seemingly common practice to escalate to this level?
3. How did the other airlines or the industry respond to the United Airlines incident?

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21: ORGANIZATIONAL POWER AND POLITICS



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21.1: Chapter Introduction



Figure 21.1.1 **Meeting** (Credit: United States Mission Geneva/ flickr/ Attribution 2.0 Generic (CC BY 2.0))

Learning Outcomes

After reading this chapter, you should be able to answer these questions:

1. How do power bases work in organizational life?
2. How do you recognize and account for the exercise of counterpower and make appropriate use of strategic contingencies in interunit or interorganizational relations?
3. How do managers cope effectively with organizational politics?
4. How do you recognize and limit inappropriate or unethical political behavior where it occurs?

exploring managerial careers

Power Play at General Electric

For years, General Electric has been the pillar of manufacturing standards and stood as an icon for the American economy. Despite its strong history, CEO woes and a power struggle from within during the past few years have started to unravel the company's control.

Jeff Immelt, long-time CEO, was respected and revered for his discipline. However, this mentality took its toll and led to declines and complacency. The struggling company wanted change and desperately needed growth; it appointed John Flannery. Shortly after the appointment of Flannery, the new CEO pulled a change of his own as well—firing half of the company's board.

This type of move was almost unheard of, and the purge as presented was planning to cut dividends and slash less profitable business lines. The pressure from investors was felt immediately by Flannery, and this move was a desperate attempt to regain some footing and remain atop the industry standard.

Fast forward to 2018: after only one year on the job, the board decided it was done waiting for the turnaround and took drastic action, ousting Flannery and absorbing $23 billion in loss from the process.

The tumultuous and fast-paced changing tech-dominated economy of the 21st century showcases the harsh realities in this GE change of power. “The market didn’t even give the company the benefit of the doubt that things would work,” said Ivan Feinseth, chief investment officer at Tigress Financial Partners. “Flannery’s plan hasn’t worked.” The market favors tech companies such as Google and Amazon rather than traditional manufacturers. And the new CEO, Lawrence Culp, will have an uphill battle to take over all of the woes of GE. As the first outsider to take over leadership, he has a lot to prove as well. His successes at Danaher preceded him and the company’s stock has soared since the change occurred, already showing a positive impact.

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Although the circumstances of the changes in leadership at GE may be unique, the exercise of power and political behavior in organizations is certainly not. Power and politics are the lifeblood of most organizations, and, as a result, informed managers need to understand power dynamics. In fact, organizations are composed of coalitions and alliances of different parties that continually compete for available resources. As such, a major influence on how decisions are made is the distribution of power among the decision makers. Unequal distribution of power in organizations can have a critical impact on many aspects of work life, including employee motivation, job satisfaction, absenteeism and turnover, and stress. Hence, an awareness of the nature and pervasiveness of power and politics is essential for a better understanding of these other behavioral processes.

The concept of power is closely related to the concepts of authority and leadership. It is important to understand when one method of influence ceases and another begins. For example, when does a manager stop using legitimate authority in a work situation and start using unauthorized power?

Finally, on an individual level, many people attempt to exercise influence in organizations by using power tactics. An awareness of such tactics helps managers to recognize them and to take appropriate actions. Keep in mind that attempts by others to exercise power do not have to be successful. A number of mechanisms are available to countermand or neutralize influence attempts. Knowledge of these strategies gives a manager greater latitude in his response to power plays by others.

In short, power and political processes in organizations represent a topic of central importance to students of organizational behavior. Along with other group processes, such as communication and decision-making, power and politics can considerably influence both the behavior and the attitudes of employees at various levels of the organization. In addition, they can further influence the extent to which various units within the organization secure the necessary resources for task accomplishment and ultimate organizational success. In short, General Electric is not alone.

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21.2: Power in Interpersonal Relations

How do power bases work in organizational life?

In this chapter, we will examine various aspects of power and politics in organizations, beginning with the topic of power in interpersonal relations. Here, power is defined and distinguished from the related concepts of authority and leadership, and several bases of power and aspects of power dependency are discussed. Although these aspects of power also relate to group situations, they are more germane to interpersonal relations.

What Is Power?

Numerous definitions of power abound in the literature on organizations. One of the earliest was suggested by Max Weber, the noted German sociologist, who defined **power** as "the probability that one actor within a social relationship will be in a position to carry out his own will despite resistance." Similarly, Emerson wrote, "The power of actor A over actor B is the amount of resistance on the part of B which can be potentially overcome by A." Following these and other definitions, we will define *power* for our purposes as an interpersonal relationship in which one individual (or group) has the ability to cause another individual (or group) to take an action that would not be taken otherwise.

In other words, power involves one person changing the behavior of another. It is important to note that in most organizational situations, we are talking about *implied* force to comply, not necessarily actual force. That is, person *A* has power over person *B* if person *B* believes that person *A* can, in fact, force person *B* to comply.

Power, Authority, and Leadership

Clearly, the concept of power is closely related to the concepts of authority and leadership (see Figure 21.2.1). In fact, power has been referred to by some as "informal authority," whereas authority has been called "legitimate power." However, these three concepts are not the same, and important differences among the three should be noted.

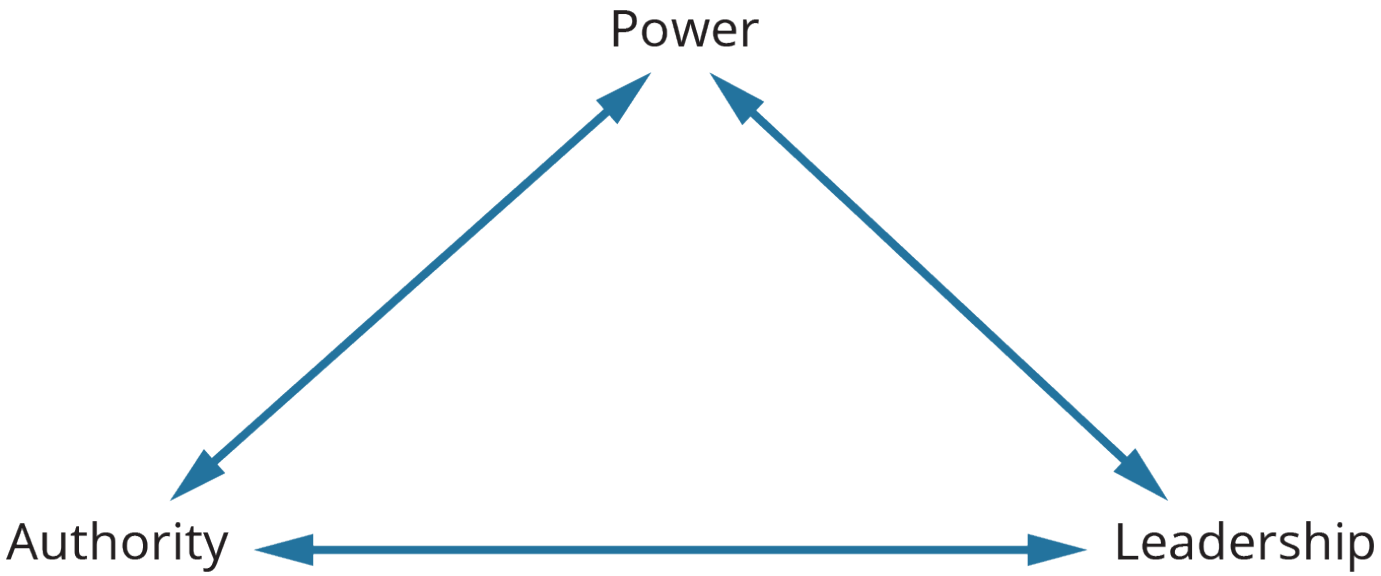


Figure 21.2.1 **Three Major Types of Influence** (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)

As stated previously, power represents the capacity of one person or group to secure compliance from another person or group. Nothing is said here about the right to secure compliance—only the ability. In contrast, **authority** represents the right to seek compliance by others; the exercise of authority is backed by legitimacy. If a manager instructs a secretary to type certain letters, he presumably has the authority to make such a request. However, if the same manager asked the secretary to run personal errands, this would be outside the bounds of the legitimate exercise of authority. Although the secretary may still act on this

request, the secretary's compliance would be based on power or influence considerations, not authority.

Hence, the exercise of authority is based on group acceptance of someone's right to exercise legitimate control. As Grimes notes, "What legitimates authority is the promotion or pursuit of collective goals that are associated with group consensus. The polar opposite, power, is the pursuit of individual or particularistic goals associated with group compliance."

Finally, **leadership** is the ability of one individual to elicit responses from another person that go beyond required or mechanical compliance. It is this voluntary aspect of leadership that sets it apart from power and authority. Hence, we often differentiate between headship and leadership. A department head may have the right to require certain actions, whereas a leader has the ability to inspire certain actions. Although both functions may be served by the same individual, such is clearly not always the case.

Types of Power

If power is the ability to secure compliance by others, how is such power exercised? On what is it based? At least two efforts have been made to identify the bases of power. One model has been proposed by Etzioni, identifying three types of power. In fact, it is argued that organizations can be classified according to which of the three types of power is most prevalent. **Coercive power** involves forcing someone to comply with one's wishes. A prison organization is an example of a coercive organization. **Utilitarian power** is power based on performance-reward contingencies; for example, a person will comply with a supervisor in order to receive a pay raise or promotion. Business organizations are thought to be essentially utilitarian organizations. Finally, **normative power** rests on the beliefs of the members in the right of the organization to govern their behavior. An example here would be a religious organization.

Bases of Power

Although useful for comparative analysis of divergent organizations, this model may have limited applicability, because most business and public organizations rest largely on utilitarian power. Instead, a second model, developed by French and Raven, of the **bases of power** may be more helpful. French and Raven identified five primary ways in which power can be exerted in social situations.

Referent Power. In some cases, person *B* looks up to or admires person *A,* and, as a result, *B* follows *A* largely because of *A*'s personal qualities, characteristics, or reputation. In this case, *A* can use **referent power** to influence *B*. Referent power has also been called *charismatic power,* because allegiance is based on interpersonal attraction of one individual for another. Examples of referent power can be seen in advertising, where companies use celebrities to recommend their products; it is hoped that the star appeal of the person will rub off on the products. In work environments, junior managers often emulate senior managers and assume unnecessarily subservient roles more because of personal admiration than because of respect for authority.

Expert Power. Expert power is demonstrated when person A gains power because A has knowledge or expertise relevant to B. For instance, professors presumably have power in the classroom because of their mastery of a particular subject matter. Other examples of expert power can be seen in staff specialists in organizations (e.g., accountants, labor relations managers, management consultants, and corporate attorneys). In each case, the individual has credibility in a particular—and narrow—area as a result of experience and expertise, and this gives the individual power in that domain.

Legitimate Power. Legitimate power exists when person B submits to person A because B feels that A has a right to exert power in a certain domain. Legitimate power is really another name for authority, as explained earlier. A supervisor has a right, for instance, to assign work. Legitimate power differs from reward and coercive power in that it depends on the official position a person holds, and not on his or her relationship with others.

Legitimate power derives from three sources. First, prevailing cultural values can assign power to some group. In Japan and Korea, for instance, older employees derive power simply because of their age. Second, legitimate power can be attained as a result of the accepted social structure. For example, many Western European countries, as well as Japan, have royal families that serve as a cornerstone to their societies. Third, legitimate power may be designated, as in the case of a board of directors choosing a new company president or a person being promoted into a managerial position. Whatever the reason, people exercise legitimate power because subordinates assume they have a right to exercise it. A principal reason given for the downfall of the shah of Iran is that the people came to first question and then denounce his right to legitimate power.

Reward Power. Reward power exists when person *A* has power over person *B* because *A* controls rewards that *B* wants. These

rewards can cover a wide array of possibilities, including pay raises, promotions, desirable job assignments, more responsibility, new equipment, and so forth. Research has indicated that reward power often leads to increased job performance as employees see a strong performance-reward contingency. However, in many organizations, supervisors and managers really do not control very many rewards. For example, salary and promotion among most blue-collar workers is based on a labor contract, not a performance appraisal.

Coercive Power. *Coercive power* is based primarily on fear. Here, person *A* has power over person *B* because *A* can administer some form of punishment to *B*. Thus, this kind of power is also referred to as punishment power. As Kipnis points out, coercive power does not have to rest on the threat of violence. "Individuals exercise coercive power through a reliance upon physical strength, verbal facility, or the ability to grant or withhold emotional support from others. These bases provide the individual with the means to physically harm, bully, humiliate, or deny love to others." Examples of coercive power in organizations include the ability (actual or implied) to fire or demote people, transfer them to undesirable jobs or locations, or strip them of valued perquisites. Indeed, it has been suggested that a good deal of organizational behavior (such as prompt attendance, looking busy, avoiding whistle-blowing) can be attributed to coercive, not reward, power. As Kipnis explains, "Of all the bases of power available to man, the power to hurt others is possibly the most often used, most often condemned and most difficult to control."

Behavioral Consequences of Power

We have seen, then, that at least five bases of power can be identified. In each case, the power of the individual rests on a particular attribute of the power holder, the follower, or their relationship. In some cases (e.g., reward power), power rests in the superior; in others (e.g., referent power), power is given to the superior by the subordinate. In all cases, the exercise of power involves subtle and sometimes threatening interpersonal consequences for the parties involved. In fact, when power is exercised, employees have several ways in which to respond. These are shown in Figure 21.2.2.

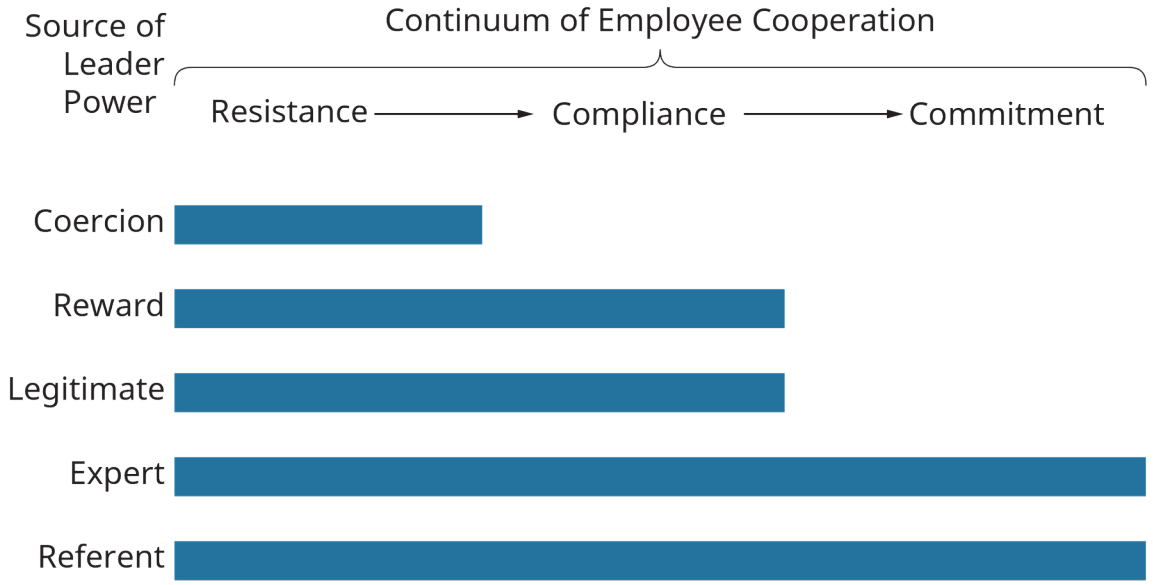


Figure 21.2.2 **Employee Reactions to Bases of Power** (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)

If the subordinate accepts and identifies with the leader, his behavioral response will probably be one of *commitment*. That is, the subordinate will be motivated to follow the wishes of the leader. This is most likely to happen when the person in charge uses referent or expert power. Under these circumstances, the follower believes in the leader's cause and will exert considerable energies to help the leader succeed.

A second possible response is *compliance*. This occurs most frequently when the subordinate feels the leader has either legitimate power or reward power. Under such circumstances, the follower will comply, either because it is perceived as a duty or because a reward is expected; but commitment or enthusiasm for the project is lacking. Finally, under conditions of coercive power, subordinates will more than likely use resistance. Here, the subordinate sees little reason—either altruistic or material—for cooperating and will often engage in a series of tactics to defeat the leader's efforts.

Power Dependencies

In any situation involving power, at least two persons (or groups) can be identified: the person attempting to influence others and the target or targets of that influence. Until recently, attention focused almost exclusively on how people tried to influence others. Only recently has attention been given to how people try to nullify or moderate such influence attempts. In particular, we now recognize that the extent to which influence attempts are successful is determined in large part by the **power dependencies** of those on the receiving end of the influence attempts. In other words, all people are not subject to (or dependent upon) the same bases of power. What causes some people to be more submissive or vulnerable to power attempts? At least three factors have been identified.

Subordinate's Values. To begin, person *B*'s values can influence his susceptibility to influence. For example, if the outcomes that *A* can influence are important to *B*, then *B* is more likely to be open to influence than if the outcomes were unimportant. Hence, if an employee places a high value on money and believes the supervisor actually controls pay raises, we would expect the employee to be highly susceptible to the supervisor's influence. We hear comments about how young people don't really want to work hard anymore. Perhaps a reason for this phenomenon is that some young people don't place a high value on those things (for example, money) that traditionally have been used to influence behavior. In other words, such complaints may really be saying that young people are more difficult to influence than they used to be.

Nature of Relationship Between *A* and *B*. In addition, the nature of the relationship between *A* and *B* can be a factor in power dependence. Are *A* and *B* peers or superior and subordinate? Is the job permanent or temporary? A person on a temporary job, for example, may feel less need to acquiesce, because he won't be holding the position for long. Moreover, if *A* and *B* are peers or good friends, the influence process is likely to be more delicate than if they are superior and subordinate.

Counterpower. Finally, a third factor to consider in power dependencies is **counterpower**. The concept of counterpower focuses on the extent to which *B* has other sources of power to buffer the effects of *A*'s power. For example, if *B* is unionized, the union's power may serve to negate *A*'s influence attempts. The use of counterpower can be clearly seen in a variety of situations where various coalitions attempt to bargain with one another and check the power of their opponents.

Figure 21.2.3 presents a rudimentary model that combines the concepts of bases of power with the notion of power dependencies. As can be seen, *A*'s bases of power interact with *B*'s extent of power dependency to determine *B*'s response to *A*'s influence attempt. If *A* has significant power and *B* is highly dependent, we would expect *B* to comply with *A*'s wishes.

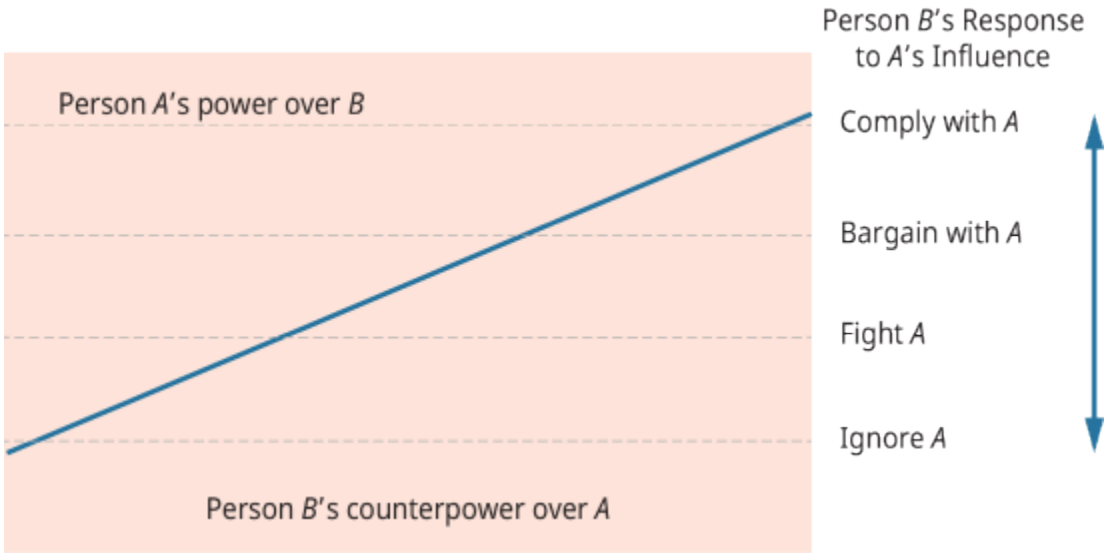


Figure 21.2.3 **Typical Response Patterns in Dyadic Power Relationships** (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)

If *A* has more modest power over *B*, but *B* is still largely power dependent, *B* may try to bargain with *A*. Despite the fact that *B* would be bargaining from a point of weakness, this strategy may serve to protect *B*'s interests better than outright compliance. For instance, if your boss asked you to work overtime, you might attempt to strike a deal whereby you would get compensatory time off at a later date. If successful, although you would not have decreased your working hours, at least you would not have

increased them. Where power distribution is more evenly divided, B may attempt to develop a cooperative working relationship with A in which both parties gain from the exchange. An example of this position is a labor contract negotiation where labor-management relations are characterized by a balance of power and a good working relationship.

If *B* has more power than *A*, *B* will more than likely reject *A's* influence attempt. *B* may even become the aggressor and attempt to influence *A*. Finally, when *B* is not certain of the power relationships, he may simply try to ignore *A's* efforts. In doing so, *B* will discover either that *A* does indeed have more power or that *A* cannot muster the power to be successful. A good illustration of this last strategy can be seen in some companies' responses to early governmental efforts to secure equal opportunities for minorities and women. These companies simply ignored governmental efforts until new regulations forced compliance.

managerial leadership

Administrative Assistants: The Power Behind the Throne

It is relatively easy to see the power of managers. They often have the ability to hire and fire, make important decisions, sign contracts, spend money, and so forth. They are, in fact, powerful entities within a corporation. What may be less apparent, however, is the power that managers' executive or administrative assistants (EA) often have. In fact, if you want to discover just how powerful secretaries are, think of what would happen if they were not there. Most paperwork would not get done, many important decisions would not be made, and the organization would eventually grind to a halt.

The EA is intertwined with a very important piece of privileged information and requires the person to be highly detail oriented and have incredible soft skills and to be more than just technologically savvy. Many tech companies are paying top dollar to procure the right person for the job. Base salaries for executive assistants in the Bay area have been reportedly starting at $80–100K base.

Highly skilled EAs have become increasingly hard to recruit and retain, causing their power to increase. Despite the salary, there is often a negative connotation with the role of "assistant." "There's definitely a stigma" about the title, says 32-year-old Shana Larson, one of four EAs at Pinterest, the San Francisco visual discovery company. But for Shana, who holds a master's degree from the University of Southern California, after the initial transition period, she felt that it was the best career decision to make—a long-term career with growth opportunities.

EAs represent a true example of counterpower within the organization. Yes, their bosses have power over them; but at the same time, they have considerable power over their bosses. Secretaries—the word is derived from the Latin word meaning "keeper of secrets"—are often privy to considerable confidential information. They routinely handle private calls, correspondence, and reports. They often serve as the manager's sounding board for new ideas, and they more than likely know how the boss feels about coworkers and superiors. This knowledge, along with stereotypes, stigmas, and increased scarcity, gives high-quality EAs considerable leverage in dealing with their bosses and their organizations.

Questions:

1. As a new manager who receives an assistant, what are important considerations to consider when starting in the role?
2. What other stigmas or stereotypes can occur with support roles in the workplace? How does this affect your personal feelings about taking a support role for a company in the future?
3. Why is it important for CEOs and other organizational powers to understand the innate power of an administrative assistant as part of the holistic picture to understand the company environment as a whole?

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concept check

1. Define what Power is.
2. What are the components that constitute power in organizations?

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21.3: Uses of Power

2. How do you recognize and account for the exercise of counterpower and make appropriate use of strategic contingencies in interunit or interorganizational relations?

As we look around organizations, it is easy to see the manifestations of power almost anywhere. In fact, there are a wide variety of power-based methods used to influence others. Here, we will examine three aspects of the use of power: commonly used power tactics in organizations, symbols of managerial power, and the ethical use of power.

Common Power Tactics in Organizations

As noted above, many power tactics are available for use by managers. However, as we will see, some are more ethical than others. Here, we look at some of the more commonly used power tactics found in both business and public organizations.

Controlling Access to Information. Most decisions rest on the availability of relevant information, so persons *controlling access to information* play a major role in decisions made. A good example of this is the common corporate practice of pay secrecy. Only the personnel department and senior managers typically have salary information—and power—for personnel decisions.

Controlling Access to Persons. Another related power tactic is the practice of *controlling access to persons*. A well-known factor contributing to President Nixon's downfall was his isolation from others. His two senior advisers had complete control over who saw the president. Similar criticisms were leveled against President Reagan.

Selective Use of Objective Criteria. Very few organizational questions have one correct answer; instead, decisions must be made concerning the most appropriate criteria for evaluating results. As such, significant power can be exercised by those who can practice *selective use of objective criteria* that will lead to a decision favorable to themselves. According to Herbert Simon, if an individual is permitted to select decision criteria, he needn't care who actually makes the decision. Attempts to control objective decision criteria can be seen in faculty debates in a university or college over who gets hired or promoted. One group tends to emphasize teaching and will attempt to set criteria for employment dealing with teacher competence, subject area, interpersonal relations, and so on. Another group may emphasize research and will try to set criteria related to number of publications, reputation in the field, and so on.

Controlling the Agenda. One of the simplest ways to influence a decision is to ensure that it never comes up for consideration in the first place. There are a variety of strategies used for *controlling the agenda*. Efforts may be made to order the topics at a meeting in such a way that the undesired topic is last on the list. Failing this, opponents may raise a number of objections or points of information concerning the topic that cannot be easily answered, thereby tabling the topic until another day.

Using Outside Experts. Still another means to gain an advantage is *using outside experts*. The unit wishing to exercise power may take the initiative and bring in experts from the field or experts known to be in sympathy with their cause. Hence, when a dispute arises over spending more money on research versus actual production, we would expect differing answers from outside research consultants and outside production consultants. Most consultants have experienced situations in which their clients fed them information and biases they hoped the consultant would repeat in a meeting.

Bureaucratic Gamesmanship. In some situations, the organizations own policies and procedures provide ammunition for power plays, or **bureaucratic gamesmanship.** For instance, a group may drag its feet on making changes in the workplace by creating red tape, work slowdowns, or **"work to rule."** (Working to rule occurs when employees diligently follow every work rule and policy statement to the letter; this typically results in the organization's grinding to a halt as a result of the many and often conflicting rules and policy statements.) In this way, the group lets it be known that the workflow will continue to slow down until they get their way.

Coalitions and Alliances. The final power tactic to be discussed here is that of **coalitions** and *alliances*. One unit can effectively increase its power by forming an alliance with other groups that share similar interests. This technique is often used when multiple labor unions in the same corporation join forces to gain contract concessions for their workers. It can also be seen in the tendency of corporations within one industry to form trade associations to lobby for their position. Although the various members of a coalition need not agree on everything—indeed, they may be competitors—sufficient agreement on the problem under consideration is necessary as a basis for action.

Although other power tactics could be discussed, these examples serve to illustrate the diversity of techniques available to those interested in acquiring and exercising power in organizational situations. In reviewing the major research carried out on the topic of power, Pfeffer states:

If there is one concluding message, it is that it is probably effective, and it is certainly normal that these managers do behave as politicians. It is even better that some of them are quite effective at it. In situations in which technologies are uncertain, preferences are conflicting, perceptions are selective and biased, and information processing capacities are constrained, the model of an effective politician may be an appropriate one for both the individual and for the organization in the long run.

Symbols of Managerial Power

How do we know when a manager has power in an organizational setting? Harvard professor Rosabeth Moss Kanter has identified several of the more common symbols of managerial power. For example, managers have power to the extent that they can intercede favorably on behalf of someone in trouble with the organization. Have you ever noticed that when several people commit the same mistake, some don't get punished? Perhaps someone is watching over them.

Moreover, managers have power when they can get a desirable placement for a talented subordinate or get approval for expenditures beyond their budget. Other manifestations of power include the ability to secure above-average salary increases for subordinates and the ability to get items on the agenda at policy meetings.

And we can see the extent of managerial power when someone can gain quick access to top decision makers or can get early information about decisions and policy shifts. In other words, who can get through to the boss, and who cannot? Who is "connected," and who is not?

Finally, power is evident when top decision makers seek out the opinions of a particular manager on important questions. Who gets invited to important meetings, and who does not? Who does the boss say "hello" to when he enters the room? Through such actions, the organization sends clear signals concerning who has power and who does not. In this way, the organization reinforces or at least condones the power structure in existence.

The Ethical Use of Power

People are often uncomfortable discussing the topic of power, which implies that somehow they see the exercise of power as unseemly. On the contrary, the question is not whether power tactics are or are not ethical; rather, the question is *which* tactics are appropriate and which are not. The use of power in groups and companies is a fact of organizational life that all employees must accept. In doing so, however, all employees have a right to know that the exercise of power within the organization will be governed by ethical standards that prevent abuse or exploitation.

Several guidelines for the ethical use of power can be identified. These can be arranged according to our previous discussion of the five bases of power, as shown in Table 21.3.1. As will be noted, several techniques are available that accomplish their aims without compromising ethical standards. For example, a manager using reward power can verify subordinate compliance with work directives, ensure that all requests are both feasible and reasonable, make only ethical or proper requests, offer rewards that are valued by employees, and ensure that all rewards for good performance are credible and reasonably attainable.

The Ethical Use of Power

Basis of Power	Guidelines for Use
Referent power	• Treat subordinates fairly • Defend subordinates' interests • Be sensitive to subordinates' needs, feelings • Select subordinates similar to oneself • Engage in role modeling

Source: Adapted from Gary A. Yukl, *Leadership in Organizations*, 8th edition 2013 (Englewood Cliffs, N.J.; Pearson), pp. 44–58.

The Ethical Use of Power	
Basis of Power	**Guidelines for Use**
Expert power	• Promote image of expertise • Maintain credibility • Act confident and decisive • Keep informed • Recognize employee concerns • Avoid threatening subordinates' self-esteem
Legitimate power	• Be cordial and polite • Be confident • Be clear and follow up to verify understanding • Make sure request is appropriate • Explain reasons for request • Follow proper channels • Exercise power regularly • Enforce compliance • Be sensitive to subordinates' concerns
Reward power	• Verify compliance • Make feasible, reasonable requests • Make only ethical, proper requests • Offer rewards desired by subordinates • Offer only credible rewards
Coercive power	• Inform subordinates of rules and penalties • Warn before punishing • Administer punishment consistently and uniformly • Understand the situation before acting • Maintain credibility • Fit punishment to the infraction • Punish in private
Source: Adapted from Gary A. Yukl, *Leadership in Organizations*, 8th edition 2013 (Englewood Cliffs, N.J.; Pearson), pp. 44–58.	

Table 21.3.1 (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)

Even coercive power can be used without jeopardizing personal integrity. For example, a manager can make sure that all employees know the rules and penalties for rule infractions, provide warnings before punishing, administer punishments fairly and uniformly, and so forth. The point here is that managers have at their disposal numerous tactics that they can employ without crossing over into questionable managerial behavior. In view of the increasing number of lawsuits filed by employees for harmful practices, it seems wise for a manager to consider his behaviors before acting; this will help ensure the highest ethical standards.

Ethics in practice

Investing the Challenger Disaster

The January 1986 explosion of the space shuttle Challenger, at a cost of seven lives, has been analyzed from several managerial standpoints: poor decision-making, poor management control, and poor leadership have all been blamed. We can also see in this tragedy an example of the unethical use of organizational power.

It has been determined that the explosion that doomed the space shuttle was caused by poorly designed seals on the booster rockets. The boosters were manufactured by Morton Thiokol, a major defense contractor. When the U.S. Congress initiated its investigation of the causes of the disaster, it found several disturbing facts. To begin with, several Morton Thiokol engineers had warned that the boosters were unsafe early in the design stage, but no one listened. Once the boosters were in production, engineers again warned of possible problems, but to no avail. The company kept the information quiet.

Equally disturbing was the fact that after two company engineers testified in the congressional hearing, they were abruptly transferred to undesirable assignments elsewhere in the company. When asked by Congress whether they thought their transfers were in retaliation for their whistleblowing, both engineers responded yes. One noted, "I feel I was set aside so I would not have contact with the people from NASA." The company had, in effect, used its power to try to isolate those who talked freely with the congressional investigators. In its defense, Morton Thiokol responded that it had demoted no one as a result of the investigation. "We've changed a lot of duties . . . because we're reorganizing," a management representative said.

Sources:

A. E. Tenbrussel and M. Bazerman, *Blind Spots: Why we Fail to Do What's Right and What to Do About It*," (Princeton, N.J.: Princeton University Press), © 2012

A. J. McDonald, "Ethics Lessons Learned From the Challenger Disaster," *National Society of Professional Engineers*, July 17, 2015

"Two Critics of Shuttle Perished," *Register-Guard*, May 11, 1986, pp. 1 and 4.

concept Check

1. How is power used in organizations?
2. How can managers use strategy to counteract the negative use of power in organizations?

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21.4: Political Behavior in Organizations

How do managers cope effectively with organizational politics?

Closely related to the concept of power is the equally important topic of politics. In any discussion of the exercise of power—particularly in intergroup situations—a knowledge of basic political processes is essential. We will begin our discussion with this in mind. Next, on the basis of this analysis, we will consider political strategies for acquiring, maintaining, and using power in intergroup relations. Finally, we look at ways to limit the impact of political behavior in organizations.

What Is Politics?

Perhaps the earliest definition of politics was offered by Lasswell, who described it as who gets what, when, and how. Even from this simple definition, one can see that politics involves the resolution of differing preferences in conflicts over the allocation of scarce and valued resources. Politics represents one mechanism to solve allocation problems when other mechanisms, such as the introduction of new information or the use of a simple majority rule, fail to apply. For our purposes here, we will adopt Pfeffer's definition of politics as involving "those activities taken within organizations to acquire, develop, and use power and other resources to obtain one's preferred outcomes in a situation in which there is uncertainty or dissensus about choices."

In comparing the concept of politics with the related concept of power, Pfeffer notes:

If power is a force, a store of potential influence through which events can be affected, politics involves those activities or behaviors through which power is developed and used in organizational settings. Power is a property of the system at rest; politics is the study of power in action. An individual, subunit or department may have power within an organizational context at some period of time; politics involves the exercise of power to get something accomplished, as well as those activities which are undertaken to expand the power already possessed or the scope over which it can be exercised.

In other words, from this definition it is clear that political behavior is activity that is initiated for the purpose of overcoming opposition or resistance. In the absence of opposition, there is no need for political activity. Moreover, it should be remembered that political activity need not necessarily be dysfunctional for organization-wide effectiveness. In fact, many managers often believe that their political actions on behalf of their own departments are actually in the best interests of the organization as a whole. Finally, we should note that politics, like power, is not inherently bad. In many instances, the survival of the organization depends on the success of a department or coalition of departments challenging a traditional but outdated policy or objective. That is why an understanding of organizational politics, as well as power, is so essential for managers.

Intensity of Political Behavior

Contemporary organizations are highly political entities. Indeed, much of the goal-related effort produced by an organization is directly attributable to political processes. However, the intensity of political behavior varies, depending upon many factors. For example, in one study, managers were asked to rank several organizational decisions on the basis of the extent to which politics were involved. Results showed that the most political decisions (in rank order) were those involving interdepartmental coordination, promotions and transfers, and the delegation of authority. Such decisions are typically characterized by an absence of established rules and procedures and a reliance on ambiguous and subjective criteria.

On the other hand, the managers in the study ranked as least political such decisions as personnel policies, hiring, and disciplinary procedures. These decisions are typically characterized by clearly established policies, procedures, and objective criteria.

On the basis of findings such as these, it is possible to develop a typology of when political behavior would generally be greatest and least. This model is shown in Figure 21.4.1. As can be seen, we would expect the greatest amount of political activity in situations characterized by high uncertainty and complexity and high competition among employees or groups for scarce resources. The least politics would be expected under conditions of low uncertainty and complexity and little competition among employees over resources.

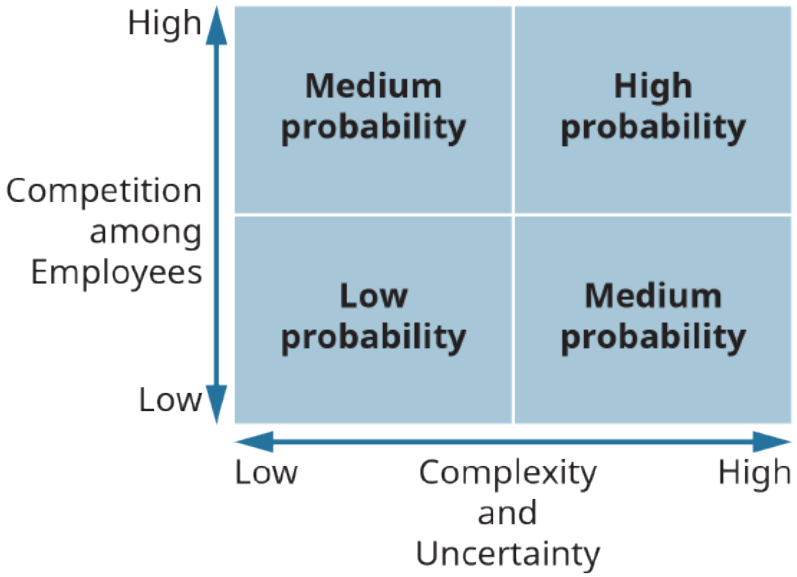


Figure 21.4.1 **Probability of Political Behavior in an Organization** *Source*: Adapted from "The Use and Abuse of Corporate Politics" by Don R. Beeman and Thomas W. Sharkey. Reprinted from *Business Horizons*, March–April 1987. (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)

Reasons for Political Behavior

Following from the above model, we can identify at least five conditions conducive to political behavior in organizations. These are shown in Table 21.4.1, along with possible resulting behaviors. The conditions include the following:

1. *Ambiguous goals*. When the goals of a department or organization are ambiguous, more room is available for politics. As a result, members may pursue personal gain under the guise of pursuing organizational goals.
2. *Limited resources*. Politics surfaces when resources are scarce and allocation decisions must be made. If resources were ample, there would be no need to use politics to claim one's "share."
3. *Changing technology and environment*. In general, political behavior is increased when the nature of the internal technology is nonroutine and when the external environment is dynamic and complex. Under these conditions, ambiguity and uncertainty are increased, thereby triggering political behavior by groups interested in pursuing certain courses of action.
4. *Nonprogrammed decisions*. A distinction is made between programmed and nonprogrammed decisions. When decisions are not programmed, conditions surrounding the decision problem and the decision process are usually more ambiguous, which leaves room for political maneuvering. Programmed decisions, on the other hand, are typically specified in such detail that little room for maneuvering exists. Hence, we are likely to see more political behavior on major questions, such as long-range strategic planning decisions.
5. *Organizational change*. Periods of organizational change also present opportunities for political rather than rational behavior. Efforts to restructure a particular department, open a new division, introduce a new product line, and so forth, are invitations to all to join the political process as different factions and coalitions fight over territory.

Because most organizations today have scarce resources, ambiguous goals, complex technologies, and sophisticated and unstable external environments, it seems reasonable to conclude that a large proportion of contemporary organizations are highly political in nature. As a result, contemporary managers must be sensitive to political processes as they relate to the acquisition and maintenance of power in organizations. This brings up the question of why we have policies and standard operating procedures (SOPs) in organizations. Actually, such policies are frequently aimed at reducing the extent to which politics influence a particular decision. This effort to encourage more "rational" decisions in organizations was a primary reason behind Max Weber's development of the bureaucratic model. That is, increases in the specification of policy statements often are inversely related to political efforts, as shown in Figure 21.4.2. This is true primarily because such actions reduce the uncertainties surrounding a decision and hence the opportunity for political efforts.

Conditions Conducive to Political Behavior	
Prevailing Conditions	**Resulting Political Behaviors**
Ambiguous goals	Attempts to define goals to one's advantage
Limited resources	Fight to maximize one's share of resources
Dynamic technology and environment	Attempts to exploit uncertainty for personal gain
Nonprogrammed decisions	Attempts to make suboptimal decisions that favor personal ends
Organizational change	Attempts to use reorganization as a chance to pursue own interests and goals

Table 21.4.1 (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)

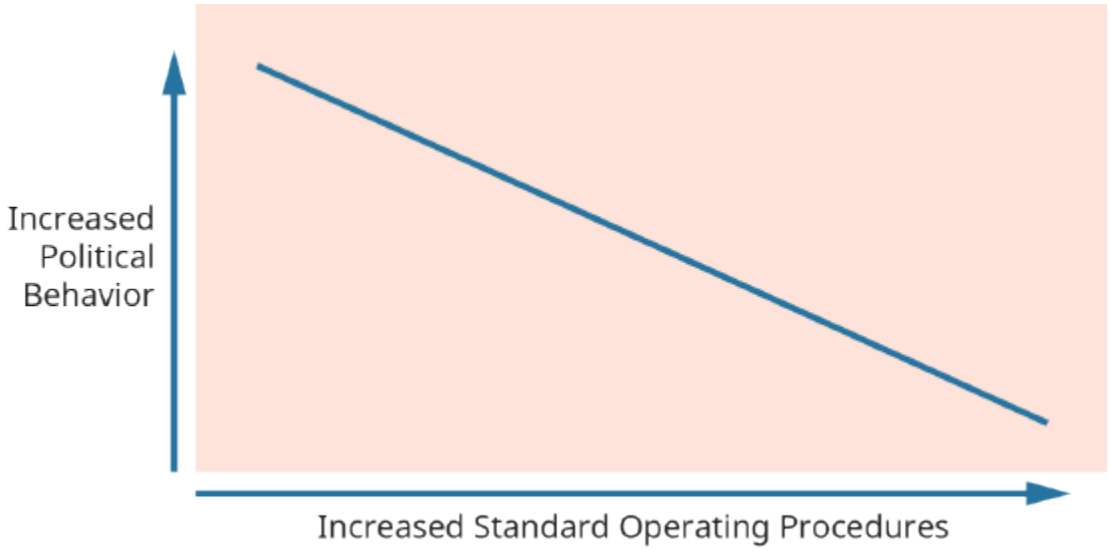


Figure 21.4.2 **Relationship Between Company Standard Operating Procedures and Political Behavior** (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)



Figure 21.4.3. **Open Office Corner Office** Corner offices are considered desirable because they have windows on two exterior walls, as opposed to a typical office with only one window or none at all. They are usually assigned to the head of the organization or division. The open office concept has been around for some time and has evolved as technology has reduced the need to have access to stored paper records of a fixed phone or office computer. Having no walls, no doors, and shared workspaces is designed to achieve increased communication and flow of ideas amongst employees, but there is concern that an open concept decreases employees' job satisfaction and decreases privacy, which also affects productivity. (Attribution; Nic Bastian (Corner office) Loozerboy (Open Concept)/ flickr/ Attribution 2.0 Generic (CC BY 2.0))

managerial Leadership

Technology, Innovation, and Politics in Performance Appraisals

Developing a strategy for a performance appraisal is an important step for any company, and keeping out political bias is a main concern as well. Unfortunately, many times there is no way around bringing some bias into a performance appraisal situation. Managers often think of the impact that their review will have on the employee, how it will affect their relationship, and what it means for their career in the future. There are a lot of games played in the rating process and whether managers admit it or not, they may be guilty of playing them. Many companies, such as Adobe, are looking at ways that they can revamp the process to eliminate potential biases and make evaluations fairer.

In 2012, Adobe transformed its business, changing its product cycle; while undergoing process changes, Adobe understood that there needed to be a cultural shift as well. It announced the “Check-in” review process to allow for faster feedback, as well as an end to their outdated annual review process. With the faster-paced reality of their product cycles and subscription-based model in technology, this made complete sense.

This process established a new way of thinking, allowing for two-way communication to become the norm between managers and employees. They were able to have frequent candid conversations, approaching the tough subjects in order make improvements rather than waiting until an annual review and letting bad performance go unchecked or good performance go unnoticed. Eliminating a once-a-year cycle of review also eliminates the issue of politics creeping into the process. Managers are able to think critically about the performance, working alongside their employees to better the outcome rather than worrying about having a tough conversation and the bad result that may follow—and having to live with the fallout. Employees also are given chances to provide feedback and their own personal evaluation, which then is discussed with the manager. They review the items together, and what is formally submitted is agreed upon, rather than set in stone. The addition of the employee feedback is another great way to reduce the insertion of politics or bias in the review.

In result of this change, Adobe’s employees showed higher engagement and satisfaction with their work, consistently improving. They no longer had negative surprises in their annual review and were able to adjust priorities and behaviors to become more effective workers.

Questions:

1. What are important considerations to eliminate potential political bias in a performance review?
2. Why was Adobe successful in the changes that they implemented in their performance review process?
3. What other positive outcomes could be achieved from an ongoing feedback model versus annual performance review?

Sources:

D. Morris, "Death of the Performance Review: How Adobe Reinvented Performance Management and Transformed its Business," *World at Work Journal*, Second Quarter, 2016, https://www.adobe.com/content/dam/ac...nce-review.pdf

"How Adobe retired performance reviews and inspired great performance," *Adobe* website, accessed January 4, 2019, https://www.adobe.com/check-in.html;

K. Duggan, "Six Companies That Are Redefining Performance Management," *Fast Company*, December 15, 2015, https://www.fastcompany.com/3054547/...nce-management.

Political Strategies in Intergroup Relations

Up to this point, we have explained the related concepts of power and politics primarily as they relate to interpersonal behavior. When we shift our focus from the individual or interpersonal to the intergroup level of analysis, the picture becomes somewhat more complicated. In developing a portrait of how political strategies are used to attain and maintain power in intergroup relations, we will highlight two major aspects of the topic. The first is the relationship between power and the control of critical resources. The second is the relationship between power and the control of critical resources where the second is the relationship between power and the control of strategic activities. Both will illustrate how subunit control leads to the acquisition of power in organizational settings.

Power and the Control of Critical Resources

On the basis of what has been called the resource dependence model, we can analyze intergroup political behavior by examining how critical resources are controlled and shared.21 That is, when one subunit of an organization (perhaps the purchasing department) controls a scarce resource that is needed by another subunit (for example, the power to decide what to buy and what not to buy), that subunit acquires power. This power may be over other subunits within the same organization or over subunits in other organizations (for example, the marketing units of other companies that are trying to sell to the first company). As such, this unit is in a better position to bargain for the critical resources it needs from its own or other organizations. Hence, although all subunits may contribute something to the organization as a whole, power allocation within the organization will be influenced by the relative importance of the resources contributed by each unit. To quote Salancik and Pfeffer,

Subunit power accrues to those departments that are most instrumental in bringing or in providing resources which are highly valued by the total organization. In turn, this power enables these subunits to obtain more of those scarce and critical resources allocated within the organization.

Stated succinctly, power derived from acquiring resources is used to obtain more resources, which in turn can be employed to produce more power—"the rich get richer."22

To document their case, Salancik and Pfeffer carried out a major study of university budget decisions. The results were clear. The more clout a department had (measured in terms of the department's ability to secure outside grants and first-rate graduate students, plus its national standing among comparable departments), the easier it was for the department to secure additional university resources. In other words, resources were acquired through political processes, not rational ones.23

Power and the Control of Strategic Activities

In addition to the control of critical resources, subunits can also attain power by gaining control over activities that are needed by others to complete their tasks. These critical activities have been called strategic contingencies. A contingency is defined by Miles as "a requirement of the activities of one subunit that is affected by the activities of other subunits."24 For example, the business office of most universities represents a strategic contingency for the various colleges within the university because it has veto or approval power over financial expenditures of the schools. Its approval of a request to spend money is far from certain. Thus, a contingency represents a source of uncertainty in the decision-making process. A contingency becomes strategic when it has the potential to alter the balance of interunit or interdepartmental power in such a way that interdependencies among the various units are changed.

Perhaps the best way to illustrate this is to consider the example of power distribution in various organizations attempting to deal with a major source of uncertainty—the external environment. In a classic study by Lawrence and Lorsch, influence patterns were examined for companies in three divergent industries: container manufacturing, food processing, and plastics. It was found that in successful firms, power distribution conformed to the firm's strategic contingencies. For example, in the container-manufacturing companies, where the critical contingencies were customer delivery and product quality, the major share of power in decision-making resided in the sales and production staffs. In contrast, in the food-processing firms, where the strategic contingencies focused on expertise in marketing and food sciences, major power rested in the sales and research units. In other words, those who held power in the successful organizations were in areas that were of central concern to the firm and its survival at a particular time. The functional areas that were most important for organizational success were under the control of the decision makers. For less-successful firms, this congruence was not found.

The changing nature of strategic contingencies can be seen in the evolution of power distribution in major public utilities. Many years ago, when electric companies were developing and growing, most of the senior officers of the companies were engineers. Technical development was the central issue. More recently, however, as utilities face greater litigation, government regulation, and controversy over nuclear power, lawyers are predominant in the leadership of most companies. This example serves to emphasize that "subunits could inherit and lose power, not necessarily by their own actions, but by the shifting contingencies in the environment confronting the organization."25

To better understand how this process works, consider the model shown in Exhibit 13.8. This diagram suggests that three factors influence the ability of one subunit (called A) over another (called B). Basically, it is argued that subunit power is influenced by (1) A's ability to help B cope with uncertainty, (2) the degree to which A offers the only source of the required resource for B, and (3) the extent to which A's contributions are central to organizational success. Let us consider each of these separately.

A diagram illustrates the strategic contingencies model of subunit power.

Exhibit 13.8 A Strategic Contingencies Model of Subunit Power (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)

Ability to Cope with Uncertainty. According to advocates of the strategic contingencies model of power, the primary source of subunit power is the unit's ability to help other units cope with uncertainty. In other words, if our group can help your group reduce the uncertainties associated with your job, then our group has power over your group. As Hickson and his colleagues put it:

Uncertainty itself does not give power; coping gives power. If organizations allocate to their various subunits task areas that vary in uncertainty, then those subunits that cope most effectively with the most uncertainty should have most power within the organization, since coping by a subunit reduces the impact of uncertainty on other activities in the organization, a shock absorber function.26

As shown in Exhibit 13.8 above, three primary types of coping activity relating to uncertainty reduction can be identified. To begin, some uncertainty can be reduced through steps by one subunit to prevent or forestall uncertainty for the other subunit. For example, if the purchasing group can guarantee a continued source of parts for the manufacturing group, it gains some power over manufacturing by forestalling possible uncertainty surrounding production schedules. Second, a subunit's ability to cope with uncertainty is influenced by its capacity to provide or collect information. Such information can forewarn of probable disruptions or problems, so corrective action can be taken promptly. Many business firms use various forecasting techniques to predict sales, economic conditions, and so forth. The third mechanism for coping with uncertainty is the unit's ability to absorb pressures that actually impact the organization. For instance, if one manufacturing facility runs low on raw materials and a second facility can supply it with needed materials, this second facility effectively reduces some of the uncertainty of the first facility—and in the process gains influence over it.

In short, subunit A gains power over B subunit if it can help B cope with the contingencies and uncertainties facing it. The more dependent B is upon A to ensure the smooth functioning of the unit, the more power A has over B.

Nonsubstitutability of Coping Activities. Substitutability is the capacity for one subunit to seek needed resources from alternate sources. Two factors influence the extent to which substitutability is available to a subunit. First, the availability of alternatives must be considered. If a subunit can get the job done using different products or processes, it is less susceptible to influence. In the IBM-compatible personal computer market, for example, there are so many vendors that no one can control the market. On the other hand, if a company is committed to a Macintosh and iPad computing environment, only one vendor (Apple Computer) is available, which increases Apple's control over the marketplace.

Second, the replaceability of personnel is important. A major reason for the power of staff specialists (personnel managers, purchasing agents, etc.) is that they possess expertise in a specialized area of value to the organization. Consider also a reason for closed-shop union contracts: they effectively reduce the replaceability of workers.

Thus, a second influence on the extent of subunit power is the extent to which subunit A provides goods or services to B for which there are no (or only a few) substitutes. In this way, B needs A in order to accomplish subunit objectives.

Centrality of Coping Activities. Finally, one must consider the extent to which a subunit is of central importance to the operations of the enterprise. This is called the subunit's work centrality. The more interconnected subunit A is with other subunits in the organization, the more "central" it is. This centrality, in turn, is influenced by two factors. The first is workflow pervasiveness—the degree to which the actual work of one subunit is connected with the work of the subunits. If subunit B cannot complete its own tasks without the help of the work activities of subunit A, then A has power over B. An example of this is an assembly line, where units toward the end of the line are highly dependent upon units at the beginning of the line for inputs.

The second factor, workflow immediacy, relates to the speed and severity with which the work of one subunit affects the final outputs of the organization. For instance, companies that prefer to keep low inventories of raw materials (perhaps for tax purposes) are, in effect, giving their outside suppliers greater power than those companies that keep large reserves of raw materials.

When taken as a whole, then, the strategic contingency model of intergroup power suggests that subunit power is influenced when one subunit can help another unit reduce or cope with its uncertainty, the subunit is difficult to replace, or the subunit is central to continued operations. The more these three conditions prevail, the more power will become vested in the subunit. Even so, it should be recognized that the power of one subunit or group can shift over time. As noted by Hickson and his colleagues, "As the goals, outputs, technologies, and markets of organizations change, so, for each subunit, the values of the independent variables [such as coping with uncertainty, nonsubstitutability, and centrality] change, and the patterns of power change."27 In other words, the strategic contingency model suggested here is a dynamic one that is subject to change over time as various subunits and groups negotiate, bargain, and compromise with one another in an effort to secure a more favorable position in the organizational power structure.

Managerial Leadership

The Politics of Innovation

A good example of the strategic contingencies approach to the study of power and politics can be seen in a consideration of organizational innovation. It has long been recognized that it is easier to invent something new from outside an organization than to innovate within an existing company. As a result, a disproportionate share of new products originates from small businesses and entrepreneurs, not the major corporations with all the resources to innovate. Why? Much of the answer can be found in politics.

When a person or group has a new idea for a product or service, it is often met with a barrage of resistance from different sectors of the company. These efforts are motivated by the famous "not-invented-here syndrome," the tendency of competing groups to fight over turf, and the inclination to criticize and destroy any new proposal that threatens to change the status quo. Other groups within the company simply see little reason to be supportive of the idea.

This lack of support—indeed, hostility—occurs largely because within every company there is competition for resources. These resources can include money, power, and opportunities for promotion. As one consultant noted, "One person's innovation is another person's failure." As a result, there is often considerable fear and little incentive for one strategic group within a company to cooperate with another. Because both groups usually need each other for success, nothing happens. To the extent that politics could be removed from such issues, far more energy would be available to capitalize on an innovative idea and get it to market before the competition.

Sources: M. Z. Taylor, The Politics of Innovation, (New York: Oxford University Press), 2017; B. Godin, "The Politics of Innovation:

Why Some Countries Are Better Than Others at Science and Technology by Mark Zachary Taylor (review)," Technology and Culture, April 2018; W. Kiechel, "The Politics of Innovation," Fortune, April 11, 1988, p. 131.

Concept Check

1. What is politics and political behavior in organizations?

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21.5: Limiting the Influence of Political Behavior

4. How do you recognize and limit inappropriate or unethical political behavior where it occurs?

The final topic we will examine concerns ways in which people and groups can attempt to lessen the impact of political behavior. Clearly, politics in organizations cannot be eliminated. Yet to some extent, the negative aspects of it can be neutralized if managers carefully monitor the work environment and take remedial action where necessary. Part of this issue was discussed above, in the section on counterpower. Beyond this, however, several strategies can be identified that can help manage organizational politics. As shown in **Table 13.3**, four basic strategies can be used.[28]

First, efforts can be made to reduce the uncertainty in the organization through clarifying job responsibilities, bases for evaluations and rewards, and so forth. The less ambiguity in the system, the less room there is for dysfunctional political behavior. Second, managers can try to reduce interpersonal or intergroup competition by using impartial standards for resource allocation and by emphasizing the superordinate goals of the entire organization—toward which all members of the organization should be working. Third, managers can attempt to break up existing political fiefdoms through personnel reassignment or transfer or by changing the reward system to encourage interunit cooperation. Finally, managers can work to prevent the development of future fiefdoms through training programs, selection and promotion, and reward distribution.

To the extent that employees see the organization as a fair place to work and to the extent that clear goals and resource allocation procedures are present, office politics should subside, though not disappear. In organizations where politics prosper, in fact, you are likely to find a reward system that encourages and promotes such behavior. The choice is up to the organization.

Limiting the Effects of Political Behavior
To Reduce System Uncertainty • Make clear what are the bases and processes for evaluation. • Differentiate rewards among high and low performers. • Make sure the rewards are as immediately and directly related to performance as possible.
To Reduce Competition • Try to minimize resource competition among managers. • Replace resource competition with externally oriented goals and objectives.
To Break Existing Political Fiefdoms • Where highly cohesive political empires exist, break them apart by removing or splitting the most dysfunctional subgroups. • If you are an executive, be keenly sensitive to managers whose mode of operation is the personalization of political patronage. First, approach these persons with a directive to "stop the political maneuvering." If it continues, remove them from the positions and preferably from the company.
To Prevent Future Fiefdoms • Make one of the most important criteria for promotion an apolitical attitude that puts organizational ends ahead of personal power ends.
Source: Adapted from "The Use and Abuse of Corporate Politics," by Don R. Beeman and Thomas W. Sharkey. Reprinted from *Business Horizons,* March–April 1987 by the Foundation for the School of Business at Indiana University.

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concept check

- How can managers limit inappropriate and unethical behavior in the organization?

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Authority Represents the right to seek compliance by others.

Bases of power The five bases of power are referent, expert, legitimate, reward, and coercive power.

Bureaucratic gamesmanship A situation where the organizations own policies and procedures provide ammunition for power plays.

Coalition A situation where one unit can effectively increase its power by forming an alliance with other groups that share similar interests.

Coercive power Involves forcing someone to comply with one's wishes.

Counterpower Focuses on the extent to which person *B* has other sources of power to buffer the effects of person *A*'s power.

Expert power Occurs when person *A* gains power because *A* has knowledge or expertise relevant to person *B*.

Leadership The ability of one individual to elicit responses from another person that go beyond required or mechanical compliance.

Legitimate power Exists when person *B* submits to person *A* because *B* feels that *A* has a right to exert power in a certain domain.

Normative power Rests on the beliefs of the members in the right of the organization to govern their behavior.

Politics Involves those activities taken within an organization to acquire, develop, and use power and other resources to attain preferred outcomes in a situation in which there is uncertainty and disagreement over choices.

Power The probability that one actor within a social relationship will be in a position to carry out his own will despite resistance.

Power dependencies A state where all people are not subject to (or dependent upon) the same bases of power.

Referent power A state where allegiance is based on interpersonal attraction of one individual for another.

Resource dependence When one subunit of an organization controls a scarce resource that is needed by another subunit, that subunit acquires power.

Reward power Exists when person *A* has power over person *B* because *A* controls rewards that *B* wants. These rewards can cover a wide array of possibilities, including pay raises, promotions, desirable job assignments, more responsibility, new equipment, and so forth.

Strategic contingencies A requirement of the activities of one subunit that is affected by the activities of other subunits.

Utilitarian power Power based on performance-reward contingencies; for example, a person will comply with a supervisor in order to receive a pay raise or promotion.

Work centrality The more interconnected subunit *A* is with other subunits in the organization, the more central it is.

Work to rule Occurs when employees diligently follow every work rule and policy statement to the letter; this typically results in the organization's grinding to a halt as a result of the many and often conflicting rules and policy statements.

Workflow immediacy Relates to the speed and severity with which the work of one subunit affects the final outputs of the organization.

Workflow pervasiveness The degree to which the actual work of one subunit is connected with the work of the subunits.

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21.7: Summary of Learning Outcomes

13.1 Power in Interpersonal Relations

1. How do power bases work in organizational life?

We might think of power like a car battery and influence as the current that actually gets the starter motor to turn over. There are many potential sources of power such as knowledge, information, and money. But just as the car battery unconnected cannot start an engine, these sources of power do not by themselves cause others to do anything. Actually, influencing others is achieved by possessing, or having others believe you possess, resources that they desire and depend upon and for which substitutes are not easily obtained and then establishing behavioral contingencies in the direction of the behaviors you desire to evoke.

Power is an interpersonal relationship in which one person or group has the ability to cause another person or group to take an action that it would not have taken otherwise.

There are five basic kinds of power: (1) referent, (2) expert, (3) legitimate, (4) reward, and (5) coercive.

Depending upon which kind of power is employed, the recipient of a power effort can respond with commitment, compliance, or resistance.

13.2 Uses of Power

2. How do you recognize and account for the exercise of counterpower and make appropriate use of strategic contingencies in interunit or interorganizational relations?

Power dependency is the extent to which a person or group is susceptible to an influence attempt. Included here is the notion of counterpower, or the ability of the subordinate to exercise some power and buffer the influence attempt of another.

Common power tactics include controlling access to information, controlling access to persons, the selective use of objective criteria, controlling the agenda, using outside experts, bureaucratic gamesmanship, and forming coalitions and alliances.

The resource dependence model suggests that one unit within an organization has power over another unit when the first unit controls scarce and valued resources needed by the second unit.

The strategic contingencies model asserts that one unit has power over another when the first group has the ability to block the second group's goal attainment—that is, when it controls some strategic contingency needed by the second group to complete its task.

13.3 Political Behavior in Organizations

3. How do managers cope effectively with organizational politics?

Politics involves those activities taken within an organization to acquire, develop, and use power and other resources to attain preferred outcomes in a situation in which there is uncertainty and disagreement over choices.

Political behavior is more likely to occur when (1) there are ambiguous goals, (2) there is a scarcity of resources, (3) nonroutine technology and a complex external environment are involved, (4) nonprogrammed decisions are being considered, and (5) organizational change is occurring.

13.4 Limiting the Influence of Political Behavior

4. How do you recognize and limit inappropriate or unethical political behavior where it occurs? Political behavior can be reduced or minimized in organizations through four techniques: (1) reducing organization uncertainty, (2) reducing interunit competition, (3) breaking up political fiefdoms, and (4) preventing the development of future fiefdoms.

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21.8: Chapter Review Questions

1. Compare and contrast power, authority, and leadership.
2. Identify five bases of power, and provide an example of each. Which base (or bases) of power do you feel would be most commonly found in organizations?
3. Discuss the concept of power dependencies. What is the relationship between power dependencies and bases of power?
4. What is counterpower? Provide an example of counterpower from your own experience.
5. Why is it important to understand political behavior in organizations?
6. Define politics. How does politics differ from power?
7. Compare and contrast the resource dependence model of power and politics with the strategic contingency model.
8. Identify several specific power tactics in organizations, and provide an example of each.
9. Why is it important that the exercise of power and politics be handled in an ethical fashion? What might happen if employees felt that managers were using power in an unethical fashion?

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21.9: Management Skills Application Exercises

1. You might find it interesting to look at your own bases of power in an organization you have worked with. To do this, simply think of your present or past job, and complete this self-assessment. When you have finished, refer to **Appendix B** for scoring procedures.

What Are Your Bases of Power?

Instructions: Using a current or former job, answer each of the following items by circling the response that most suits your answer.

	Strongly Disagree				Strongly Agree
1. I always try to set a good example for other employees.	1	2	3	4	5
2. My coworkers seem to respect me on the job.	1	2	3	4	5
3. Many employees view me as their informal leader at work.	1	2	3	4	5
4. I know my job very well.	1	2	3	4	5
5. My skills and abilities help me a lot on this job.	1	2	3	4	5
6. I continually try to improve the way I do my job.	1	2	3	4	5
7. I have considerable authority in my job.	1	2	3	4	5
8. Decisions made at my level are critical to organizational success.	1	2	3	4	5
9. Employees frequently ask me for guidance.	1	2	3	4	5
10. I am able to reward people at lower levels in the organization.	1	2	3	4	5
11. I am responsible for evaluating those below me.	1	2	3	4	5
12. I have a say in who gets a bonus or pay raise.	1	2	3	4	5
13. I can punish employees at lower levels.	1	2	3	4	5
14. I check the work of lower-level employees.	1	2	3	4	5
15. My diligence helps to reduce the errors of others on the job.	1	2	3	4	5

2. It might be interesting for you to evaluate your own level of political behavior. To do this, complete this self-assessment. When you have finished, score your questionnaire according to the procedure outlined in **Appendix B**.

How Political Are You?

Instructions: To determine your political appreciation and tendencies, please answer the following questions. Select the answer that better represents your behavior or belief, even if that particular behavior or belief is not present all the time.

1. You should make others feel important through an open appreciation of their ideas and work.	____ True ____ False

2. Because people tend to judge you when they first meet you, always try to make a good first impression.	____ True ____ False
3. Try to let others do most of the talking, be sympathetic to their problems, and resist telling people that they are totally wrong.	____ True ____ False
4. Praise the good traits of the people you meet and always give people an opportunity to save face if they are wrong or make a mistake.	____ True ____ False
5. Spreading false rumors, planting misleading information, and backstabbing are necessary, if somewhat unpleasant, methods to deal with your enemies.	____ True ____ False
6. Sometimes it is necessary to make promises that you know you will not or cannot keep.	____ True ____ False
7. It is important to get along with everybody, even with those who are generally recognized as windbags, abrasive, or constant complainers.	____ True ____ False
8. It is vital to do favors for others so that you can call in these IOUs at times when they will do you the most good.	____ True ____ False
9. Be willing to compromise, particularly on issues that are minor to you but important to others.	____ True ____ False
10. On controversial issues, it is important to delay or avoid your involvement if possible.	____ True ____ False

Source: Adapted from Joseph F. Byrnes, "Connecting Organizational Politics and Conflict Resolution," *Personnel Administrator,* June 1986, p.49.

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21.10: Managerial Decision Exercises

1. You have recently been promoted to the position of president of the division from your current role as VP of accounting and finance. Many people thought that the VP of sales and marketing would get the position, but you and he had always been friendly, and you thought that things would go smoothly. After about six months in the new position, you notice that he has been fighting you in small and subtle ways. You recognize his value, so you decide to let things play out and even mention other possibilities for promotion within the organization that he could apply for and that you would be supportive. After 11 months, things have not improved, and you are considering letting your colleague go. You are hesitant, however, because your organization needs a strong sales and marketing department. What should you do? If this power struggle continues, how do you think it will affect the larger organization?

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21.11: Critical Thinking Case

The Ohio Connection

Janey worked as an executive assistant to a product manager at her company: Ohio Connection. Overall, she loved her job; she was happy to work with a company that provided great benefits, and she and found enjoyment in her day-to-day work. She had the same product manager boss for years, but last year, her manager left Ohio Connection and retired. Recently her new manager has been treating her unfairly and showcasing bullying behavior.

Yesterday, Janey came into work, and her boss decided to use their power as her manager and her "superior" to demand that she stay late to cover for him, correct reports that he had made mistakes on, and would not pay her overtime. She was going to be late to pick up her son from soccer practice if she stayed late; she told him this, and he was not happy.

Over subsequent days, her boss consistently would make comments about her performance, even though she had always had good remarks on reviews, and created a very negative work environment. The next time she was asked to stay late, she complied for fear of losing her job or having other negative impacts on her job. Janey's situation was not ideal, but she didn't feel she had a choice.

Questions:

1. What type of power did Janey's boss employ to get her to do the things that he wanted her to do?
2. What negative consequences are apparent in this situation and other situations where power is not balanced in the workplace?
3. What steps should Janey take do to counteract the power struggle that is occurring with her new manager?

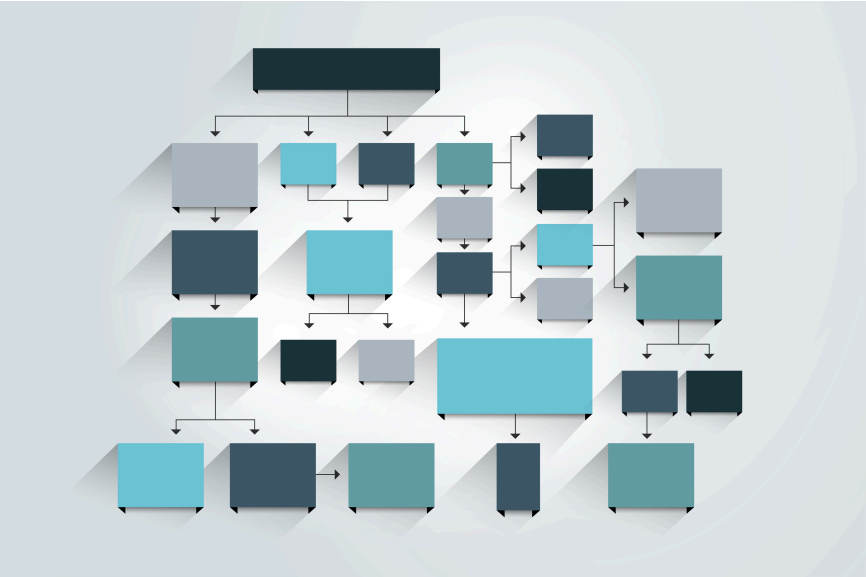
Sources: A. Morin, "How to Prevent a Workplace Bully from taking Your Power," *Inc.*, June 25, 2018, https://www.inc.com/amy-morin/how-to...our-power.html; V. Giang, "The 7 Types Of Power That Shape The Workplace," *Business Insider,* July 31, 2013, https://www.businessinsider.com/the-...rkplace-2013-7; B. Weinstein, "10 Tips for Dealing with a Bully Boss," *CIO*, accessed October 13, 2018, https://www.cio.com.au/article/198499/ 10_tips_dealing_bully_boss/.

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Part 5 - Organizational Structure and Culture

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23: ORGANIZATIONAL STRUCTURE AND CHANGE



23.1: Chapter Introduction

23.2: Organizational Structures and Design

23.3: Organizational Change

23.4: Managing Change

23.5: Glossary

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23.1: Chapter Introduction

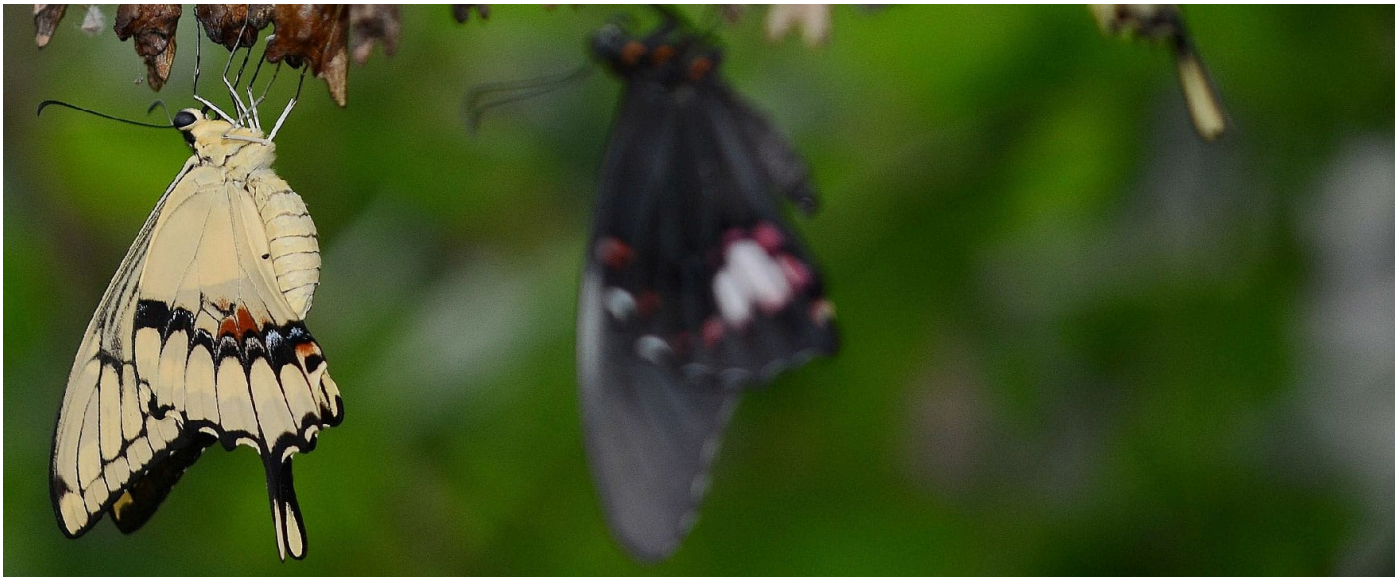


Figure 23.1.1. (Credit: GLady/ Pixabay/ (CC BY 0))

Learning Outcomes

After reading this chapter, you should be able to answer these questions:

1. What are the fundamental dimensions of change?
2. How do managers deal with change?

Exploring managerial careers

Jackie Smith, CareSource University

Jackie Smith is a human resources, training and organizational development professional with more than 20 years of experience. She has worked in a variety of organizations and industries in both the for-profit and not-for-profit sectors.

Jackie is vice president of CareSource University at CareSource, a Medicaid managed care organization. She oversees CareSource University as well as the company's performance management, succession, and goal-setting processes. In 2017 CSU delivered more than 240,000 learning hours, coached 300 leaders, and onboarded 1,100 new hires. CareSource University has been nationally recognized for seven years as one of *Training* magazine's Top 125 training organizations, ranking in the top 19 for six years. In 2017, CSU was named to the global Learning Elite, ranking 18th among worldwide organizations. Prior to CareSource, Jackie was president of Reflections on Learning, a performance-consulting firm, and worked as a senior organizational development consultant, regional human resources manager, training specialist, and manager in the financial services, retail, and transportation industries.

Jackie's instructional focus has been in the area of leadership development, designing programs including:

- Developing Your Leadership Vision
- Leading through Extraordinary Change
- Transforming Team Performance through Dialogue

- Building Sustainable Strategy with Appreciative Inquiry

Her educational background includes a BS in education from Miami University, Ohio and Luxembourg and an MS in organizational development and leadership from St. Joseph's University in Philadelphia. In addition, she has served as an adjunct faculty member at Antioch McGregor University and is a certified facilitator in a variety of training and development programs, organizational assessments, and Myers-Briggs profiling. She also serves as a team leader facilitating business strategy sessions in countries around the world including Ecuador, Jordan, Guinea, and Senegal.

This chapter will cover several concepts that deal with how leaders develop and shape organizations. An understanding of the concepts in this chapter is essential for leaders who need to pull people together to accomplish the essential work of a business in a consistent process over time. We will address the essential ideas.

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23.2: Organizational Structures and Design

1. What are mechanistic versus organic organizational structures?

First, an **organizational structure** is a system for accomplishing and connecting the activities that occur within a work organization. People rely on structures to know what work they should do, how their work supports or relies on other employees, and how these work activities fulfill the purpose of the organization itself.

Second, **organizational design** is the process of setting up organizational structures to address the needs of an organization and account for the complexity involved in accomplishing business objectives.

Next, **organizational change** refers to the constant shifts that occur within an organizational system—for example, as people enter or leave the organization, market conditions shift, supply sources change, or adaptations are introduced in the processes for accomplishing work. Through **managed change**, leaders in an organization can intentionally shape how these shifts occur over time.

Finally, **organizational development (OD)** is the label for a field that specializes in change management. OD specialists draw on social science to guide change processes that simultaneously help a business achieve its objectives while generating well-being for employees and sustainable benefits for society. An understanding of OD practices is essential for leaders who want to maximize the potential of their organizations over a long period of time.

Together, an understanding of these concepts can help managers know how to create and direct organizations that are positioned to successfully accomplish strategic goals and objectives.

To understand the role of organizational structure, consider the experience of Justin, a young manager who worked for a logistics and transportation company. His success at leading change in the United States gave his leaders the confidence that he could handle a challenging assignment: organize a new supply chain and distribution system for a company in Northern Europe. Almost overnight, Justin was responsible for hiring competent people, forming them into a coherent organization, training them, and establishing the needed infrastructure for sustained success in this new market.

If you were given this assignment, what would you do? How would you organize your employees? How would you help them understand the challenge of setting up a new organization and system? These are the kinds of questions that require an understanding of organizational structure, organizational design, organizational change, and organizational development.

One of the first issues Justin will need to address deals with how he will organize the system he will manage. “The decisions about the structure of an organization are all related to the concept of organizational design. There are two fundamental forms of structure to remember when designing an organization.

To address these questions, we need to be familiar with two fundamental ways of building an organization.

The **formal organization** is an officially defined set of relationships, responsibilities, and connections that exist across an organization. The traditional organizational chart, as illustrated in Figure 23.2.1, is perhaps the most common way of depicting the formal organization. The typical organization has a hierarchical form with clearly defined roles and responsibilities.

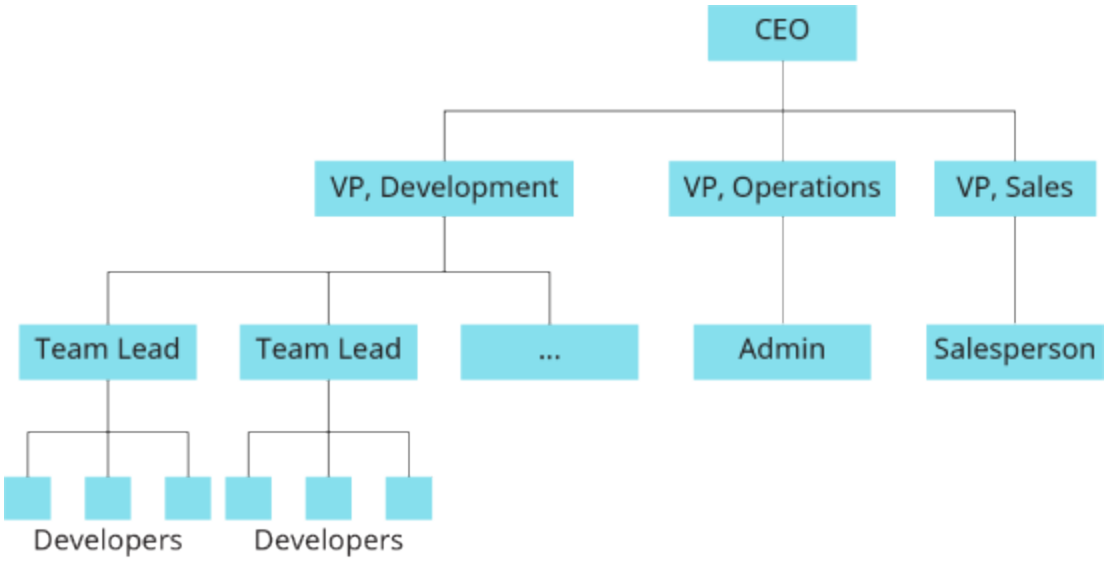


Figure 23.2.1 **Formal Organizational Chart** (Attribution: Copyright Rice University, OpenStax, under CC-BY 4.0 license)

When Justin sets up his formal organization, he will need to design the administrative responsibilities and communication structures that should function within an organizational system. The formal systems describe how flow of information and resources should occur within an organization. To establish the formal organization, he will identify the essential functions that need to be part of the system, and he will hire people to fill these functions. He will then need to help employees learn their functions and how these functions should relate to one another.

The **informal organization** is sometimes referred to as the invisible network of interpersonal relationships that shape how people actually connect with one another to carry out their activities. The informal organization is emergent, meaning that it is formed through the common conversations and relationships that often naturally occur as people interact with one another in their day-to-day relationships. It is usually complex, impossible to control, and has the potential to significantly influence an organization's success.

As depicted in Figure 23.2.2, the informal organization can also be mapped, but it is usually very different than the formal organization. The chart you see in this example is called a network map, because it depicts the relationships that exist between different members of a system. Some members are more central than others, and the strength of relationships may vary between any two pairs or groups of individuals. These relationships are constantly in flux, as people interact with new individuals, current relationships evolve, and the organization itself changes over time.

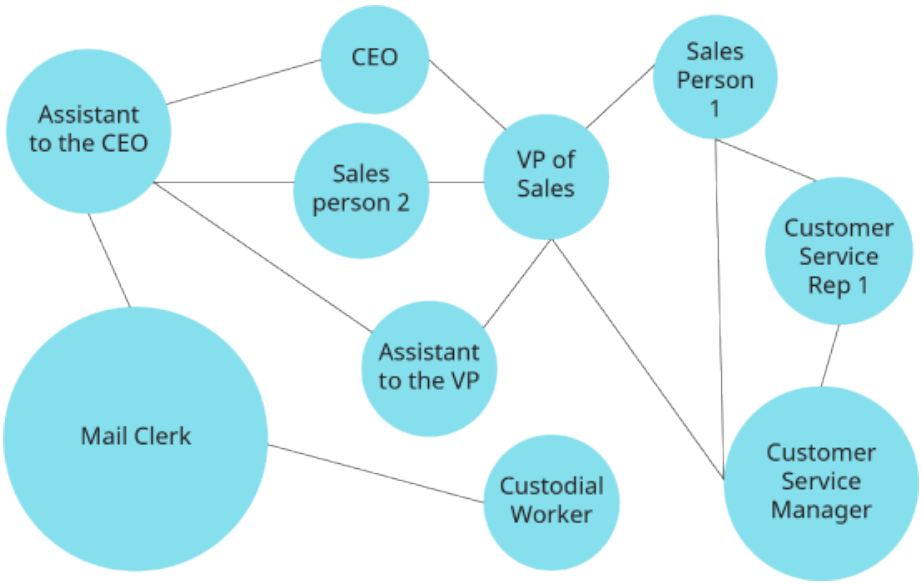


Figure 23.2.2 **Informal Organizational Chart** (Attribution: Copyright Rice University, OpenStax, under CC-BY 4.0 license)

The informal organization in Justin's design will form as people begin interacting with one another to accomplish their work. As this occurs, people will begin connecting with one another as they make sense of their new roles and relationships. Usually, the informal organization closely mirrors the formal organization, but often it is different. People quickly learn who the key influencers are within the system, and they will begin to rely on these individuals to accomplish the work of the organization. The informal organization can either help or hinder an organization's overall success.

In sum, the formal organization explains how an organization *should* function, while the informal organization is how the organizational *actually* functions. Formal organization will come as Justin hires and assigns people to different roles. He can influence the shape of the informal organization by giving people opportunities to build relationships as they work together. Both types of structures shape the patterns of influence, administration, and leadership that may occur through an organizational system.

As we continue our discussion of structure and design, we will next examine different ways of understanding formal structure.

Types of Formal Organizational Structures

Now, Justin will need to choose and implement an administrative system for delegating duties, establishing oversight, and reporting on performance. He will do this by designing a formal structure that defines the responsibilities and accountability that correspond to specific duties throughout an organizational system. In this section, we'll discuss the factors that any manager should consider when designing an organizational structure.



Figure 23.2.3. **Smoke coming out of chapel chimney** Almost all organizations have established organizational hierarchies and customs. As an older, large organization, the Catholic Church has a tall global structure with the pope in the Vatican at the apex. A process of succession has the cardinals voting on a new pope, and white smoke billowing out of the Sistine Chapel signals that they have chosen the new pope. (Credit: Jeffrey Bruno/ flickr/ Attribution 2.0 Generic (CC BY 2.0))

Bureaucracy

One of the most common frameworks for thinking about these issues is called the **bureaucratic model**. It was developed by Max Weber, a 19th-century sociologist. Weber's central assumption was that organizations will find efficiencies when they divide the duties of labor, allow people to specialize, and create structure for coordinating their differentiated efforts, usually within a hierarchy of responsibility. He proposed five elements of bureaucracy that serve as a foundation for determining an appropriate structure: specialization, command-and-control, span of control, centralization, and formalization.

Specialization

The degree to which people are organized into subunits according to their expertise is referred to as **specialization**—for example, human resources, finance, marketing, or manufacturing. It may also include specialization within those functions. For instance, people who work in a manufacturing facility may be well-versed in every part of a manufacturing process, or they may be organized into specialty units that focus on different parts of the manufacturing process, such as procurement, material preparation, assembly, quality control, and the like.

Command-and-Control

The next element to consider is the reporting and oversight structure of the organization. **Command-and-control** refers to the way in which people report to one another or connect to coordinate their efforts in accomplishing the work of the organization.

Span of Control

Another question addresses the scope of the work that any one person in the organization will be accountable for, referred to as **span of control**. For instance, top-level leaders are usually responsible for all of the work of their subordinates, mid-level leaders are responsible for a narrower set of responsibilities, and ground-level employees usually perform very specific tasks. Each manager in a hierarchy works within the span of control of another manager at a level of the organization.

Centralization

The next element to consider is how to manage the flows of resources and information in an organization, or its **centralization**. A highly centralized organization concentrates resources in only one or very few locations, or only a few individuals are authorized to make decisions about the use of resources. In contrast, a diffuse organization distributes resources more broadly throughout an organizational system along with the authority to make decisions about how to use those resources.

Formalization

The last element of bureaucracy, **formalization**, refers to the degree of definition in the roles that exist throughout an organization. A highly formalized system (e.g., the military) has a very defined organization, a tightly structured system, in which all of the jobs, responsibilities, and accountability structures are very clearly understood. In contrast, a loosely structured system (e.g., a small, volunteer nonprofit) relies heavily on the emergent relationships of informal organization.

Mechanistic and Organic Structures

Using the principles of bureaucracy outlined above, managers like Justin have experimented with many different structures as way to shape the formal organization and potentially to capture some of the advantages of the informal organization. Generally, the application of these principles leads to some combination of the two kinds of structures that can be seen as anchors on a continuum (see Table 23.2.1).

Elements of Organizational Structure and Their Relationship to Mechanistic and Organic Forms		
Mechanistic	⟷	**Organic**
Highly formalized	**Standardization**	Low
High/Narrow	**Specialization**	Low/Broad
Centralized	**Centralization**	Decentralized
Functional	**Departmentalization**	Divisional

Table 23.2.1. (Attribution: Copyright Rice University, OpenStax, under CC-BY 4.0 license)

On one end of the continuum is **mechanistic bureaucratic structure**. This is a strongly hierarchical form of organizing that is designed to generate a high degree of standardization and control. Mechanistic organizations are often characterized by a highly **vertical organizational structure,** or a "tall" structure, due to the presence of many levels of management. A mechanistic structure tends to dictate roles and procedure through strong routines and standard operating practices.

In contrast, an **organic bureaucratic structure** relies on the ability of people to self-organize and make decisions without much direction such that they can adapt quickly to changing circumstances. In an organic organization, it is common to see a **horizontal organizational structure**, in which many individuals across the whole system are empowered to make organizational decision. An organization with a horizontal structure is also known as a **flat organization** because it often features only a few levels of organizational hierarchy.

The principles of bureaucracy outlined earlier can be applied in different ways, depending on the context of the organization and the managers' objectives, to create structures that have features of either mechanistic or organic structures.

For example, the degree of specialization required in an organization depends both on the complexity of the activities the organization needs to account for and on the scale of the organization. A more organic organization may encourage employees to be both specialists and generalists so that they are more aware of opportunities for innovation within a system. A mechanistic organization may emphasize a strong degree of specialization so that essential procedures or practices are carried out with consistency and predictable precision. Thus, an organization's overall objectives drive how specialization should be viewed. For example, an organization that produces innovation needs to be more organic, while an organization that seeks reliability needs to be more mechanistic.

Similarly, the need for a strong environment of command-and-control varies by the circumstances of each organization. An organization that has a strong command-and-control system usually requires a vertical, tall organizational administrative

structure. Organizations that exist in loosely defined or ambiguous environments need to distribute decision-making authority to employees, and thus will often feature a flat organizational structure.

The span of control assigned to any specific manager is commonly used to encourage either mechanistic or organic bureaucracy. Any manager's ability to attend to responsibilities has limits; indeed, the amount of work anyone can accomplish is finite. A manager in an organic structure usually has a broad span of control, forcing her to rely more on subordinates to make decisions. A manager in a mechanistic structure usually has a narrow span of control so that she can provide more oversight. Thus, increasing span of control for a manager tends to flatten the hierarchy while narrowing span of control tends to reinforce the hierarchy.

Centralization addresses assumptions about how an organization can best achieve efficiencies in its operations. In a mechanistic structure, it is assumed that efficiencies will occur in the system if the resources and decisions flow through in a centralized way. In an organic system, it is assumed that greater efficiencies will be seen by distributing those resources and having the resources sorted by the users of the resources. Either perspective may work, depending on the circumstances.

Finally, managers also have discretion in how tightly they choose to define the formal roles and responsibilities of individuals within an organization. Managers who want to encourage organic bureaucracy will resist the idea of writing out and tightly defining roles and responsibilities. They will encourage and empower employees to self-organize and define for themselves the roles they wish to fill. In contrast, managers who wish to encourage more mechanistic bureaucracy will use tools such as standard operating procedures (SOPs) or written policies to set expectations and exercise clear controls around those expectations for employees.

When a bureaucratic structure works well, an organization achieves an appropriate balance across all of these considerations. Employees specialize in and become highly advanced in their ability to perform specific functions while also attending to broader organizational needs. They receive sufficient guidance from managers to stay aligned with overall organizational goals. The span of control given to any one manager encourages them to provide appropriate oversight while also relying on employees to do their part. The resources and decision-making necessary to accomplish the goals of the organization are efficiently managed. There is an appropriate balance between compliance with formal policy and innovative action.

Functional Structures

Aside from the considerations outlined above, organizations will often set structures according to the functional needs of the organization. A functional need refers to a feature of the organization or its environment that is necessary for organizational success. A functional structure is designed to address these organizational needs. There are two common examples of functional structures illustrated here.

Product structures exist where the business organizes its employees according to product lines or lines of business. For example, employees in a car company might be organized according to the model of the vehicle that they help to support or produce. Employees in a consulting firm might be organized around a particular kind of practice that they work in or support. Where a functional structure exists, employees become highly attuned to their own line of business or their own product.

Geographic structures exist where organizations are set up to deliver a range of products within a geographic area or region. Here, the business is set up based on a territory or region. Managers of a particular unit oversee all of the operations of the business for that geographical area.

In either functional structure, the manager will oversee all the activities that correspond to that function: marketing, manufacturing, delivery, client support systems, and so forth. In some ways, a functional structure is like a smaller version of the larger organization—a smaller version of the bureaucracy that exists within the larger organization.

One common weakness of a bureaucratic structure is that people can become so focused on their own part of the organization that they fail to understand or connect with broader organizational activities. In the extreme, bureaucracy separates and alienates workers from one another. These problems can occur when different parts of an organization fail to communicate effectively with one another.

Some organizations set up a **matrix structure** to minimize the potential for these problems. A matrix structure describes an organization that has multiple reporting lines of authority. For example, an employee who specializes in a particular product might have both the functional reporting line and a geographic reporting line. This employee has accountability in both directions. The functional responsibility has to do with her specialty as it correlates with the strategy of the company as a whole. However, her geographic accountability is to the manager who is responsible for the region or part of the organization in which she is currently working. The challenge is that an employee may be accountable to two or more managers, and this can create conflict if those

managers are not aligned. The potential benefit, however, is that employees may be more inclined to pay attention to the needs of multiple parts of the business simultaneously.

concept check

1. What are different types of organizational structures?
2. What concepts should guide decisions about how to design structures?

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23.3: Organizational Change

2. What are the fundamental dimensions of change?

Our discussion about organizational structure to this point has focused on the forms that an organization might take and the options that are available to managers as they design structures for their organizations. However, organizations are constantly evolving. One common refrain is that "there is nothing so constant as change." Because of this, there is no one best way to organize in all circumstances. Effective managers need to be aware of the various factors that drive the need for change. There advantages and disadvantages of each the various forms of organizing we have discussed. Managers need to adapt the organization so that it is ideally situated to accomplish current organizational goals. Thus, effective managers need to know how to plan and implement change to achieve organizational success.

We will begin this section by reviewing the types of changes that may occur in an organization. Then we will explore the organizational life cycle model, which explains how the structural needs of an organization evolve over time.

Types of Change

There are many different types of changes in organizations. The first, consistent with what we talked about so far in this chapter, is **structural change**. This has to do with the changes in the overall formal relationships within an organization. Examples of structural change include reorganizing departments or business units, adding employee positions, or revising job roles and assignments. These changes should be made to support broader objectives such as to centralize or decentralize operations, empower employees, or find greater efficiencies.

Another common type of change is **technological change**. Implementation of new technologies is often forced upon an organization as the environment shifts. For example, an industry upgrade in a commonly used software platform may require that employees learn new ways of working. Upgraded machinery or hardware may require employees to learn new procedures or restructure the way that they interact with one another. The advent of web-based cloud technologies is an example from the last decade and an example of ways which new forms of collaboration are becoming more available. Technological change often induces structural change because it requires different ways of connecting across an organizational system.

A third type of organizational change is **culture change**. Organizational culture refers to the common patterns of thinking and behaving within an organization. Culture is rooted in the underlying beliefs and assumptions that people hold of themselves and of the organization. These beliefs and assumptions create mindsets that shape the culture. Culture change is among the most difficult kinds of changes to create within an organizational system. It often involves reshaping and reimagining the core identity of the organization. A typical culture change process, if it is successful, requires many years to achieve.

The Organizational Life Cycle

Most organizations begin as very small systems that feature very loose structures. In a new venture, nearly every employee might contribute to many aspects of an organization's work. As the business grows, the workload increases, and more workers are needed. Naturally, as the organization hires more and more people, employees being to specialize. Over time, these areas of specialization mature through **differentiation**, the process of organizing employees into groups that focus on specific functions in the organization. Usually, differentiated tasks should be organized in a way that makes them complementary, where each employee contributes an essential activity that supports the work and outputs of others in the organization.

The patterns and structures that appear in an organization need to evolve over time as an organization grows or declines, through four predictable phases (see Figure 23.3.1). In the **entrepreneurship** phase, the organization is usually very small and agile, focusing on new products and markets. The founders typically focus on a variety of responsibilities, and they often share frequent and informal communication with all employees in the new company. Employees enjoy a very informal relationship, and the work assignments are very flexible. Usually, there is a loose, organic organizational structure in this phase.

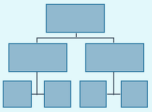
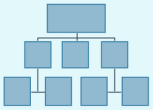
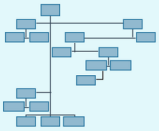
	Entrepreneurship	Survival and Early Success	Sustained Success	Renewal (or Decline)
Organization				
Extent of formal systems	Minimal to nonexistent	Minimal	Basic/Developing/ Maturing	Extensive
Key Ideas	• Marshalling of resources • Lots of ideas • Entrepreneurial activities • Little planning and coordination • Formaion of a ''niche'' • "Prime mover" has power	• Informal communication and structure • Sense of collectivity • Long hours spent • Sense of mission • Innovation continues • High commitment	• Formalization of rules • Stable structure • Emphasis on efficiency and maintenance • Conservatism • Institutionalized procedures	• Elaboration (or reduction) of structure • Decentralization (or centralization) • Domain expansion (or reduction) • Adaptation (or stagnation) • Renewal (or decline

Figure 23.3.1. **Organizational Life Cycle** (Attribution: Copyright Rice University, OpenStax, under CC-BY 4.0 license)

The second phase, *survival and early success*, occurs as an organization begins to scale up and find continuing success. The organization develops more formal structures around more specialized job assignments. Incentives and work standards are adopted. The communication shifts to a more formal tone with the introduction of hierarchy with upper- and lower-level managers. It becomes impossible for every employee to have personal relationships with every other employee in the organization. At this stage, it becomes appropriate for introduce mechanistic structures that support the standardization and formalization required to create effective coordination across the organization.

In a third phase, *sustained success* or *maturity*, the organization expands and the hierarchy deepens, now with multiple levels of employees. Lower-level managers are given greater responsibility, and managers for significant areas of responsibility may be identified. Top executives begin to rely almost exclusively on lower-level leaders to handle administrative issues so that they can focus on strategic decisions that affect the overall organization. At this stage, the mechanistic structures of the organization are strengthened, and functional structures may be introduced. Often, tension emerges over how to find balance in the structure. Most organizations at this stage of development need to have elements of a mechanistic bureaucracy while maintaining an environment that allows for the innovation and flexibility that is a feature of an organic structure.

A transition to the fourth phase, *renewal or decline*, occurs when an organization expands to the point that its operations are far-flung and need to operate somewhat autonomously. Functional structures become almost essential, and subunits may begin to operate as independent businesses. Often, the tensions in the company between mechanistic and organic inclinations may be out of balance. To address these issues, the organization has to be reorganized or restructured to achieve higher levels of coordination between and among different groups or subunits. Managers may need to address fundamental questions about the overall direction and administration of the organization.

To summarize, the key insight about the organizational life cycle is that the needs of an organization will evolve over time. Different structures are needed at different stages as an organization develops. The needs of employees will also change. An understanding of the organizational life cycle provides a framework for thinking about changes that may be needed over time.

Dimensions of Change

When considering how to assess the need for change in an organization, it can be helpful to think of three dimensions: the scope of change, the level of change, and the intentionality of change.

The first, the **scope of change** refers to the degree to which the required change will disrupt current patterns and routines. **Incremental change** refers to small refinements in current organizational practices or routines that do not challenge, but rather build on or improve, existing aspects and practices within the organization. Common incremental change practices are LEAN and Six Sigma, which are used to find relatively small changes that can generate greater efficiencies in a process. An organization can improve its product-line efficiencies by identifying small discrepancies in process, then fixing them in a systematic way. Incremental change does not typically challenge people to be at the edge of their comfort zone.

In contrast, **transformational change** refers to significant shifts in an organizational system that may cause significant disruption to some underlying aspect of the organization, its processes, or structures. Transformational change can be invigorating for some employees, but also highly disruptive and stressful for others. Examples of transformational change include large systems changes and organizational restructuring. Culture change often requires transformational change to be successful.7

Finally, a **strategic change** is a change, either incremental or transformational, that helps align an organization's operations with its strategic mission and objectives. This kind of change is necessary for an organization to achieve the focus it needs to make needed transfer missions and work it does feel to stay competitive in the current or larger organization, larger market environment, or societal environment.



Figure 23.3.2. **Uber Eats on bicycle** An example of a small organizational structure is exemplified by jobs in the sharing economy like Uber and Lyft drivers. Here an Uber Eats food delivery driver cycles along a very busy Oxford Road in Manchester, England. (Credit: Shopblocks/ flickr/ Attribution 2.0 Generic (CC BY 2.0))

The **level of change** refers to the breadth of the systems that need to be changed within an organization. **Individual-level change** focuses on how to help employees to improve some active aspect of their performance or the knowledge they need to continue to contribute to the organization in an effective manner. Individual-level change programs include leadership development, training, and performance management. **Group-level change** centers on the relationships between people and usually focuses on helping people to work more effectively together. Team development, or teambuilding, is one of the most common forms of a team change process. **Organization-level change** is a change that affects an entire organizational system or several of its units. Strategic planning and implementation is perhaps the most common type of organization-level change. Higher-level change programs usually require changes at lower levels—an organization-level change may require change at both team and individual levels as well.

Intentionality is the final dimension of change and refers to the degree to which the change is intentionally designed or purposefully implemented. **Planned change** is an intentional activity or set of intentional activities that are designed to create movement toward a specific goal or end. Planned change processes often involve large groups of people and step-by-step or phase-by-phase activities that unfold over a period of time. Usually, effective leaders identify clear objectives for the change, the specific activities that will achieve those objectives, and the indicators of success.

In contrast, **unplanned change** is unintentional and is usually the result of informal organizing. It may or may not serve the aims of the organization as a whole. Unplanned change may be completely spontaneous, occurring simply because employees in some part of an organization want to initiate change. But sometimes it occurs as a byproduct of a planned change process. This is because it is difficult for leaders to anticipate all the consequences of a planned change effort. Employees react in unpredictable ways, technologies don't work as expected, changes in the marketplace don't happen as expected, or other actors may react in unanticipated ways.

As we will discuss below, some change models are designed to take advantage of the potential for spontaneous organizing among

employees. Unplanned change can be harnessed as a positive force when employees are invited to be proactive about working toward common organizational goals.

concept check

1. What are the fundamental dimensions of change?

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23.4: Managing Change

3. How do managers deal with change?

To this point in the chapter, we have focused on factors that influence the need for change. We have also discussed how to think about the dimensions of change that may be needed. In this section, we will describe different approaches to designing and implementing change.

Change management is the process of designing and implementing change. Most leaders are responsible for some degree of change management. In addition, as indicated in the introduction, **organizational development (OD)** is a specialized field that focuses on how to design and manage change.

An **OD consultant** is someone who has expertise in change management processes. An internal consultant is someone who works as an employee of an organization and focuses on how to create change from within that organization. An external consultant is an OD specialist hired to provide outside expertise for a short period of time, usually for a major change effort. Leaders are more effective in managing change if they understand the common practices for managing change as well as the perspectives and practices used by OD specialists.

Basic Assumptions about Change

There are numerous models of change available to managers, and it can be difficult to discern the differences between them when creating a planned change process. Many approaches and methodologies for developing organizations and managing change have been developed and practiced during the last century. Indeed, it can be daunting and confusing to sort through and understand which models are most appropriate and relevant for a particular situation. Every model of change has its strengths and its limitations, and it is important to understand what these may be. The type of change methodology used in a particular situation should be matched to the needs of that situation.

It may be helpful to use several questions when deciding on the appropriate approach to use in a planned change process.

A first question has to do with the starting place for the change: *Is the organization in a state of deficiency that needs significant fixing, or is it in a state of high performance, where there exists a need for refining and tweaking?*

One common motivation for change is the perception that an organization may be in some state of dysfunction with significant and serious problems, somewhat like a patient in a hospital in need of serious medical attention. A dysfunctional organization may require transformational change, in which the fundamental assumptions, beliefs, and organizing ideas of the organization are thoroughly challenged and altered. This set of perceptions often leads to **deficit-based change**, in which leaders assume that employees will change if they know they will otherwise face negative consequences.

In contrast, leaders may perceive that an organization is highly functional, much like an Olympic athlete or highly accomplished team. A high-performing organization may require incremental change as the organization continues to build on solid fundamentals to refine and add to its capacity for high performance. This set of perceptions often leads to **abundance-based change**, in which leaders assume that employees will change if they can be inspired to aim for greater degrees of excellence in their work.

A second important question addresses the mechanisms of change: *What are our assumptions about how to create change?* This question is crucial, because the answers determine the preferred designs for planned change and the perceptions of the effectiveness of the change.

Top-down change approaches rely on mechanistic assumptions about the nature of an organization. In this approach, a relatively small group of individuals in the organization will design a process and instruct others throughout the organization as to how the process of change should unfold. Most employees in the top-down approach play a passive role during the design process and are generally expected to follow the directions given to them by leaders in the organization. In other words, this approach to change relies on the formal organization to drive the legitimacy of the change.

The opposite of the top-down change approach is the **emergent or bottom-up approach.** This approach relies on the belief that employees will be more invested in change if they play some role in the process of designing the change. **Participatory**

management, the inclusion of employees in the deliberations about key business decisions, is a common practice that aligns with the emergent approach to change.

The differences between top-down and bottom-up approaches can be dramatic. For example, following the top-down approach, leaders might determine that the organizational structure needs to be reconfigured to better accommodate a significant shift in its business. They might assume that they can implement the new structure and that employee routines and patterns of behavior will then change in a natural progression.

The bottom-up approach may reverse this logic. Employees might first work together to explore the tasks that are essential to a specific business problem, they might experiment with potential changes, and *then* managers might rearrange structures to match the new, emergent way of doing work. In contrast to the top-down approach, in a bottom-up process a shift in structure may be a last step.

A challenge for many managers in the bottom-up approach is a perception that they cannot directly control planned changes. Rather, they must rely on processes that draw employees together and expect that employees will respond. This requires a leap of faith, trusting that the process of involving people will lead to desirable emergent changes.

In practice, top-down and bottom-up practices often work together. For example, leaders might exercise top-down authority to define and declare what change is necessary. Then, they might design processes that engage and empower employees throughout an organization to design how the change will be brought about. Working toward a generally defined goal, employees at all levels are highly engaged in the change process from beginning to end. This approach has the effect of encourage self-organizing through the informal organization as employees make and implement decisions with minimal direction.

As a general rule of thumb, the more complex the potential change, the greater the need to involve employees in the process of planning and implementing change.

A final question addresses the mindset for change: What are our fundamental beliefs about people and change?

Again, a simplistic dichotomy is helpful for defining the approach that may be employed to create change. In the **conventional mindset**, leaders assume that most people are inclined to resist change and therefore they need to be managed in a way that encourages them to accept change. In this view, people in an organization may be seen as objects, sometimes even as obstacles, that need to be managed or controlled. When leaders use conventional methods, they demonstrate a tendency to assume that their perspectives are more informed sound and logical than the perspectives of employees. They will work hard to convince employees about the correctness of their decisions, relying on logic to prove the point. They may be inclined to use methods that may be seen by employees as manipulative or coercive. Some authors claim that the conventional mindset is the default, or dominant mode of change in most organizations.

In contrast, in the **positive or appreciative mindset**, leaders assume that people are inclined to embrace change when they are respected as individuals with intrinsic worth, agency, and capability. In this view, employees in an organization may be seen as partners, sometimes even as champions of change, who can do significant things. When leaders use appreciative methods, they involve employees through meaningful dialogue and seek to lead with a sense of purpose. They may start the change process by highlighting the values that people may hold in common to establish an environment in which employees develop a strong sense of connection with one another. With a strong social infrastructure, they involve employees through participatory processes that allow them to develop common goals and processes for achieving significant changes.



Figure 23.4.1. **IBM building in China** IBM is a U.S.-based company with several divisions organized geographically. Pictured here is the "Dragon Building," their China-based headquarters. (Credit: bfishshadow/ flickr/ Attribution 2.0 Generic (CC BY 2.0))

The three questions we have raised here can lead to many variations in the way that leaders design and implement change. For example, it is possible for a change process to be deficit-based, top-down, and conventional, while another change process may be abundance-based, bottom-up, and positive. Other change processes may be mixed in their design and delivery—for example, starting with a deficit-based perspective yet choosing to use an abundance-based design to create transformational change through a bottom-up, participatory, appreciative process. In today's business environment, it is rare to find an approach that purely fits any of these categories.

We will next turn to a discussion of common change models that may be analyzed through the three questions just raised.

sustainability and responsible management

Why Is the National Hockey League Interested in Climate Change, and Why Did They Hire Kim Davis?

Because of demographics, with most of their employees coming from northern U.S. states, Canada, and northern European countries, there was probably no organization more racially uniform than the National Hockey League. In these days of increased attention on social issues and changing demographics, the NHL needed a drastic shift in its approach to inclusivity and the social issues it addresses. Two of the best people to usher in change, they decided, were an accomplished executive untouched by old-guard hockey culture and a former player.

Kim Davis knew that she was different from many executives, managers, coaches, and players in the National Hockey League. She welcomed the challenge, and it was a major attraction that led her to accept the position. She looks like no one else holding the position of executive vice president at the NHL, which has primarily been run by (a) men and (b) white men in its over-100-year history. The league signaled a long-overdue shift in thinking when it named Davis, a black woman, as executive vice president of social impact, growth initiatives, and legislative affairs.

In a time when the NHL is trying to adapt and become more welcoming to those who feel they don't belong or haven't been allowed to belong in the sport, the perfect person to initiate change was someone from the outside, someone free of a hockey culture that has become stale by current social standards.

Especially compared to the other major North American pro sports, hockey sometimes unfairly gets accused of being tone-deaf or at least resistant to change. The league is working hard to improve its commitment to inclusivity, with initiatives like the Declaration of Principles and Hockey Is For Everyone, but change doesn't come easy for players, coaches, administrators,

and fans of the sport. Davis represents the NHL's attempt to shepherd the game through social change—internally and externally. That's been her area of expertise throughout her professional life. At JPMorgan Chase she endured nine different mergers, and her job was to help her employees prepare for change.

"Most people aren't comfortable with change, and often when they say that, what they really mean is that they are comfortable with change, but they aren't comfortable with change happening to *them*," she said. "It's all about what happens to us, so how as a leader do you help people get through that?

"We may not be able to control that fan and that microcosm of society that is over-indexed in our sport," she said. "Over time it will change as we introduce new fans, and guess what? Even that classic model of our fans, that white male, generationally, their kids, they're not buying into that even if their parents are."

"Find another hockey executive who will touch a topic like that without tapdancing." And that's why Kim Davis is here. She's the outsider turned insider, the voice of those formerly neglected. And she's just getting started.

Regarding climate change, why did the NHL attend the historic climate change conference in Paris? As NHL President Gary Bettman states: "Our game, which is probably unique to most other professional sports, is so tied to the environment. We need cold weather; we need fresh water to play. Therefore, our game is directly impacted by climate change and fresh water scarcity. So, we developed NHL Green, a mandate to promote this type of awareness across all our organizations. Over the course of the last five years, we've done everything from a food recovery initiative, which was taking all the unused food that we prepare in our arenas and donating it to local food banks ... to a water restoration program. All of that culminated in the release of a sustainability report in 2014, which was the first of its kind from any U.S. pro sports league. It's important to us."

The NHL players are also interested. One individual is recently retired player Andrew Ference, who introduced green initiatives like the NHL Players Association Carbon Neutral Challenge. While he was a player with the Stanley Cup champion Boston Bruins, he knew that he wanted a career after retirement from the NHL and decided to attend the Harvard Business School, where he earned a certificate in Corporate Sustainability and Innovation. Since he really prioritized sustainability in his life, it was a natural progression to a second career after his retirement. Ference says, "I've had a lifelong passion for the environment and sustainability issues. But, before leaving the NHL, I wanted to back that up with some formal education. When I signed up for that first class, I knew in my gut it was a big moment."

Commissioner Gary Bettman says that the next stage regarding sustainability is to "...engage more players around this issue because when we put out stuff on our social media platforms, 12 million followers on social media, that definitely gets messaging out to fans. But when you get an Andrew Ference, that's when you get a lot more engagement. We need to educate our athletes on this issue because they grew up on frozen ponds, they get the connection between learning to play outside and environmental issues. They get it."

Discussion Questions:

1. How are the roles of Kim Davis, Gary Bettman, and the players regarding change defined in the concepts of this chapter?

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Common Change Models

In this section, we will share four common approaches to OD and organizational change. Lewin’s model and Kotter’s model are common planned change processes that usually rely on the mechanisms of formal organization. The other two models, Cooperrider’s Appreciative Inquiry model and the Olson and Eoyang Complex Adaptive Systems model, are designed to promote informal organizing and emergent change.

Lewin's Change Model

Psychologist Kurt Lewin proposed one of the first models of change. **Lewin’s change model** shows organizational change occurring in three phases (see Figure 23.4.2).

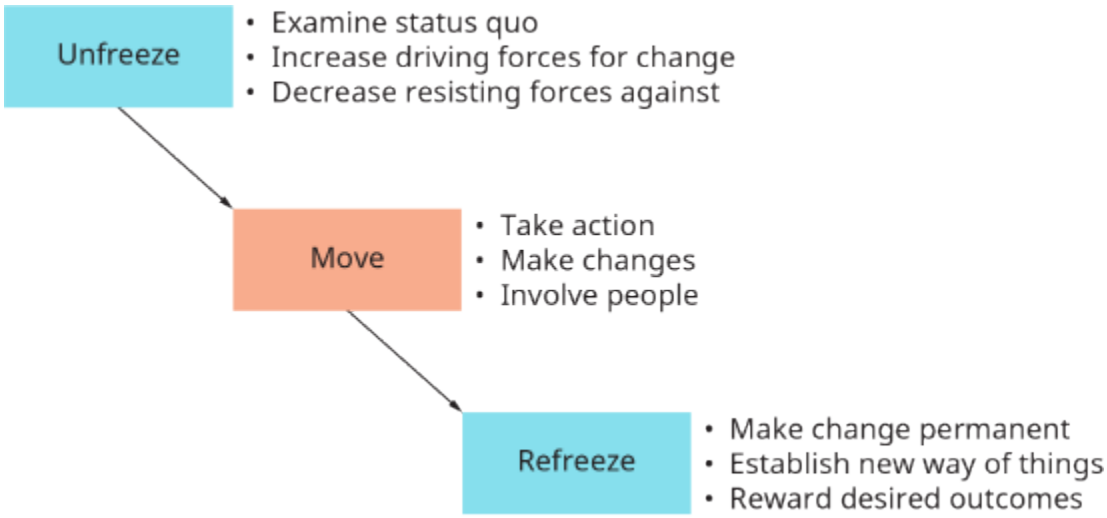


Figure 23.4.2. **Summary of Kurt Lewin’s Change Model** (Attribution: Copyright Rice University, OpenStax, under CC-BY 4.0 license)

First, an organization must be "unfrozen" in that existing norms, routines, and practices need to be disrupted. This can be done in several ways. For example, structural changes that cause a disruption in the system can be introduced to the organization. Similarly, the introduction of a new technology or policy can cause an organization to "unfreeze." Whatever the cause, unfreezing sets the stage for change.

Next, changes are introduced in the organization to shift the system to a new state or reality. Typically, people react to moments of disorder by creating a new form of order. As changes are introduced, managers might provide a number of interventions that help people adjust to the new norms of reality they are facing. For example, they might require employees to go through a training program, or they might hold discussion sessions or town-hall meetings with people talk about the changes and troubleshoot. The intent of this phase is to help people adjust to the expected change.

The final phase is to "refreeze" the organization. That is, leaders of the organization reinforce the new norms or practices that should accompany the change. They might adjust the resources, policies, and routines to fit the new expected norms.

Lewin’s model explains a very basic process that accompanies most organizational changes. That is, many people prefer a stable, predictable organization, and they become accustomed to the routines that exist in their organizational environment. For this reason, common routines and behaviors need to be disrupted. When past routines and behaviors are no longer available, people naturally adjust. As they react to a new reality, they establish new routines and patterns of behavior.

However, Lewin’s model is most understandable when we assume that an organization is generally stable unless otherwise acted upon. That is, this model seems to fit in organizations in which any change is likely to last for a long period of time. Such a stable organizational context is increasingly rare in contemporary society.

Still, Lewin's model really describes a basic pattern of change that plays out in all organizational systems: stability gives way to instability, something shifts in the system, then stability emerges once again. An understanding of this pattern can be viewed through either deficit-based or abundance-based lenses, and it applies in either top-down or bottom-up approaches.

Kotter's Change Model

Kotter's change model is one of the most widely used in organizations today. Generally, it aligns with mechanistic view of structure and thus it may be especially useful in organizations where there is a strong, hierarchical structure. This is an eight-step model, shown in Figure 23.4.3, that relies on a centralized, top-down process for creating planned change.



Figure 23.4.3 **Summary of John Kotter's Change Model** (Attribution: Copyright Rice University, OpenStax, under CC-BY 4.0 license)

In the first step, managers *establish a sense of urgency*. They do this by creating a narrative about why the change is necessary. Top managers often use diagnostic tools to gather data that supports the case for change. They strive to convince key organizational leaders and employees that the change is absolutely necessary. A common metaphor is to "create a burning platform," or to make it clear that the organization cannot survive if it continues doing what it has done.

In the second step, *form a powerful guiding coalition*, managers assemble a group of influential people to help shape the planned change. Ideally, the guiding coalition should represent the areas of an organization that will be affected by the change. The guiding coalition should become ambassadors for the change as it unfolds.

In the third phase, *create a vision of change*, the manager and guiding coalition together create a vision of the expected change. They outline the scope of the change, the reason for the change, and what will be better or different as a result of the change.

The fourth step is to *communicate the vision*—reach out to all members of the organization and communicate the vision for change. Ideally, they connect with all the key areas of the organization that will be affected. They clearly explain why the change is needed and how the change should unfold. If needed, they answer questions and clarify problems.

The fifth step is to *remove any obstacles*. This step is intended to reduce the resistance to change and/or to provide the necessary resources to make the change successful. The success of this step helps to smooth the way for successful implementation.

The sixth step is to *create small wins*. A very powerful way to encourage people to support changes to help them to see the path to success. Short wins signal to the organization that a change is possible and that tangible benefits will come once the change is fully implemented.

The seventh step is to *consolidate improvements*. Small changes build up over time and become big changes. As the organization successfully moves toward implementation, it is important to consolidate and solidify successes. Managers should reinforce and celebrate small wins and milestones. The unfolding success of the change helps to convince all members of the organization that the change is real and will produce its intended benefits.

The last step is to *anchor the changes*. In this step, the new norms and practices that accompany the change are standardized and refined. The mode of change moves from transformational to incremental. Refinements are implemented to fine-tune the change and to capture all the intended benefits.

Kotter's model is especially useful in situations where the desired change is reasonably predictable and where leaders are empowered to drive the change down through an organization. One challenge is that many employees may resist change if they have had no hand in shaping the plans. This is especially true if they do not fully comprehend the urgency of the change or the vision for the change. In this regard, it tends to be used when leaders hold a deficit-based view and are generally inclined to take a top-down approach from a conventional perspective. Still, where leaders need to clearly define and implement a large-scale change, Kotter's model may work very effectively.

A comparison and contrast of Lewin's and Kotter's models is illustrated in Figure 23.4.4

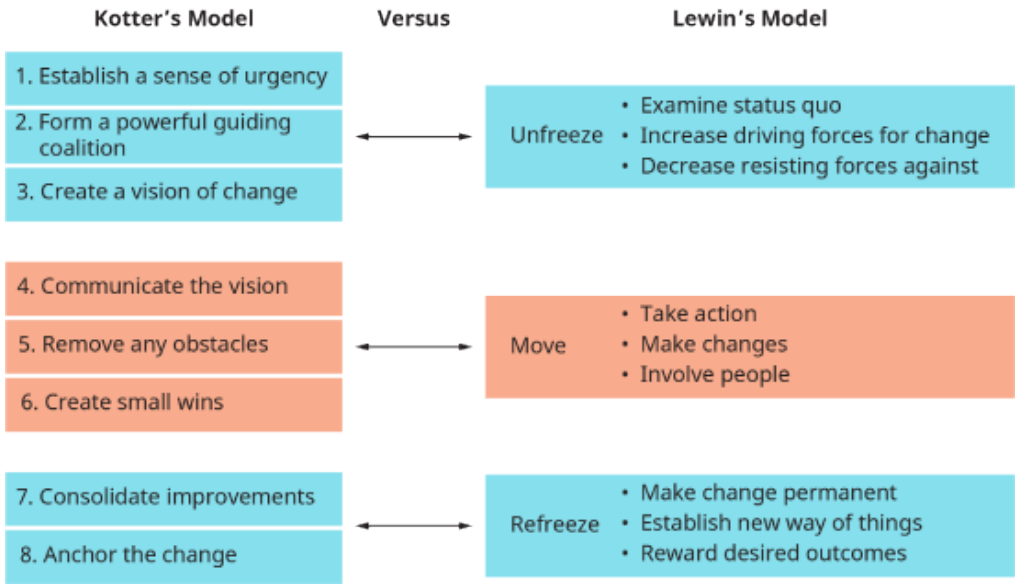


Figure 23.4.4. **Kotter's Model versus Lewin's Model** (Attribution: Copyright Rice University, OpenStax, under CC-BY 4.0 license)

Appreciative Inquiry

The **Appreciative Inquiry (AI) model** is a model specifically designed as an abundance-based, bottom-up, positive approach. An Appreciative Inquiry, broadly defined, can be any question-focused, participatory approach to change that creates an appreciative effective on people and organizations. That is, the process of asking and discussing questions (inquiry) causes people to appreciate the people around them, the strengths of their organization, and the opportunities before them. Simultaneously, the process of having conversations expands the social capital of the organization, or the ability of people to work effectively together.

Developed in the 1980s by David Cooperrider at Case Western Reserve University, AI relies on the assumption that people continuously create their organizations through an emergent process that occurs in the common conversations of organizational life. These conversations are shaped by "narratives" about the reality of the organization in which people find themselves. For example, a dominant narrative might be that an organization's leaders are corrupt and intent on exploiting employees, or in contrast, that an organization's leaders are compassionate, forward-thinking, and innovative. Whatever the narrative, employees tend to justify actions that align with their views. Over time, a narrative can become a self-reinforcing reality. Based in this understanding of organizations as a socially constructed system, the key to creating change is to change the dominant narratives of an organization.

In AI, group dialogue is the primary mechanism for helping people to create new narratives. Specifically, **appreciative conversations** are intense, positively framed discussions that help people to develop common ground as they work together to co-create a positive vision of an ideal future for their organization. When leaders use appreciative inquiry, they intentionally invite

dialogue that generates a narrative for a positive organizational reality. This shift in narrative will inspire a shift in the actions that employees initiate in their daily work. While this approach may sound somewhat ambitious and abstract, in reality it is simply an opportunity for employees to envision the future changes they would like to see, then work together to design how they will make these changes a reality.

OD consultants have developed many different variations of AI practices that address different organizational contexts. However, most of them rely on some version of a 5-D cycle: define, discover, dream, design, destiny.

The first phase is *define*, in which the objective for change and inquiry is established. In this phase, the leaders will create a guiding group, often called a steering committee. This group should include a cross-section of perspectives that represent the different parts of the organization where change is desired. Together, they will decide on a compelling way of describing an objective that invites people to think about ideal possibilities for the organization. In this process, they might turn a problem upside down to inspire a new narrative. For example, British Airlines turned a baggage-claim problem into an exploration of excellent customer service, and Avon turned a problem with sexual harassment into an opportunity to explore what it would take to create exceptional employee engagement. By adjusting the perspective for the inquiry, each company was able to design an OD process that not only solved the original problem but also established a clear vision of what they most wanted as the positive alternative.

The second phase, *discover*, focuses on questions that explore ideal, existing examples of the desired future. The question “who are we when we are at our best?” is commonly used to encourage this exploration through dialogue among employees. For example, British Airways asked its employees to describe examples of exceptional customer service anywhere in its organization. By sharing stories of exceptional customer service, they found examples of exemplary service, even though the dominant narrative was that they had challenges in this area. Finding existing examples of the desired future—no matter how small—causes people to see that a positive alternative is possible. Such examples also provide the data for documenting the strengths of an organization and the factors that make success possible.

The third phase, *dream*, is an exploration of ideal future possibilities for the organization. The strengths and factors revealed in the discovery phase provide a foundation this discussion. Employees are invited to think creatively about what the organization might do if it were to build on its strengths. “What could be?” is a commonly used question to encourage this exploration. Many organizations have used creative techniques to encourage employees to innovate about the future. They might have employees work in groups to design prototypes of a process or write a mock newspaper article about a future successful project. The idea of the dream phase is to encourage employees to think as expansively as possible about the possibilities for change, usually in a fun and inviting way.

The fourth phase, *design*, starts with a process of prioritizing the ideas that have been developed in the dream phase. Employees might work together to brainstorm a list of all the possible areas for action that might help them to accomplish the objective. Then they use a collective process to identify the ideas that have the most promise. Usually senior leaders will add their voice to endorse the ideas that they want to encourage as actual action initiatives. Employees might be invited to join project teams that will carry out specific actions to develop and implement key actions.

The final phase, *destiny*, occurs as employees implement the plans they have developed. Project groups will continue to work on the agreed-upon action steps for a period of time. Typically, they will meet with other employee-based groups to check in, report on progress, and adjust their plans. Some organizations will also create celebrative events to commemorate key successes.

The appreciative inquiry cycle can become an intrinsic part of an organization’s culture. Some companies will go through the AI process on an annual basis as an integral part of strategic planning. Other organizations use it only as needed when major transformational changes are desired. Though the examples in this section illustrate appreciative inquiry as used to change organizations as a whole, the model can also be applied at any level of organization—for example, in work with individuals and teams.

Complex Adaptive Systems

The final model we will review builds on the assumption that all organizations are **complex adaptive systems (CAS)**. That is, an organization is constantly developing and adapting to its environment, much like a living organism. A CAS approach emphasizes the bottom-up, emergent approach to the design of change, relying on the ability of people to self-manage and adapt to their local circumstances. Before reviewing the CAS model in more depth, perhaps it would be helpful to examine a change process that is grounded in the CAS model.

One common CAS-based approach is Open Space Technology, a technique in which dozens of people may be involved. To set the stage, let's suppose that we want to create a series of innovations to improve the culture of innovation in an organization. The first task would be to invite as many interested stakeholders as possible to participate in a discussion on various topics related to the culture of innovation, perhaps over a two-day period. At the beginning of the first session, a leader in the organization might greet the participants and invite them to be part of an open-ended exploration of ideas and solutions. A facilitator would then distribute a single sheet of paper and a marker to each participant. She would ask each person to propose a topic or question for discussion, explaining that the purpose of this exercise is to attract other people to join a discussion.

Then she will go around the room, giving each person in turn up to 30 seconds to propose a topic or question and describe the significance and urgency of the idea. The go-around continues until a variety of topics are identified. Next, the facilitator works with participants to define a list of topics for discussion. The facilitator then designates times and locations for discussions on those topics. Finally, participants "vote with their feet" to choose groups that they want to join for discussion. Typically, each discussion in an Open Space meeting will include an exploration of key questions, actions related to those questions, and proposals for resolving key questions.

As shown by this example, this approach is similar to AI in that it focuses on creating the conditions for people to self-organize in ways that align with the overall objectives of an organizational system. However, one big difference is that it relies less on step-by-step processes for creating change and more on principles that can be applied in many variations to shape the conditions for change in an organization.

The CAS approach provides a useful perspective on how organic organizational structures emerge and develop through the informal organization. An understanding of CAS, therefore, provides leaders with the key knowledge they need to influence the direction of the informal organization, even if they cannot directly control it.

To use the CAS approach, it is essential to understand a few key features about how self-organizing occurs among employees. To begin, the direction of any organization is emergent and requires involvement from many people. Yet, when people react to change, their exact behaviors may be unknowable, unpredictable, and uncontrollable. Most often, people react to change based on the perceptions of the people in their immediate circle of relationships within the organization. Every person in an organization is both influencing others and being influenced by others. This means that a key locus of change must involve the relationships that people have with one another. From the perspective of CAS, a change in the nature or patterns of interpersonal relationships in an organization will lead to changes in the outcomes of that organization. Leaders, in this regard, should think of themselves as facilitators of relationships and as supporters of employees who are constantly engaged in self-organizing to create needed changes.

So, how can a leader (as a facilitator) influence the way in which self-organizing occurs? For starters, a leader needs to pay attention to the key conditions that allow for informal self-organizing to occur. There are three basic questions to consider.

First, to what degree do people feel empowered to act as **change agents** in the system? Self-organizing originates in the people who comprise the organization. If they view themselves as agents who have discretion to act, they are more likely to take initiative, engaging in nondirected activities that may benefit the organization. Do people feel empowered as agents of the organization? If not, interventions may be designed to help people understand their own capacities and competencies.

Second, *how connected are people to one another* in the organization? Relationships are the building blocks of all informal organizational activities. The more connected people feel to one another, the more likely they are to work with others in self-directed activity. Do people feel like they have high-quality relationships with coworkers? Are people regularly connecting with other individuals that they do not know very well? If the answers to these questions are negative, then interventions can be designed to strengthen the quality and configurations of connections within and across an organization.

Third, to what extent are *flows* of information and energy passing through the connections that exist between people? Both informal and formal feedback loops provide a mechanism whereby people receive information about what is working and or not in their activities. Do people quickly receive information about breakdowns or successes in the system? Is the emotional energy in the system generating a positive dynamic that encourages people to be engaged? Again, if the answers to these questions are negative, then processes or initiatives should be designed that will help people to communicate more effectively across their relationships.

Aside from examining these basic conditions for self-organizing, the CAS approach assumes that every organizational outcome is the product of an indeterminable number of variables. No one cause produces a single outcome. For instance, the accurate delivery of a product to a customer is caused by a whole system of interrelated factors, each influencing the other. Therefore, where broad changes in outcomes are desired, the whole system of interrelated factors needs to be engaged at once. The

preferred method of doing this is to engage broad groups of stakeholders simultaneously, using dialogue and conversation to help people develop their sense of agency, their connections with others, and the processes that need to be adjusted to create desired changes in outcomes. Appreciative inquiry is one method that works especially well to accomplish all these impacts.

In addition, leaders may also influence the structures that shape patterns of self-organizing. From a CAS perspective, a structure is anything that causes people to engage in a particular pattern of activity. Structures can be physical, such as the work environment, or they can be assumptions or beliefs that are broadly held, such as the ideas about bureaucracy we discussed earlier in this chapter. To create change, leaders can change the structures that are producing current patterns of organization.

There are three ways in which self-organizing structures can be altered. First, a leader can influence the **boundary conditions** that establish the limits for emergent activity. Boundary conditions define the degree of discretion that is available to employees for self-directed action. Giving employees more responsibility, empowering them to make decisions at the local level, and providing them with more discretion in the work they do are some of the ways that the boundary conditions may be expanded. The more undefined the boundaries, the more self-organizing can be expected.

Second, self-organizing is altered through the introduction of **disturbances** to the system. Sometimes this can be as simple as helping employees learn about the tensions that exist within an organization around existing patterns of self-organizing activity. For example, there are nearly always significant differences in perspective among different subgroups in an organization. Helping employees to have conversations with others who have significantly different perspectives can introduce a positive disturbance that causes people to reorganize their activities to overcome hidden structures. In manufacturing organizations, for instance, it is common for engineering and production departments to be isolated from one another. Dialogue that includes and connects the employees from such groups can help them overcome and change the structural assumptions that may cause them to self-organize in ways that antagonize the other. The conversation itself can be a catalyst for change.

One final suggestion is a reminder to pay particular attention to the flows and connections that exist among employees across an organizational system. It is essential to healthy organizing to regularly create opportunities for transformational connections, in which employees are able to learn about the perspectives of other areas of an organization. As they develop and maintain healthy connections, they will empathize with and consider those perspectives as they engage in their own self-organizing activities.

The CAS approach, as indicated earlier, provides both a perspective and a set of principles that can be used in many ways. Many methodologies build on the assumptions of the CAS approach. These include appreciative inquiry and others such as Open Space Technology, Whole Systems Change, Future Search, and more. In this section, we have barely scratched the surface of the variety of practices that can be used to catalyze change.

Planning a Change Management Process

The perspectives we have reviewed in this section provide a very brief menu of the options that are available to leaders as they consider how to manage change. In reality, many of these can be used together, and they should not be considered as mutually exclusive. For example, Kotter's model can be seen as an overall framework for designing a long-term change process. The Open Space or appreciative inquiry models can be used in certain parts of the Kotter process—for example, in the creation of a guiding coalition or creating a vision for the change.

Moreover, there are many, many practices and methodologies that may align in different ways to the framework of questions provided in this section. These can be used in different combinations to design change processes that meet the needs of a particular context.

concept check

1. What questions may be used to guide OD and change management?
2. What are the common models of OD and change management?

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Key Terms

organizational structure
The system of task and reporting relationships that control and motivate colleagues to achieve organizational goals.

organizational design
The process by which managers define organizational structure and culture so that the organization can achieve its goals.

Organizational change
The movement that organizations take as they move from one state to a future state.

managed change
How leaders in an organization intentionally shape shifts that occur in the organization when market conditions shift, supply sources change, or adaptations are introduced in the processes for accomplishing work over time.

organization development (OD)
Techniques and methods that managers can use to increase the adaptability of their organization.

formal organization
A fixed set of rules of organizational procedures and structures.

informal organization
The connecting social structure in organizations that denotes the evolving network of interactions among its employees, unrelated to the firm's formal authority structure.

bureaucratic model
Max Weber's model that states that organizations will find efficiencies when they divide the duties of labor, allow people to specialize, and create structure for coordinating their differentiated efforts within a hierarchy of responsibility.

specialization
The degree to which people are organized into subunits according to their expertise—for example, human resources, finance, marketing, or manufacturing.

command-and-control
The way in which people report to one another or connect to coordinate their efforts in accomplishing the work of the organization.

span of control
The scope of the work that any one person in the organization will be accountable for.

centralization
The concentration of control of an activity or organization under a single authority.

formalization
The process of making a status formal for the practice of formal acceptance.

mechanistic bureaucratic structure
Describes organizations characterized by (1) centralized authority, (2) formalized procedures and practices, and (3) specialized functions. They are usually resistant to change.

vertical organizational structure
Organizational structures found in large mechanistic organizations; also called "tall" structures due to the presence of many levels of management.

organic bureaucratic structure
Used in organizations that face unstable and dynamic environments and need to quickly adapt to change.

horizontal organizational structure
Flat organizational structure in which many individuals across the whole system are empowered to make organizational decisions.

flat organization
A horizontal organizational structure in which many individuals across the whole system are empowered to make organizational decisions.

product structures
Occurs when businesses organize their employees according to product lines or lines of business.

geographic structures
Occur when organizations are set up to deliver a range of products within a geographic area or region.

matrix structure
An organizational structure that groups people by function and by product team simultaneously.

structural change
Changes in the overall formal relationships, or the architecture of relationships, within an organization.

technological change
Implementation of new technologies often forces organizations to change.

culture change
Involves reshaping and reimagining the core identity of the organization.

differentiation
The process of organizing employees into groups that focus on specific functions in the organization.

entrepreneurship
The process of designing, launching, and running a new business.

scope of change
The degree to which the required change will disrupt current patterns and routines.

incremental change
Small refinements in current organizational practices or routines that do not challenge, but rather build on or improve, existing aspects and practices within the organization.

transformational change
Significant shifts in an organizational system that may cause significant disruption to some underlying aspect of the organization, its processes, or its structures.

strategic change
A change, either incremental or transformational, that helps align an organization's operations with its strategic mission and objectives.

level of organization
The breadth of the systems that need to be changed within an organization.

individual-level change
Focuses on how to help employees to improve some active aspect of their performance or the knowledge they need to continue to contribute to the organization in an effective manner.

group-level change
Centers on the relationships between people and focuses on helping people to work more effectively together.

organization-level change
A change that affects an entire organizational system or several of its units.

intentionality
The degree to which the change is intentionally designed or purposefully implemented.

planned change
An intentional activity or set of intentional activities that are designed to create movement toward a specific goal or end.

unplanned change
An unintentional activity that is usually the result of informal organizing.

change management
The process of designing and implementing change.

organizational development (OD)
Specialized field that focuses on how to design and manage change.

OD consultant
Someone who has expertise in change management processes.

deficit-based change
Leaders assume that employees will change if they know they will otherwise face negative consequences.

abundance-based change
Leaders assume that employees will change if they can be inspired to aim for greater degrees of excellence in their work.

top-down change
Relies on mechanistic assumptions about the nature of an organization.

emergent or bottom-up approach
Organizations exist as socially constructed systems in which people are constantly making sense of and enacting an organizational reality as they interact with others in a system.

participatory management
Includes employees in deliberations about key business decisions.

conventional mindset
Leaders assume that most people are inclined to resist change and therefore need to be managed in a way that encourages them to accept change.

positive or appreciative mindset
Leaders assume that people are inclined to embrace change when they are respected as individuals with intrinsic worth, agency, and capability.

Lewin's change model
Explains a very basic process that accompanies most organizational changes.

Kotter's change model
An overall framework for designing a long-term change process.

Appreciative Inquiry model
A model specifically designed as an abundance-based, bottom-up, positive approach.

appreciative conversations
Intense, positively framed discussions that help people to develop common ground as they work together to cocreate a positive vision of an ideal future for their organization.

Complex Adaptive Systems (CAS)
A model that views organizations as constantly developing and adapting to their environment, much like a living organism.

change agents
People in the organization who view themselves as agents who have discretion to act.

boundary conditions
: Define the degree of discretion that is available to employees for self-directed action.

disturbances
: Can cause tension amongst employees, but can also be positive and a catalyst for change.

Summary of Learning Outcomes

16.1 Organizational Structures and Design

1. What are mechanistic versus organic organizational structures?

The organizational structure is designed from both the mechanistic and the organic points of view, and the structure depends upon the extent to which it is rigid or flexible. Flexible structures are also viewed as more humanistic than mechanistic structures. The mechanistic organizational structure is similar to Max Weber's bureaucratic organization. Organic structures are more flexible in order to cope with rapidly changing environments. These structures are more effective if the environment is dynamic, requiring frequent changes within the organization in order to adjust to change. It is also considered to be a better form of organization when employees seek autonomy, openness, change, support for creativity and innovation, and opportunities to try new approaches.

All organizations need structures to accomplish their work, and they need an ability to change in order to sustain and renew themselves over time

16.2 Organizational Change

2. What are the fundamental dimensions of change?

It is often said that the only constant is change. Managers need to have the ability to understand the dimensions of change, know what drives change, and know how to implement changes to meet and exceed organizational goals. The three types of change are structural, technological, and culture changes. Managers need to understand change as organizations evolve and grow over time.

One of the key responsibilities of management is to design organizational structures that will allow an organization to accomplish its primary objectives. The structure should always match the need for coordination. Often, managers cannot tell what form the organization should take until they experience the informal organization that determines how work is actually accomplished. Only then can they understand how to draw on the concepts of bureaucracy to appropriately design a structure that will maximize the likelihood of organizational success.

16.3 Managing Change

3. How do managers deal with change?

As an organization grows and matures, change becomes necessary to its sustained viability. Thus, another key responsibility for most leaders is the task of designing and managing change. We have reviewed several questions that should be considered when designing a change process, and we have explored several approaches that may be used to guide the development of organizational change.

The field of knowledge about how to change and develop organizations is vast and can be somewhat confusing to the novice learner. The material presented in this chapter provides an overview of key ideas, but there is so much more to learn. Should you wish to become an influential leader of change, it is important to learn more about this very important field of research and practice.

Chapter Review Questions

1. What is an organizational structure?
2. What are different types of organizational structures?

3. What is organizational design?
4. What concepts should guide decisions about how to design structures?
5. What is organizational change?
6. What are the fundamental dimensions of change?
7. What are organizational development (OD) and change management?
8. What questions may be used to guide OD and change management?
9. What are the common models of OD and change management?

Management Skills Application Exercises

1. Refer to Exhibit 16.1.1, Exhibit 16.1.2, and Exhibit 16.2.1 for this exercise. Pick a business that you are familiar with, and draw their existing organizational chart. You may be able to infer much of the information from their website or through a short interview with someone in their organization. After completing this task, construct an alternative organizational chart and comment on why it may be more effective than the current organizational structure and what risks that new structure may have.
2. You have been assigned the task of working with a company that had a traditional, functional organizational structure with sales, marketing, product development, finance and accounting, and operations teams each reporting to a VP, who then reported to the CEO. The company wants to move to a matrix organization that will retain the efficiencies of the functional organization but also groups employees by product teams. You have been asked to comment on how to manage this change and how to communicate and respond to employee concerns. Specifically, you need to address: What are the desired impacts or benefits of this project on the organization? What are the emotions that your employees may have about this organizational change? How could the employee emotions impact the organization or its operations? How can the organization manage these emotions, or in what ways do you think they should manage these emotions to get desired outcome?

Managerial Decision Exercises

1. Place yourself in the position of a CEO who is contemplating a reorganization of your company and has received conflicting opinions from two of your trusted reports. Presently you are a wholesaler with 45 regional warehouses who acquires products from manufacturers and distributes them to retailers and service establishments. You have over 100,000 SKUs (stock keeping unit) ranging from ACE bandages to Ziploc bags. You have 825 field-based sales representatives who represent all the products within a geographic area.

   One of the ideas that has been brought up by the vice president of marketing is to specialize the salesforce into three groups, fashion retail, general retail, and services. Basically, individual sales representatives would be able to specialize with greater expertise and product knowledge to better serve customers. The vice president of sales fears that many of her salespeople will leave due to the expanded geography that this change would require.

   What process would you take to address the concerns of your managers? How would you implement the plan? What customer considerations would you need to address?

2. You have recently accepted the position of director for a full-service retirement home that has three components. The first component is for retired individuals and married couples who can still manage on their own but appreciate the amenities such as medical care and having other residents that they interact with through planned activities. The second is for residents who are still relatively healthy but do need assistance for specific tasks such as mobility and the like. The third section is for individuals with chronic health issues and palliative care patients.

   You have learned during the interview process that the facility has performance and morale issues and that the previous director had a rigid structure, did not allow workers from different roles to interact, and wanted all decisions to be directed to her. This has led to dramatic staff turnover and a larger number of empty units compared to other facilities.

   As the incoming new director, you will need to address the staff, and your new assistant asks whether you would like to address the staff in one large room or in smaller meeting rooms with employees from the different functional units. She also asks how to handle the workers who are from different shifts. Make your communication decisions, and write up an opening statement to make to the employees before you open the meeting to questions.

Critical Thinking Case

Danny Meyer Leads His Company through the Challenges of Eliminating Tips

What happens when your CEO wants to remove the tip structure from your restaurant? Do you complain about the new prices as a customer? Do you worry about your paychecks as a server?

Danny Meyer, CEO of Union Square Hospitality (home to some of the most successful New York restaurants), discovered these answers when he began eliminating the tip structure in most of his restaurants. He had seen firsthand the largest negative impact of a tipping culture: employees stuck in front-line positions with no chance to advance to management without taking significant pay cuts.

Meyer began by first involving the affected employees in town-hall talks. These town halls happened months before any publicity was released. Meyer then hosted town halls with customers to explain the importance of fair wages for all his employees at the restaurant, not just the few who served the food. The transition period for each restaurant to eliminate tips was usually three to six months.

As a result of eliminating the tip structure in most of his restaurants, Meyer has been able to increase the pay structure for cooks at those locations, which enables him to fill more cook positions and address a common industry shortage. Meyer has also been able to hire employees with a purpose to deliver exceptional hospitality. Meyer encourages his employees to take care of each other first, and to then take care of the customer, which creates a virtuous cycle of hospitality.

Meyer constantly uses feedback from his employees even after the tip structure was eliminated. He wants to ensure that each employee feels their voice is heard and understood. Employees continue to have access to town-hall meetings and internal feedback channels to offer honest feedback.

Critical Thinking Questions

1. What type of change is this: transformational or incremental? Why?
2. What level(s) of change is Meyer aiming for in this case?
3. What models are consistent with Meyer's process for designing and implementing change?

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24: ORGANIZATIONAL ENVIRONMENTS AND CORPORATE CULTURE



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24.2: The Organization's External Environment
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24.7: Organizing for Change in the 21st Century
24.8: Glossary

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24.1: Chapter Introduction

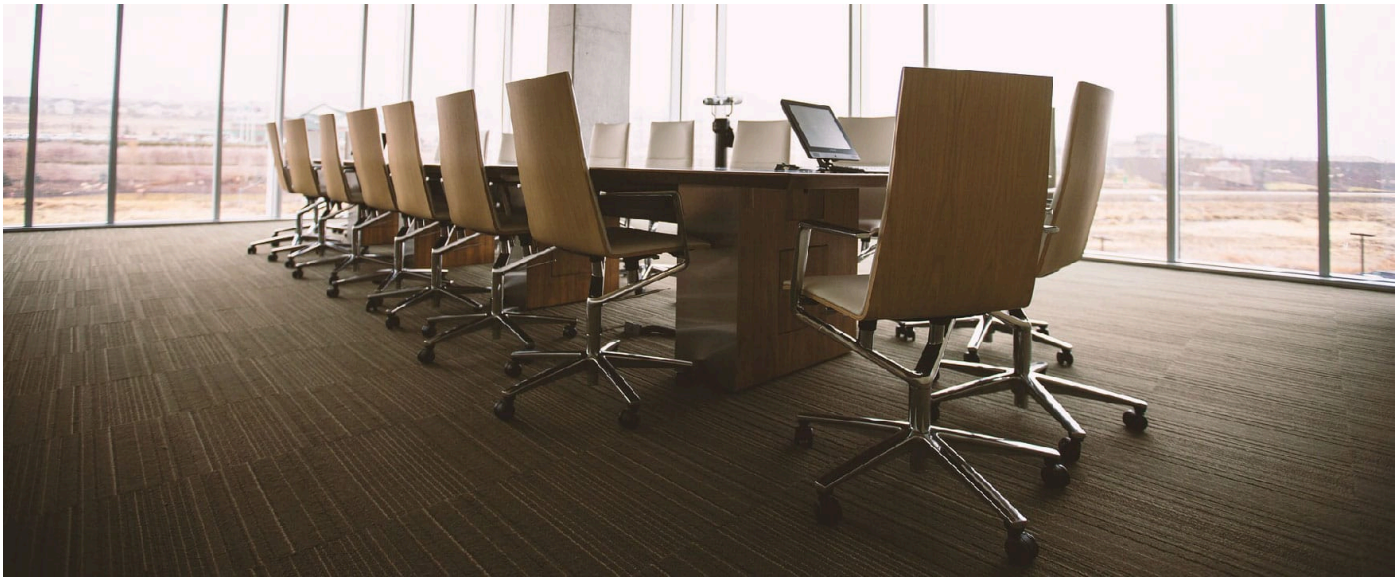


Figure 24.1.1 (Credit: Free-Photos/ Pixabay/ (CC BY 0)), modified from an original image by Ivan Mlinaric)

Learning Outcomes

After reading this chapter, you should be able to understand these statements:

1. Identify contemporary external forces pressuring organizations.
2. Explain how organizations organize to meet external market threats and opportunities.
3. Identify environmental trends, demands, and opportunities facing organizations.

Exploring managerial careers

Jeff Bezos of Amazon

Amazon's market value was estimated at $1 trillion USD dollars in 2018. The company was recognized as the most innovative company in Fast Company's 2017 list, accounting for 44 percent of all U.S. e-commerce that year—approximately 4 percent of the U.S.'s total retail sales. Amazon market value is greater than the sum of the market capitalizations of Walmart, Target, Best Buy, Nordstrom, Kohl's, JCPenney, Sears, and Macy's. Jeff Bezos, founder and leader, has creatively accomplished what most large companies fail at: meshing size, scale, and external opportunities with agility. Sales figures reached $100 billion in 2015 while the stock price climbed over 300% in the past five years. The company plans on creating over 50,000 new jobs starting in 2018. Bezos has blended his strategy of virtually reaching unlimited numbers of online customers while maintaining land-based distribution centers using Prime's $99-per-year—$119 in 2018—membership. Stephenie Landry, an Amazon's vice president, stated that Prime has reached 49 cities in seven countries. Over 100 million people in 2018 subscribe to the Prime service. She noted that the business has only to answer two questions from customers: "Do you have what I want, and can you get it to me when I need it?" The answer seems to be yes, especially with Bezos's strategy of having high-tech robots already working side by side with human employees—resembling a "factory of the future."

Bezos's digital commerce strategy has led the firm to become the leader of retail commerce. Amazon's digital strategy uses Prime memberships that are supplied and supported by land-based distribution centers; Prime takes in reaching about 60% of the total dollar value of all merchandise sold on the site. That accounts for 60 million customers in the United States

who use Prime and who spend $2,500 on Amazon annually. A study of 3,000 independent businesses, half of whom were retailers, listed competition from Amazon as their primary concern. Industry after industry is being disrupted, some replaced, by Bezos's strategy. He has said, "Everybody wants fast delivery. Low prices. I'm serious about this. Our job is to provide a great customer experience, and that is something that is universally desired all over the world".

Still, Amazon faces such challenges as high shipping cost (over $11 billion annually), pressures on employees (especially those working in warehouses that have been criticized for poor working conditions), shipping contractors who go on strike demanding higher wages and reduced workloads, and the possibilities of more governmental regulation (especially with regard to adding drones as a delivery method), as well as pressures to pay more taxes. Bezos has countered these arguments by adding more full-time jobs in different cities, promising to improve working conditions, supporting public spaces for the public, and most importantly, contributing to the U.S. economy.

Sources

https://www.bloomberg.com/news/artic...past-microsoft.

Noah Robischon, (2017). Why Amazon Is The World's Most Innovative Company Of 2017, https://www.fastcompany.com/3067455/...ompany-of-2017;

L. Thomas, (2018). Amazon grabbed 4 percent of all US retail sales in 2017, new study says, https://www.cnbc.com/2018/01/03/amaz...new-study.html

Organizations and industries are again at a crossroads when confronting new and challenging external environmental demands. Exceptional companies such as Amazon, in the opening case, Apple, Netflix, and Google/Alphabet Inc. exemplify evolving business models that combine strategic innovation, technological prowess, and organizational cultural agility that not only meet external environmental demands, but also shape them.

Many businesses with traditional business models, however, have failed or are not succeeding strategically, operationally, and organizationally by not realizing and/or adapting to changing external environments. Such firms that were once successful but did not anticipate and then adapt to such changes include Blockbuster, Toys R Us, Borders, Sun Microsystems, Motorola, Digital Equipment Corporation, Polaroid, and Kodak, to name only a few. A sample of contemporary external environmental trends and forces that currently challenge organizations' survival and effectiveness includes:

- *Digital technologies and artificial intelligence (AI)*: Extensions of AI help automate a firm's value chain, thus speeding up and increasing efficient operations and service to customers—as Amazon exemplifies. A current survey showed that 59% of organizations are collecting information to develop AI strategies, while others are moving forward in piloting and/or adopting AI solutions to compete faster and at less cost.1 However, there are also risks that accompany firms that incorporate new digital and online technologies without adequate security measures. For example, some newer online technologies can expose operational systems to cyberattacks and large-scale manipulation. Hacking is now both an illegal and ongoing "profession" for those who are able to paralyze organizations from accessing their data unless they pay a ransom. While hacking is not new, it is more widespread and lethal, to the point of even threatening national security. Emerging evidence from the U.S. presidential election between Donald Trump and Hillary Clinton suggests that international hackers affected online U.S. election processes. Still, the future of most businesses is using some type of digital and AI technologies.
- The advent of *blockchain* technologies that are interrupting new industry practices. Blockchain is not a single technology; it is "an architecture that allows disparate users to make transactions and then creates an unchangeable record of those transactions." It is "a public electronic ledger—similar to a relational database—that can be openly shared among disparate users and that creates an unchangeable record of their transactions, each one time-stamped and linked to the previous one." These technological inventions will continue to affect almost every business process from procurement to legal management. The banking industry is already using it. It increases speed, security, and accuracy of transactions.
- *Sharing-economy cultural and economic value-added business models* that use information technologies to gain competitive advantage. Companies such as Airbnb and Uber have ushered in new business models that have already disrupted real estate, hotel, taxi, and other industries. Taking out the middle layer of management in transactions to increase efficiencies and customer satisfaction while cutting costs through the use of information and social media technologies will continue. This trend has already had both positive and disruptive effects on companies. Many customers are likely benefitted; businesses with outdated and ineffective business models have either failed or struggle to adapt.
- *Shifts in learning and learning credentials*. Identifying, recruiting, and retaining talent is crucial to organizations. An evolving crisis for the current generation—future talent—is the continued rise in higher educational institutions' tuitions, student debt, and the changing nature of jobs. With the advent of online resources, prospective students' inability to pay creates both a

crisis and opportunity for traditional higher educational institutions. While bachelor's degrees remain a requirement for many companies hiring needed higher-level talent, online resources such as Khan Academy, Udacity, and Coursera are gaining recognition and legitimacy toward providing financially challenged students opportunities for entry-level jobs. While many higher-skilled students and professionals may not presently be included in this trend, companies seeking to pay lower wages while offering flexible working conditions are attracting students. Again, how higher educational private, not-for-profit, and even for-profit educational institutions adapt, innovate, and manage their external environments is yet to be seen.

- *Ethics, corporate social responsibility (CSR), and sustainability.* Corruption, lying, and fraud have been and continue to be part of the landscape of governments and public- and private-sector corporations. However, public awareness through social and online media has awakened consumers and corporations to the impending dangers and drawbacks of illegal and unethical activities of certain large corporations. And external environmental problems, created in part by humans, such as pollution and climate change pressure companies to be responsible for their share of the costs associated with these problems.

This small sample of powerful external forces illustrates the continuing pressure companies encounter to innovate in their industries. Basic theories, concepts, and principles are presented in this chapter to help explain elements of external environments and how organizations and corporations can organize and are organizing to survive and thrive in the 21st century.

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24.2: The Organization's External Environment

1. Define the external environment of organizations.

To succeed and thrive, organizations must adapt, exploit, and fit with the forces in their external environments. Organizations are groups of people deliberately formed together to serve a purpose through structured and coordinated goals and plans. As such, organizations operate in different external environments and are organized and structured internally to meet both external and internal demands and opportunities. Different types of organizations include not-for-profit, for-profit, public, private, government, voluntary, family owned and operated, and publicly traded on stock exchanges. Organizations are commonly referred to as companies, firms, corporations, institutions, agencies, associations, groups, consortiums, and conglomerates.

While the type, size, scope, location, purpose, and mission of an organization all help determine the external environment in which it operates, it still must meet the requirements and contingencies of that environment to survive and prosper. This chapter is primarily concerned with how organizations fit with their external environments and how organizations are structured to meet challenges and opportunities of these environments. Major takeaways for readers of this chapter include the following: 1) Be able to identify elements in any organization's external—and internal—environment that may interest or affect you as an employee, shareholder, family member, or observer. 2) Gain insights into how to develop strategies and tactics that would help you (and your organization) navigate ways to cope with or try to dominate or appeal to elements (e.g., market segments, stakeholders, political/social/economic/technological issues) in the environment.

The big picture of an organization's **external environment**, also referred to as the *general environment*, is an inclusive concept that involves all outside factors and influences that impact the operation of a business that an organization must respond or react to in order to maintain its flow of operations. Figure 24.2.1 illustrates types of general macro environments and forces that are interrelated and affect organizations: sociocultural, technological, economic, government and political, natural disasters, and human-induced problems that affect industries and organizations. For example, economic environmental forces generally include such elements in the economy as exchange rates and wages, employment statistics, and related factors such as inflation, recessions, and other shocks—negative and positive. Hiring and unemployment, employee benefits, factors affecting organizational operating costs, revenues, and profits are affected by global, national, regional, and local economies. Other factors discussed here that interact with economic forces include politics and governmental policies, international wars, natural disasters, technological inventions, and sociocultural forces. It is important to keep these dimensions in mind when studying organizations since many if not most or all changes that affect organizations originate from one or more of these sources—many of which are interrelated.

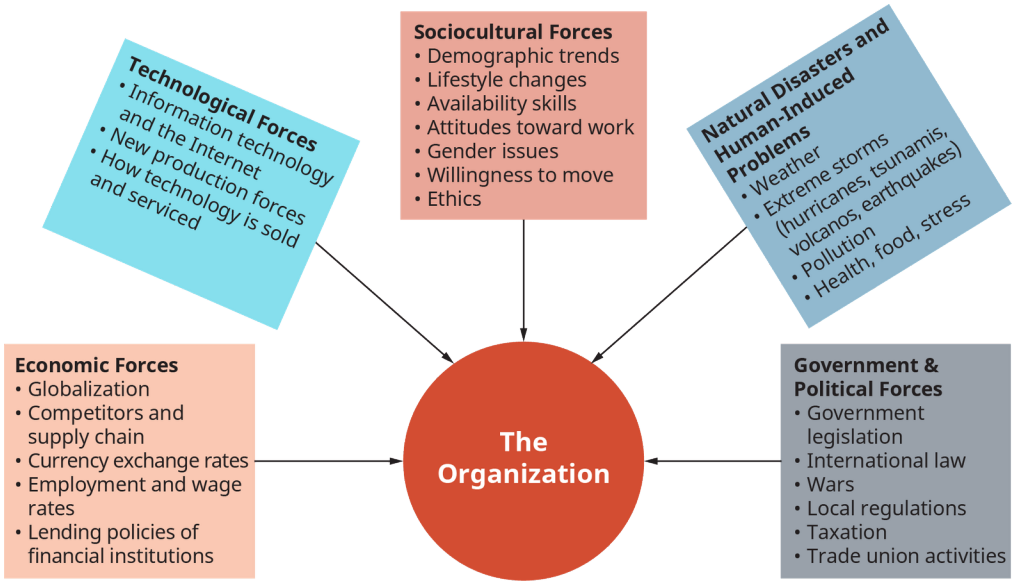


Figure 24.2.1. **Macro Forces and Environments** (Attribution: Copyright Rice University, OpenStax, under CC-BY 4.0 license)

Globalization is a combination of external forces shaping environments of organizations. Defined as the development of an integrated global economy and characterized by free trade, capital flows, communications, and cheaper foreign labor markets, the processes of globalization underlie the forces in the general international economic environment. This dimension continues to present opportunities and pressures to companies operating locally as well as globally. Globalization continues to affect industries and companies in ways that benefit some and not others. Amazon, for example, is thriving. The firm sells low-end products through its brand AmazonBasics. The company has individual retail websites for the United States, the United Kingdom and Ireland, France, Canada, Germany, Italy, Spain, the Netherlands, Australia, Brazil, Japan, China, India, and Mexico. Uber and Airbnb represent some of the larger sharing-economy companies that operate internationally and have to date prospered in the so-called new but fragmenting global economy.



Figure 24.2.2. **Bezos** Jeff Bezos' digital commerce strategy has led the firm to become the leader of retail commerce, and forced traditional retailers like Toys R Us to close their operations, and retailers like Walmart, Target, and Sears to reassess their business environment. Amazon's digital strategy uses Prime memberships that are supplied and supported by land-based distribution centers; Prime takes in reaching about 60% of the total dollar value of all merchandise sold on the site. (Credit: Sam Churchill/flickr/ Attribution 2.0 Generic (CC BY 2.0))

In general, countries that have gained from globalization include Japan, South Korea, Taiwan, Malaysia, Singapore, Hong Kong, Thailand, and China. China's markets and growing economic prowess have particularly been noticed. China's GDP (gross domestic product) is estimated at $13.2 trillion in 2018, outpacing the $12.8 trillion combined total of the 19 countries that use the euro. Corporations worldwide, large and small, online and land-based, strive to gain access to sell in China's vast markets. Moreover, China at the beginning of 2018 owns $1.168 trillion of the United States' debt. Japan, in second place, owes $1.07 trillion of this debt. Any instability politically and economically with China could result in increasing inflation and interest rates in the U.S. economy that could, in turn, negatively affect U.S. businesses.

Economic forces

Economically, "The strategic challenge of the next decade is navigating a world that is simultaneously integrating and fragmenting. Stock markets have set new records and economic volatility has fallen to historic lows, while political shocks on a scale unseen for generations have taken place. Seemingly contradictory realities do co-exist." Overall, while economic data indicates that globalization has had a positive effect on the world economy, a dark side also shows that two-thirds of all households in 25 advanced-economy countries had incomes stagnate and/or decline between 2005 and 2014. Moreover, the U.K. and U.S. witnessed falling wages. Wealth distribution in these countries continues to decline. Income inequality globally is also rising. Other trends that also affect the global, regional, and local economies are discussed in this chapter as well as below.

Technological forces are another ubiquitous environmental influence on organizations. Speed, price, service, and quality of products and services are dimensions of organizations' competitive advantage in this era. Information technologies and social media powered by the Internet and used by sharing-economy companies such as Airbnb and Uber have democratized and increased, if not leveled, competition across several industries, such as taxis, real estate rentals, and hospitality services. Companies across industry sectors cannot survive without using the Internet, social media, and sophisticated software in R&D

(research and development), operations, marketing, finance, and sales. To manage and use big data in all these functional areas, organizations rely on technology.

Government and political forces also affect industries and organizations. Recent events that have jarred the global economy—and are too early to predict the long-term outcomes of—are the United Kingdom's exit from the European Union, President Trump's nationalistic policies echoed by other presidents in Chile and Argentina, wars in the Middle East, policies that question and disrupt free trade, health-care reform, and immigration—all of which increase uncertainty for businesses while creating opportunities for some industries and instability in others.

Sociocultural forces

Sociocultural environmental forces include different generations' values, beliefs, attitudes, customs and traditions, habits, and lifestyles. More specifically, other aspects of societal cultures are education, language, religion, law, politics, and social organizations. The millennial (ages 20 to 35) workforce, for example, generally seeks work that engages and interests them. Members of this generation are also health conscious and eager to learn. Since this and the newer generation (Generation Z) are adept and accustomed to using technology—social media in particular—organizations must be ready and equipped to provide wellness, interesting, and a variety of learning and work experiences to attract and retain new talent. Millennials are also estimated to be the United States' largest living adult generation in 2019. This generation numbered about 71 million compared with 74 million baby boomers (ages 52 to 70) in 2016. By 2019, an estimated 73 million millennials and 72 million boomers are projected. Because of immigration, millennials are estimated to increase until 2036.

Other general sociocultural trends occurring in the United States and internationally that affect organizations include the following: (1) Sexual harassment at work in the era of #MeToo has pressured organizations to be more transparent about relationships between owners, bosses, and employees. Related to this trend, some surveys show new difficulties for men in workplace interactions and little effect on women's career opportunities taking place in the short term. (2) While fewer immigrants have been entering the United States in recent years, diversity in the U.S. workplace continues. For example, 20 million Asian Americans trace their roots to over 20 countries in East and Southeast Asia and the Indian subcontinent—"each with unique histories, cultures, languages and other characteristics. The 19 largest origin groups together account for 94% of the total Asian population in the U.S." (3) Young adults in the United States are living at home longer. "In 2016, 15% of 25- to 35-year-old Millennials were living in their parents' home. This is 5 percentage points higher than the share of Generation Xers who lived in their parents' home in 2000 when they were the same age (10%), and nearly double the share of the Silent Generation who lived at home in 1964 (8%)." (4) While women have made gains in the workplace, they still comprise a small share of top leadership jobs—across politics and government, academia, the nonprofit sector, and business. Women comprised only about 10% of CEOs (chief executive officers), CFOs (chief financial officers), and the next three highest-paid executives in U.S. companies in 2016–17. A 2018 study by McKinsey & Company "reaffirms the global relevance of the link between diversity—defined as a greater proportion of women and a more mixed ethnic and cultural composition in the leadership of large companies—and company financial outperformance." These and other related sociocultural trends impact organizational cultures and other dimensions involving human talent and diverse workforces.

Natural disasters and human-related problems

Natural disaster and human induced environmental problems are events such as high-impact hurricanes, extreme temperatures and the rise in CO_2 emissions as well as 'man-made' environmental disasters such as water and food crises; biodiversity loss and ecosystem collapse; large-scale involuntary migration are a force that affects organizations. The 2018 Global Risks Report identified risks in the environmental category that also affect industries and companies—as well as continents and countries. These risks were ranked higher than average for both likelihood and impact over a 10-year horizon. The report showed that 2017 was characterized by high-impact hurricanes, extreme temperatures, and the first rise in carbon dioxide emissions in four years; "man-made" environmental disasters; water and food crises; biodiversity loss and ecosystem collapse; and large-scale involuntary migration to name a few. Authors of this study noted that "Biodiversity is being lost at mass-extinction rates, agricultural systems are under strain and pollution of the air and sea has become an increasingly pressing threat to human health." Most vulnerable to rising seas are low-lying islands in the Indian and Pacific Oceans. The Republic of the Marshall Islands has more over 1,100 low-lying islands on 29 atolls that include island nations with hundreds of thousands of people. Predictions indicate that rising sea levels could reach 3 feet worldwide by 2300 or sooner. One report stated that in your child's lifetime, Miami, Florida, could be underwater. Large sections of Louisiana's marshes separating the ocean from the coastline are submerging. Oil producers and other related corporations are being sued by that state, claiming that fossil fuel emissions have contributed to natural disasters such as climate change. Many new companies in the United States are already constructing buildings to withstand increasing flooding and predicted rising water levels.

concept Check

1. What factors within the economic environment affect businesses?
2. Why do demographic shifts and technological developments create both challenges and new opportunities for business?

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24.3: External Environments and Industries

2. Identify contemporary external forces pressuring organizations.

Industry and organizational leaders monitor environments to identify, predict, and manage trends, issues, and opportunities that their organizations and industries face. Some corporations, such as Amazon, anticipate and even create trends in their environments. Most, however, must adapt. External environments, as identified in the previous section, can be understood by identifying the uncertainty of the environmental forces. Figure 24.3.1 illustrates a classic and relevant depiction of how scholars portray environment-industry-organization "fit," that is, how well industries and organizations align with and perform in different types of environments.

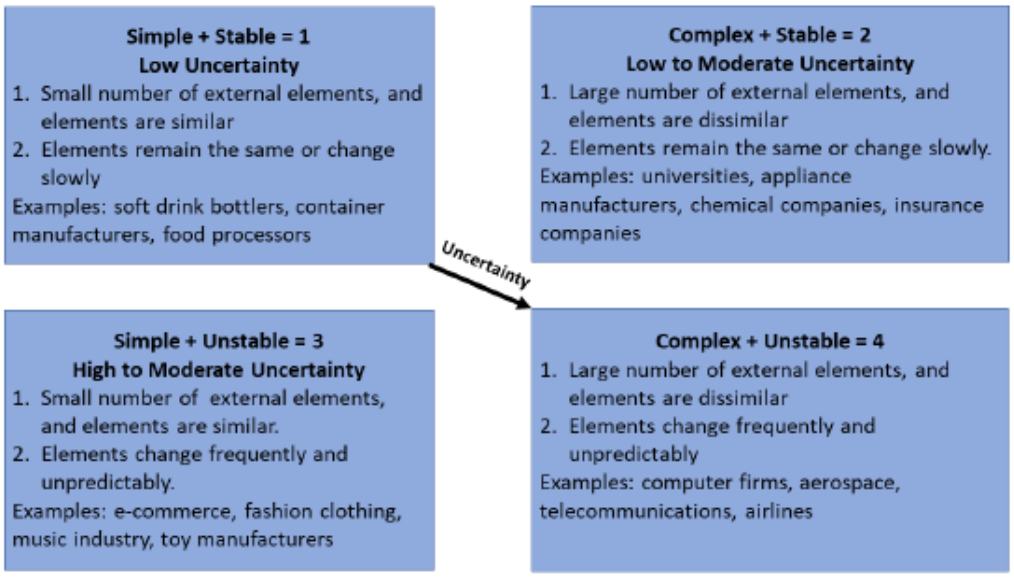


Figure 24.3.1 **Company Industry Fit** Adapted from: Duncan, R. (1972). *Characteristics of organizational environments of uncertainty*. American Science Quarterly, 17 (*September*), 313-327; Daft, R. Organizational Theory and Design, 12th edition, p. 151, *Mason, OH, Cengage Learning*.

The two dimensions of this figure represent "environmental complexity" (i.e., the number of elements in the environment, such a competitors, suppliers, and customers), which is characterized as either simple or complex, and "environmental change," described as stable or unstable. How available monetary and financial resources are to support an organization's growth is also an important element in this framework. Certain industries—soft drink bottlers, beer distributors, food processors, and container manufacturers—would, hypothetically, fit and align more effectively in a stable (i.e., relative unchanging), simple, and low-uncertainty (i.e., has mostly similar elements) external environment—cell 1 in Figure 24.3.1. This is referred to when organizations are in a **simple-stable environment**. Of course unpredicted conditions, such as global and international turmoil, economic downturns, and so on, could affect these industries, but generally, these alignments have served as an ideal type and starting point for understanding the "fit" between environment and industries. In a stable but complex, low- to moderate-uncertainty environment, cell 2 in Figure 24.3.1, universities, appliance manufacturers, chemical companies, and insurances companies would generally prosper. This is referred to when organizations are in a **complex-stable environment**. When the external environment has simple but high to moderate uncertainty, cell 3 of Figure 24.3.1, e-commerce, music, and fashion clothing industries would operate effectively. This is referred to when organizations are in a **simple-unstable environment**. Whereas in cell 4 of Figure 24.3.1, an environment characterized by a high degree of uncertainty with complex and unstable elements, industries and firms such as computer, aerospace, airlines, and telecommunications firms would operate more effectively. This is referred to when organizations are in a **complex-unstable environment**.

Figure 24.3.1 is a starting point for diagnosing the "fit" between types of external environments and industries. As conditions change, industries and organizations must adapt or face consequences. For example, educational institutions that traditionally have been seen to operate best in low- to moderate-uncertainty environments, cell 4 of Figure 24.3.1, have during this past decade experienced more high to moderate uncertainty (cell 2)—and even high uncertainty (cell 1). For example, for-profit educational institutions such the University of Phoenix and others—as compared to not-for-profit universities and colleges, such as public state institutions, community colleges, and private nonprofit ones—have undergone more unstable and complex

forces in the external environment over the past decade. Under the Obama administration, for-profit universities faced greater scrutiny regarding questionable advertising, graduation rates, and accreditation issues; lawsuits and claims against several of these institutions went forward, and a few of the colleges had to close. The Trump administration has shown signs of alleviating aggressive governmental control and monitoring in this sector. Still, higher educational institutions in general currently face increasingly complex and unstable environments given higher tuition rates, increased competition from less-expensive and online programs, fewer student enrollments, and an overabundance of such institutions. Several private, not-for-profit higher educational institutions have merged and also ceased to exist. Adapting to increasingly rapid external change has become a rallying call for most industries and organizations as the 21st century evolves.

Organizational Complexity

It is important to point out here that external (and internal) organizational complexity is not often as simple as it may seem. It has been defined as "...the amount of complexity derived from the environment where the organization operates, such as the country, the markets, suppliers, customers and stakeholders; while internal complexity is the amount of complexity that is internal to the organization itself, i.e. products, technologies, human resources, processes and organizational structure. Therefore, different aspects compose internal and external complexities."

The dilemma that organizational leaders and managers sometimes face is how to deal with external, and internal, complexity? Do you grow and nurture it or reduce it? Some strategies call for reducing and managing it at the local level while nurturing it at the global level—depending on the organization's size, business model, and the nature of the environments. Without going into complicated detail, it is fair to say at the beginning of the chapter that you may want to read through the chapter first, then return here afterward.

In the meantime, here are some simple rules from organizational practitioners De Toni and De Zan to keep in mind for managing high levels of complexity from the external environment, internally, after you have diagnosed the nature of the external complexity—as we discuss throughout in this chapter: first, assemble "...a set of self-managing teams or autonomous business units,[known as modularized units] with an entrepreneurial responsibility to the larger organization." These focused self-organizing teams use creative methods to deal with the diversity to the advantage of the organization. A second method when facing high external environmental complexity when you want to gain value from it is to find and develop "...simple rules to drive out creativity and innovation ... to keep the infrastructure and processes simple, while permitting complex outputs and behaviours." An example offered is found in the rules of the Legos company: "(1) does the proposed product have the Lego look? (2) Will children learn while having fun? (3) Will parents approve? (4) Does the product maintain high quality standards? (5) Does it stimulate creativity?"

A third strategy for dealing with external complexity involves companies' building on their own capabilities manage too much complexity, which otherwise lead to chaos. Some of those strategies include creating open networks internal and outside the organization to promote cooperation and integration and to develop brand and reputation. Also, sharing "...values, vision, strategy, organizational processes and knowledge, through the development of trust and incorporation and promotion of leaders at all levels" can help internal teams exploit external complexity to the organization's advantage. Keep these ideas in mind as you read through the chapter and think about how leaders, managers, employees, and you can learn to read external environmental clues that organizations can use to creatively and proactively use organizational resources to be more competitive, effective, and successful.

concept check

1. Why do change and shifts and technological developments create both challenges and new opportunities for business?

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24.4: Organizational Designs and Structures

3. Identify different types of organizational structures and their strengths and weaknesses.

A 2017 Deloitte source asked, before answering, "Why has organizational design zoomed to the top of the list as the most important trend in the Global Human Capital Trends survey for two years in a row?" The source continued, "The answer is simple: The way high-performing organizations operate today is radically different from how they operated 10 years ago. Yet many other organizations continue to operate according to industrial-age models that are 100 years old or more."

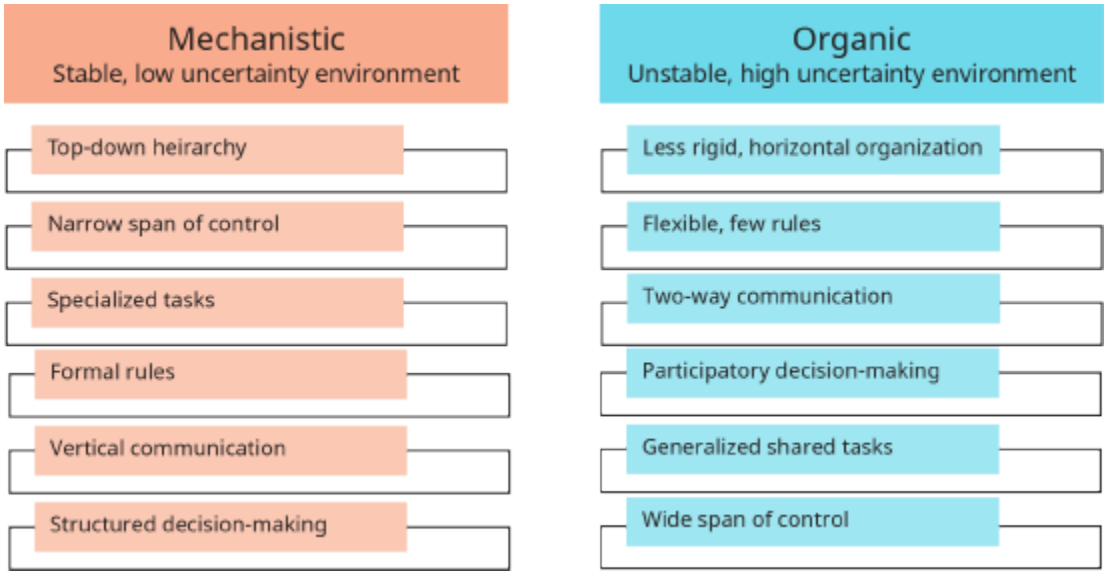


Figure 24.4.1. **Mechanistic and Organic Organizations** (Attribution: Copyright Rice University, OpenStax, under CC-BY 4.0 license)

Early organizational theorists broadly categorized **organizational structures** and systems as either mechanistic or organic. This broad, generalized characterization of organizations remains relevant. Mechanistic organizational structures (Figure 24.4.1) are best suited for environments that range from stable and simple to low-moderate uncertainty (Figure 15.2.1) and are characterized by top-down hierarchies of control that are rule-based. The chain of command is highly centralized and uses formal authority; tasks are clearly defined and differentiated to be executed by specific specialized experts. Bosses and supervisors have fewer people working directly under them (i.e., a narrow span of control), and the organization is governed by rigid departmentalization (i.e., an organization is divided into different departments that perform specialized tasks according to the departments' expertise). This form of organization represents a traditional type of structure that evolved in environments that were, as noted above, stable with low complexity. Historically, the U.S. Postal Service and other manufacturing types of industries (Exhibit 15.2.1) were mechanistic. Again, this type of organizational design may still be relevant, as Exhibit 15.2.1 suggests, in simple, stable, low-uncertainty environments.

Organic organizational structures and systems, however, have opposite characteristics from mechanistic ones. As Figure 15.2.1 shows, these organizational forms work best in unstable, complex, changing environments. Their structures are flatter, with participatory communication and decision-making flowing in different directions. There is more fluidity and less-rigid ways of performing tasks; there may also be fewer rules. Tasks are more generalized and shared; there is a wider span of control (i.e., more people reporting to managers). Figure 24.4.1 offers examples of organically structured industries, such as high tech, computer, aerospace, and telecommunications industries, that must deal with change and uncertainty. Contemporary corporations and firms engaged in fast-paced, highly competitive, rapidly changing, and turbulent environments are becoming more organic in different ways, as we will discuss in this chapter. However, not every organization or every part of most organizations may require an organic type of structure. Understanding different organizational designs and structures is important to discern when, where, and under what circumstances a type of mechanistic system or part of an organization would be needed. The following section discusses five types of structures with variations.

Types of Organizational Structures

Within the context of mechanistic versus organic structures, specific types of organizational structures in the United States historically evolved over at least three eras, as we discuss here before explaining types of organizational designs. During the first era, the mid-1800s to the late 1970s, organizations were mechanistic self-contained, top-down pyramids. Emphasis was placed on internal organizational processes of taking in raw materials, transforming those into products, and turning them out to customers.

Early organizational structures were focused on internal hierarchical control and separate functional specializations in order to adapt to external environments. Structures during this era grouped people into functions or departments, specified reporting relationships among those people and departments, and developed systems to coordinate and integrate work horizontally and vertically. As will be explained, the **functional structure** evolved first, followed by the divisional structure and then the matrix structured.

The second era started in the 1980s and extended through the mid-1990s. More-complex environments, markets, and technologies strained mechanistic organizational structures. Competition from Japan in the auto industry and complex transactions in the banking, insurance, and other industries that emphasized customer value, demand and faster interactions, quality, and results issued the need for more organic organizational designs and structures.

Communication and coordination between and among internal organizational units and external customers, suppliers, and other stakeholders required higher levels of integration and speed of informational processing. Personal computers and networks had also entered the scene. In effect, the so-called “horizontal organization” was born, which emphasized “reengineering along workflow processes that link organizational capabilities to customers and suppliers.” Ford, Xerox Corp., Lexmark, and Eastman Kodak Company are examples of early adopters of the **horizontal organizational design**, which, unlike the top-down pyramid structures in the first era, brought flattened hierarchical, hybrid structures and cross-functional teams.

The third era started in the mid-1990s and extends to the present. Several factors contributed to the rise of this era: the Internet; global competition—particularly from China and India with low-cost labor; automation of supply chains; and outsourcing of expertise to speed up production and delivery of products and services. The so-called silos and walls of organizations opened up; everything could not be or did not have to be produced within the confines of an organization, especially if corporations were cutting costs and outsourcing different functions of products to save costs. During this period, further extensions of the horizontal and organic types of structures evolved: the divisional, matrix, global geographic, modular, team-based, and virtual structures were created.

In the following discussion, we identify major types of structures mentioned above and discuss the advantages and disadvantages of each, referenced in Figure 24.4.2. Note that in many larger national and international corporations, there is a mix and match among different structures used. There are also advantages and disadvantages of each structure. Again, organizational structures are designed to fit with external environments. Depending on the type of environments from our earlier discussion in which a company operates, the structure should facilitate that organization’s capability to achieve its vision, mission, and goals.

Figure 24.4.2 offers a profile of different structures that evolved in our discussion above.

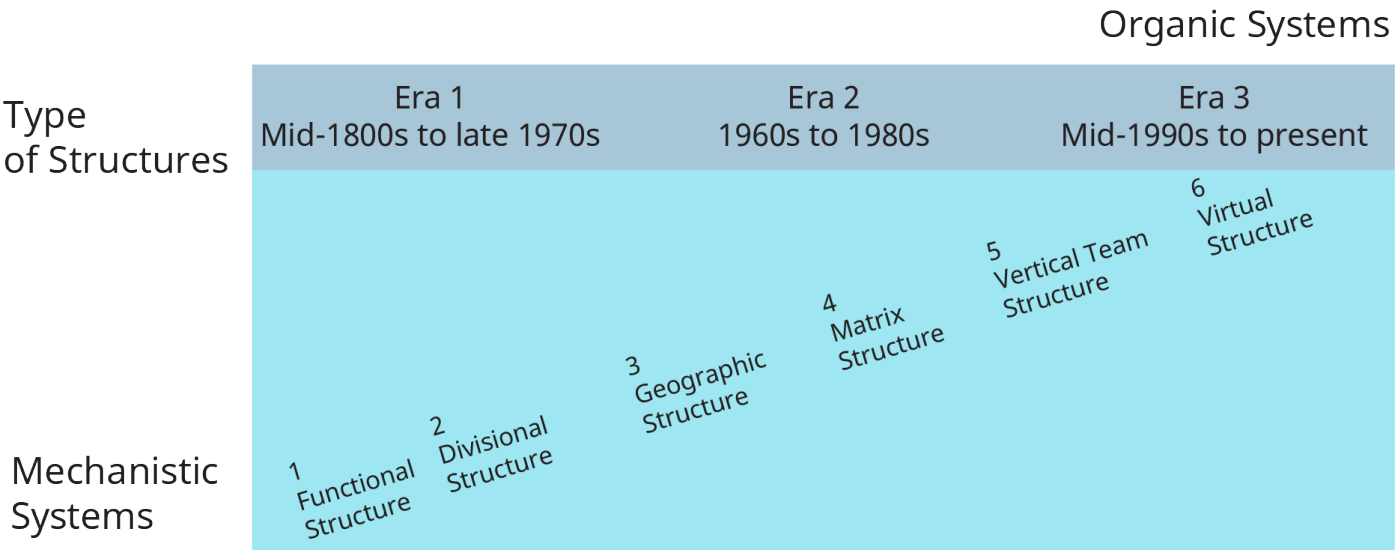


Figure 24.4.2. **Evolution of Organizational Structure** Adapted from: Daft, R., 2016, Organization Theory and Design, 12th edition, Cengage learning, Chapter 3; Warren, N., "Hitting the Sweet Spot Between Specialization and Integration in Organizational Design", People and Strategy, 34, No. 1, 2012, pp. 24-30.

Note the continuum in Figure 24.4.2, showing the earliest form of organizational structure, functional, evolving with more complex environments to divisional, matrix, team-based, and then virtual. This evolution, as discussed above, is presented as a continuum from mechanistic to organic structures—moving from more simple, stable environments to complex, changing ones, as illustrated in Figure 24.4.2. The six types of organizational structures discussed here include functional, divisional, geographic, matrix, networked/team, and virtual.

The functional structure, shown in Figure 24.4.3, is among the earliest and most used organizational designs. This structure is organized by departments and expertise areas, such as R&D (research & development), production, accounting, and human resources. Functional organizations are referred to as pyramid structures since they are governed as a hierarchical, top-down control system.

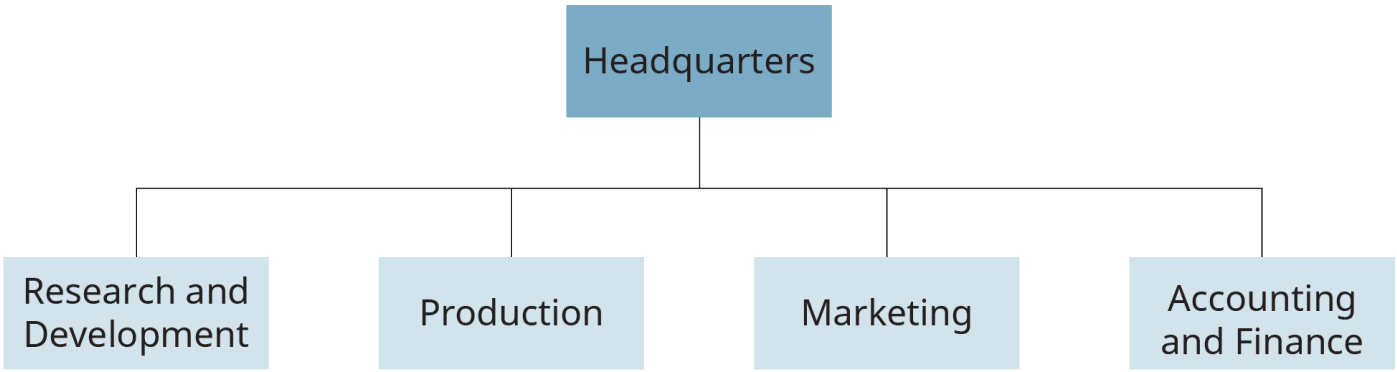


Figure 24.4.3 **Functional Structure** (Attribution: Copyright Rice University, OpenStax, under CC-BY 4.0 license)

Small companies, start-ups, and organizations working in simple, stable environments use this structure, as do many large government organizations and divisions of large companies for certain tasks.

The functional structure excels in providing for a high degree of specialization and a simple and straightforward reporting system within departments, offers economies of scale, and is not difficult to scale if and when the organization grows. Disadvantages of this structure include isolation of departments from each other since they tend to form "silos," which are characterized by closed mindsets that are not open to communicating across departments, lack of quick decision-making and coordination of

tasks across departments, and competition for power and resources.

Divisional structures, see Figure 24.4.4, are, in effect, many functional departments grouped under a division head. Each functional group in a division has its own marketing, sales, accounting, manufacturing, and production team. This structure resembles a product structure that also has profit centers. These smaller functional areas or departments can also be grouped by different markets, geographies, products, services, or other whatever is required by the company's business. The market-based structure is ideal for an organization that has products or services that are unique to specific market segments and is particularly effective if that organization has advanced knowledge of those segments.

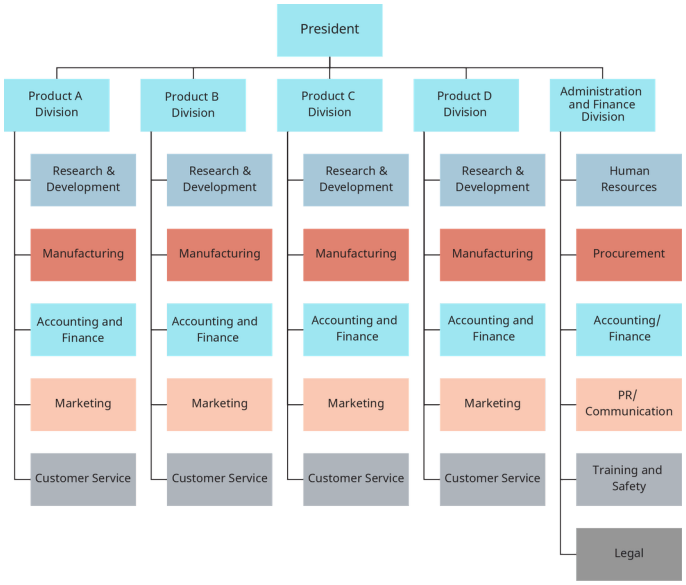


Figure 24.4.4. **Divisional Organization Structure** (Attribution: Copyright Rice University, OpenStax, under CC-BY 4.0 license)

The advantages of a divisional structure include the following: each specialty area can be more focused on the business segment and budget that it manages; everyone can more easily know their responsibilities and accountability expectations; customer contact and service can be quicker; and coordination within a divisional grouping is easier, since all the functions are accessible. The divisional structure is also helpful for large companies since decentralized decision-making means that headquarters does not have to micromanage all the divisions. The disadvantages of this structure from a headquarters perspective are that divisions can easily become isolated and insular from one another and that different systems, such as accounting, finance, sales, and so on, may suffer from poor and infrequent communication and coordination of enterprise mission, direction, and values. Moreover, incompatibility of systems (technology, accounting, advertising, budgets) can occur, which creates a strain on company strategic goals and objectives.

A **geographic structure**, Figure 24.4.5, is another option aimed at moving from a mechanistic to more organic design to serve customers faster and with relevant products and services; as such, this structure is organized by locations of customers that a company serves. This structure evolved as companies became more national, international, and global. Geographic structures resemble and are extensions of the divisional structure.

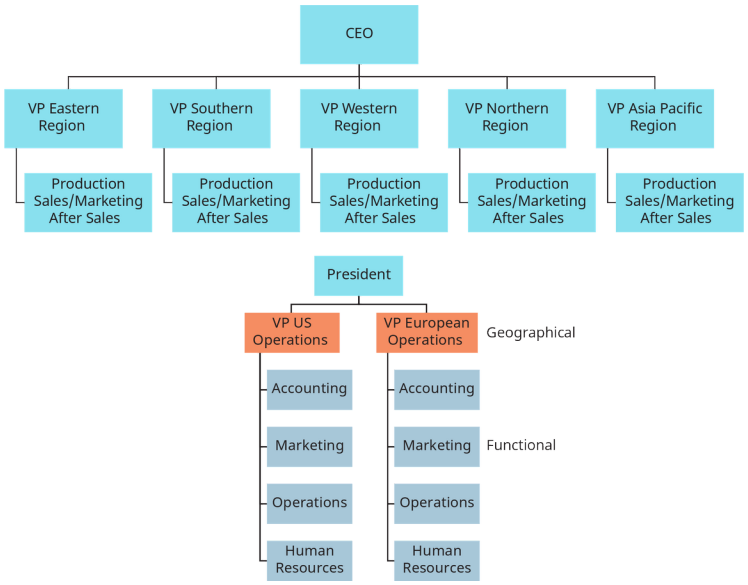


Figure 24.4.5. **Geographic Structure** (Attribution: Copyright Rice University, OpenStax, under CC-BY 4.0 license)

Organizing geographically enables each geographic organizational unit (like a division) the ability to understand, research, and design products and/or services with the knowledge of customer needs, tastes, and cultural differences. The advantages and disadvantages of the geographic structure are similar to those of the divisional structure. Headquarters must ensure effective coordination and control over each somewhat autonomous geographically self-contained structure.

The main downside of a geographical organizational structure is that it can be easy for decision-making to become decentralized, as geographic divisions (which can be hundreds if not thousands of miles away from corporate headquarters) often have a great deal of autonomy.



Figure 24.4.6. **IBM China** IBM has chosen a geographic structure which is aimed at moving from a mechanistic to more organic design to serve customers faster and with relevant products and services; as such, this structure is organized by locations of customers that a company serves. This structure evolved as companies became more national, international, and global. Geographic structures resemble and are extensions of the divisional structure. (Credit: Cory Denton/ Flickr/ Attribution 2.0 Generic (CC BY 2.0))

Matrix structures, illustrated in Figure 24.4.2 and depicted in Figure 24.4.7, move closer to organic systems in an attempt to respond to environmental uncertainty, complexity, and instability. The matrix structure actually originated at a time in the 1960s when U.S. aerospace firms contracted with the government. Aerospace firms were required to "develop charts showing the structure of the project management team that would be executing the contract and how this team was related to the overall management structure of the organization." As such, employees would be required to have dual reporting relationships—with the government and the aerospace company. Since that time, this structure has been imitated and used by other industries and companies since it provides flexibility and helps integrate decision-making in functionally organized companies.

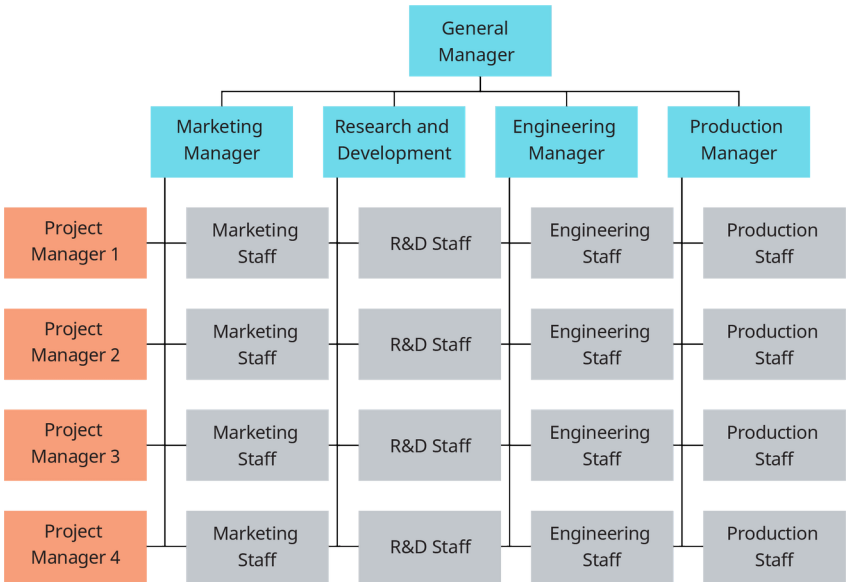


Figure 24.4.7 **Matrix Structure** (Attribution: Copyright Rice University, OpenStax, under CC-BY 4.0 license)

Matrix designs use teams to combine vertical with horizontal structures. The traditional functional or vertical structure and chain of command maintains control over employees who work on teams that cut across functional areas, creating horizontal coordination that focuses projects that have deadlines and goals to meet within and often times in addition to those of departments. In effect, matrix structures initiated horizontal team-based structures that provided faster information sharing, coordination, and integration between the formal organization and profit-oriented projects and programs.

As Figure 24.4.7 illustrates, this structure has lines of formal authority along two dimensions: employees report to a functional, departmental boss and simultaneously to a product or project team boss. One of the weaknesses of matrix structures is the confusion and conflicts employees experience in reporting to two bosses. To work effectively, employees (including their bosses and project leaders) who work in dual-authority matrix structures require good interpersonal communication, conflict management, and political skills to manage up and down the organization.

Different types of matrix structures, some resembling virtual team designs, are used in more complex environments. For example, there are cross-functional matrix teams in which team members from other organizational departments report to an "activity leader" who is not their formal supervisor or boss. There are also functional matrix teams where employees from the same department coordinate across another internal matrix team consisting of, for example, HR or other functional area specialists, who come together to develop a limited but focused common short-term goal. There are also global matrix teams consisting of employees from different regions, countries, time zones, and cultures who are assembled to achieve a short-term project goal of a particular customer. Matrix team members have been and are a growing part of horizontal organizations that cut across geographies, time zones, skills, and traditional authority structures to solve customer and even enterprise organizational needs and demands.

As part of the next discussed organizational type of structure, networked teams, organizational members in matrix structures must "learn how to collaborate with colleagues across distance, cultures and other barriers. Matrix team members often suffer from the problem of divided loyalties where they have both team and functional goals that compete for their time and attention, they have multiple bosses and often work on multiple teams at the same time. For some matrix team members this may be the first time they have been given accountability for results that are broader than delivery of their functional goals. Some individuals

relish the breath and development that the matrix team offers and others feel exposed and out of control." To succeed in these types of horizontal organizational structures, organizational members "should focus less on the structure and more on behaviors."

Networked team structures are another form of the horizontal organization. Moving beyond the matrix structure, networked teams are more informal and flexible. "[N]etworks have two salient characteristics: clustering and path length. Clustering refers to the degree to which a network is made up of tightly knit groups while path lengths is a measure of distance—the average number of links separating any two nodes in the network." A more technical explanation can be found in this footnote source. For our purposes here, a networked organizational structure is one that naturally forms after being initially assigned. Based on the vision, mission, and needs of a problem or opportunity, team members will find others who can help—if the larger organization and leaders do not prevent or obstruct that process.

There is not one classical depiction of this structure, since different companies initially design teams to solve problems, find opportunities, and discover resources to do so. Stated another way, "The networked organization is one that is connected together by informal networks and the demands of the task, rather than a formal organizational structure. The network organization prioritizes its 'soft structure' of relationships, networks, teams, groups and communities rather than reporting lines." Figure 24.4.8 is a suggested illustration of this structure.

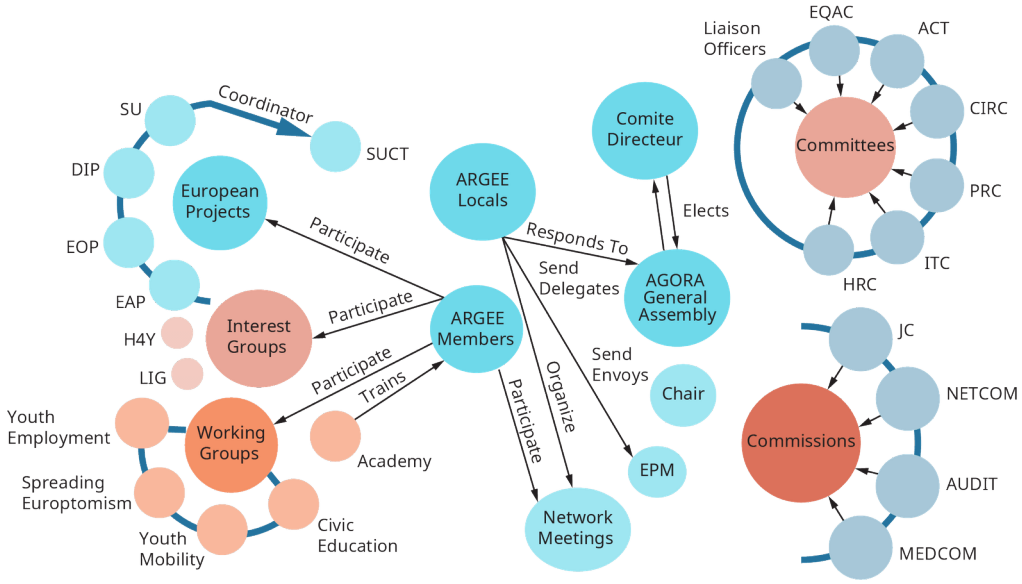


Figure 24.4.8. **Networked Team Structure** (Attribution: Copyright Rice University, OpenStax, under CC-BY 4.0 license)

A Deloitte source based on the 2017 Global Human Capital Trend study stated that as organizations continue to transition from vertical structures to more organic ones, networked global designs are being adapted to larger companies that require more reach and scope and quicker response time with customers: "Research shows that we spend two orders of magnitude more time with people near our desk than with those more than 50 meters away. Whatever a hierarchical organization chart says, real, day-to-day work gets done in networks. This is why the organization of the future is a 'network of teams.'"

Advantages of networked organizations are similar to those stated earlier with regard to organic, horizontal, and matrix structures. Weaknesses of the networked structure include the following: (1) Establishing clear lines of communication to produce project assignments and due dates to employees is needed. (2) Dependence on technology—Internet connections and phone lines in particular—is necessary. Delays in communication result from computer crashes, network traffic errors and problems; electronic information sharing across country borders can also be difficult. (3) Not having a central physical location where all employees work, or can assemble occasionally to have face-to-face meetings and check results, can result in errors, strained relationships, and lack of on-time project deliverables.

Virtual structures and organizations emerged in the 1990s as a response to requiring more flexibility, solution-based tasks on demand, fewer geographical constraints, and accessibility to dispersed expertise. Virtual structures are depicted in Figure 24.4.9. Related to so-called modular and digital organizations, virtual structures are dependent on information communication technologies (ICTs).

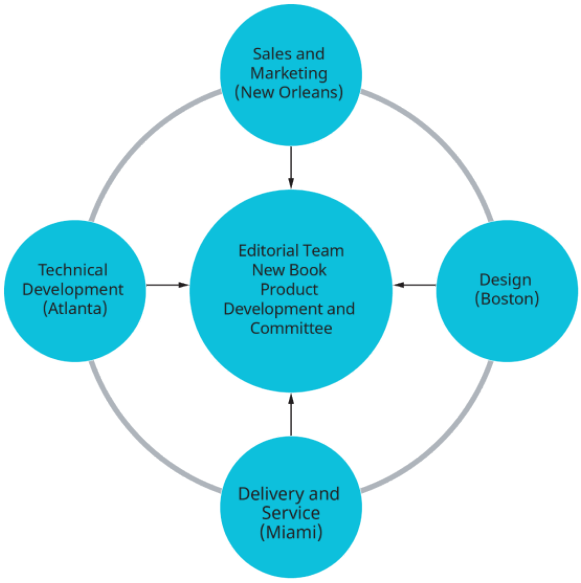


Figure 24.4.9 **Virtual Structure** (Attribution: Copyright Rice University, OpenStax, under CC-BY 4.0 license)

These organizations move beyond network team structures in that the headquarters or home base may be the only or part of part of a stable organizational base. Otherwise, this is a "boundaryless organization." Examples of organizations that use virtual teams are Uber, Airbnb, Amazon, Reebok, Nike, Puma, and Dell. Increasingly, organizations are using different variations of virtual structures with call centers and other outsourced tasks, positions, and even projects.



Figure 24.4.10 **Using Technological Disruption** Information technologies and social media powered by the internet and used by sharing economy companies such as Airbnb and Uber have democratized and increased, if not leveled, competition across several industries such taxis, real estate rentals, and hospitality services. (Credit: Grid Engine/ flickr/ Attribution 2.0 Generic (CC BY 2.0))

Advantages of virtual teams and organizations include cost savings, decreased response time to customers, greater access to a diverse labor force not encumbered by 8-hour workdays, and less harmful effects on the environment. "The telecommuting policies of Dell, Aetna, and Xerox cumulatively saved 95,294 metric tons of greenhouse gas emissions last year, which is the equivalent of taking 20,000 passenger vehicles off of the road." Disadvantages are social isolation of employees who work

virtually, potential for lack of trust among employees and between the company and employees when communication is limited, and reduced collaboration among separated employees and the organization's officers due to lack of social interaction.

In the following section, we turn to internal organizational dimensions that complement structure and are affected by and affect external environments.

concept check

1. How does a matrix structure increase power struggles or reduce accountability?
2. What are advantages of a formal committee structure? Disadvantages?

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24.5: The Internal Organization and External Environments

4. Explain how organizations organize to meet external market threats and opportunities.

At a basic level of understanding how internal organizations respond to environments, consider the theory of Open Systems, which the organizational theorists Katz and Kahn and Bertalanffy introduced.

Figure 24.5.1 illustrates this theory's view of organizations as open systems that take in resources and raw materials at the "input" phase from the environment in a number of forms, depending on the nature of the organization, industry, and its business. Whatever the input resources are—information, raw materials, students entering a university—to be transformed by the internal processes of the organization. The internal organizational systems then process and transform the input material, which is called "through-put" phase, and move the changed material (resources) to the "outputs" and back into the environment as products, services, graduates, etc.

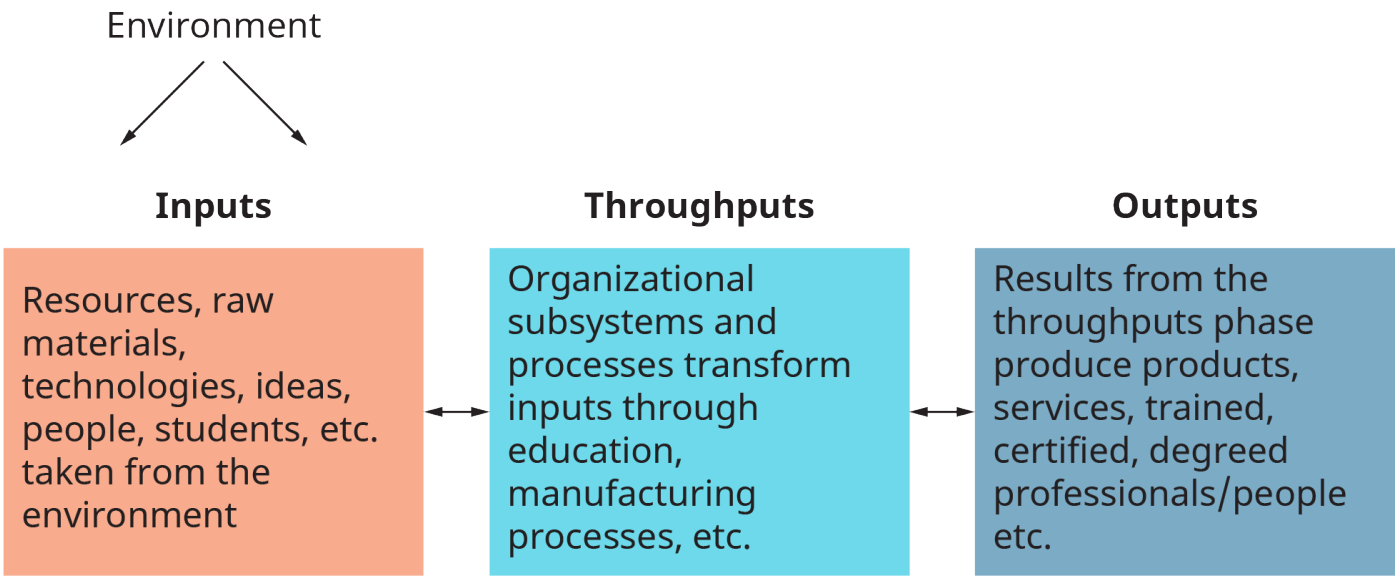


Figure 24.5.1. **Open System Model of an Organization** (Attribution: Copyright Rice University, OpenStax, under CC-BY 4.0 license)

The open systems model serves as a feedback loop continually taking in resources from the environment, processing and transforming them into outputs that are returned to the environment. This model explains organizational survival that emphasizes long-term goals.

Organizations according to this theory are considered as either Open or Closed systems, (or relatively opened or closed) depending on the organization's sensitivity to the environment. Closed systems are less sensitive to environmental resources and possibilities, and open systems are more responsive and adaptive to environmental changes. For example, during the 1980's the then Big 3 U.S. auto manufacturers (Ford, General Motors and Chrysler) were pressured by Japanese auto manufacturers' successful 4-cylinder car sales that hit the U.S. like a shock wave. The Detroit producers experienced slumping sales, plant closures, and employee lay-offs in response to the Japanese wave of competition. It seemed that the U.S. auto makers had become closed or at least insensitive to changing trends in cars during that time and were unwilling to change manufacturing processes. Similarly, Amazon's business model, discussed earlier, has and continues to pressure retailers to innovate and change processes and practices to compete in this digital era.

Organizations respond to external environments not only through their structures, but also by the domains they choose and the internal dimensions and capabilities they select. An organization defines itself and its niche in an environment by the choice of its **domain**, i.e., what sector or field of the environment it will use its technology, products, and services to compete in and serve. Some of the major sectors of a task environment include marketing, technology, government, financial resources, and human resources.

Presently, several environmental domains that once were considered stable have become more complex and unstable—e.g., toys, public utilities, the U.S. Postal Service, and higher education. And even domains are changing. For example, as referred to earlier, the traditionally stable and somewhat unchanging domain of higher education has become more complex with the entry of for-profit educational institutions, MOOCs (massive open online courses), internal company "universities," and other certification and degree programs outside traditional private institutions. Sharing-economy companies such as Uber and Airbnb have redefined the transportation domain in which taxis operate and the hospitality domain in which hotels and bed and breakfasts serve. New business models that use mobile phones, ICTs (information communication technologies), and apps remove middle management layers in traditional organizations and structures.

With a chosen domain in which to operate, owners and leaders must organize internal dimensions to compete in and serve their markets. For example, hierarchies of authority and chain of command are used by owners and top-level leaders to develop and implement strategic and enterprise decisions; managers are required to provide technologies, training, accounting, legal, and other infrastructure resources; and cultures still count to establish and maintain norms, relationships, legal and ethical practices, and the reputation of organizations.



Figure 24.5.2. **Internal Organization** (Attribution: Copyright Rice University, OpenStax, under CC-BY 4.0 license)

Figure 24.5.2 shows internal organizational dimensions. These dimensions and systems include leadership, strategy, culture, management, goals, marketing, operations, and structure. Relationships, norms, and politics are also included in the informal organization. There are other internal functions not listed here, such as research and development, accounting and finance, production, and human resources. Another popular depiction of internal organizational dimensions is the **McKinsey 7-S model**, shown in Figure 24.5.3. Similarly, *strategy, structure, systems, skills, staff,* and style all revolve around and are interconnected with *shared values* (or culture) in an organization.

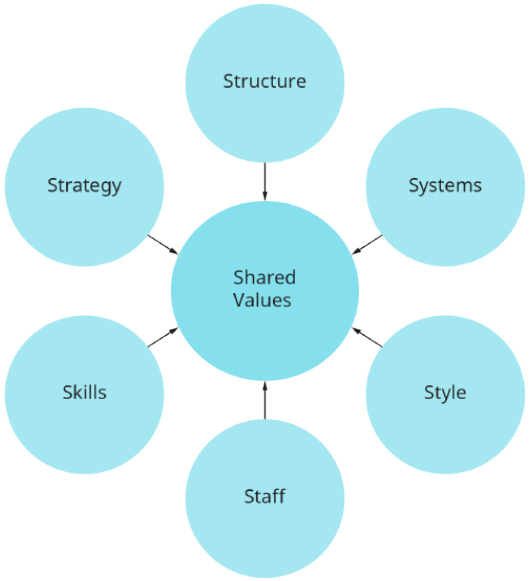


Figure 24.5.3 **The McKinsey 7-S Model** (Attribution: Copyright Rice University, OpenStax, under CC-BY 4.0 license)

A unifying framework shown in Figure 24.5.4, developed by Arie Lewin and Carroll Stephens, illustrates the integration of internal organizational dimensions and how these work in practice to align with the external environment. Note that it is the CEO and other top-level leaders who scan the external environment to identify uncertainties and resources before using a SWOT analysis (identifying strengths, weaknesses, opportunities, and threats) to confirm and update the domain of an organization and then to define the vision, mission, goals, and strategies. Once the enterprise goals and strategies are developed, the organizational culture, structure, and other systems and policies can be established (human resources, technologies, accounting and finance, and so on).

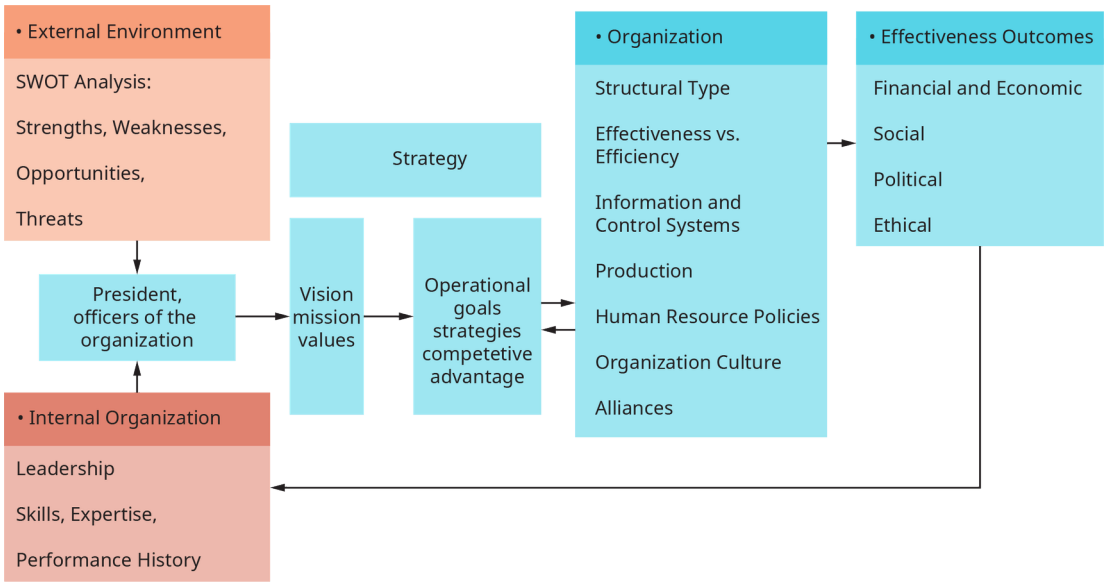


Figure 24.5.4. **The Internal Organization and External Environment** (Attribution: Copyright Rice University, OpenStax, under CC-BY 4.0 license)

As Figure 24.5.4 shows, after a CEO and the top-level team identify opportunities and threats in the environment, they then determine the domain and purpose of the organization from which strategies, organizational capabilities, resources, and management systems must be mobilized to support the enterprise's purpose. The company McDonald's has, for example,

successfully aligned its enterprise with the global environments it serves, which is “1% of the world’s population—more than 70 million customers—every day and in virtually every country across the world.” The major operating goal of the firm driving its internal alignment is a “fanatical attention to the design and management of scalable processes, routines, and a working culture by which simple, stand-alone, and standardized products are sold globally at a predictable, and therefore manageable, volume, quality, and cost.” A more detailed SWOT analysis of McDonald’s operations can be found in endnote.



Figure 24.5.5. **McDonald’s Processes** McDonalds, major operating goal of the firm driving its internal alignment is a “Fanatical attention to the design and management of scalable processes, routines, and a working culture by which simple, stand-alone, and standardized products are sold globally at a predictable, and therefore manageable, volume, quality, and cost.” Here employees are reminded of the time that the ingredients should stay on a secondary shelf. (Credit: Walter Lim/ flickr/ Attribution 2.0 Generic (CC BY 2.0))

In practice, no internal organizational alignment with its external environment is perfect or permanent. Quite the opposite. Companies and organizations change leadership and strategies and make structural and systems changes to meet changing competition, market forces, and customers and end users’ needs and demands. Even Amazon continues to develop, expand, and change. With a mission statement as bold and broad as Amazon’s, change is a constant: “Our vision is to be earth’s most customer-centric company; to build a place where people can come to find and discover anything they might want to buy online” (Amazon.com, Apr 15, 2018).

Amazon has a functional organizational structure that focuses on business functions for determining the interactions among the different parts of the company. Amazon’s corporate structure is best characterized as global function-based groups (most significant feature), a global hierarchy, and geographic divisions, as Figure 24.5.6 shows. This structure seems to fit with the size of Amazon’s business—43% of 2016 retail sales were in the United States. Seven segments, including information technology, human resources and legal operations, and heads of segments, report to Amazon’s CEO. “Senior management team include two CEOs, three Senior Vice Presidents and one Worldwide Controller, who are responsible for various vital aspects of the business reporting directly to Amazon CEO Jeff Bezos.” The strategic goal underlying this structure is to facilitate Amazon.com to successfully implement e-commerce operations management throughout the entire organization.

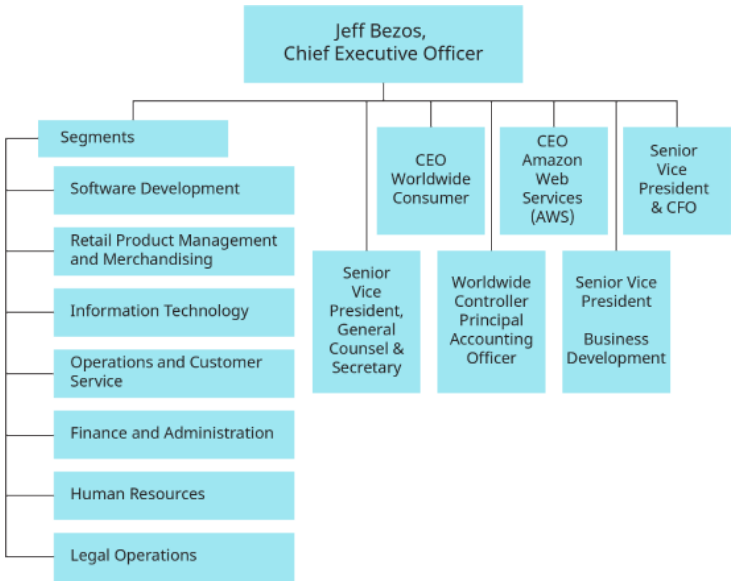


Figure 24.5.6 **Amazon's Corporate Structure** (Attribution: Copyright Rice University, OpenStax, under CC-BY 4.0 license)

Despite the company's exponential growth and success to date, as noted earlier in the section on organizational structures, a disadvantage of structures such as Amazon's, and in this case Amazon's, is that it has limited flexibility and responsiveness even with its current growth. "The dominance of the global function-based groups and global hierarchy characteristics reduces the capacity of Amazon to rapidly respond to new issues and problems encountered in the e-commerce business." Still, Amazon's most outstanding success factor remains its CEO, Jeff Bezos—his ingenuity, vision and foresight, and ability to sustain and even extend the company's competitive advantages. Amazon customers value these factors—customer purchase criteria (CPC) that include price, fast delivery, and reliable service. "Consumers choose Amazon because it does better than its competition on these CPC."

concept check

1. Explain the McKinsey 7-S model.

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24.6: Corporate Cultures

5. Identify the fit between organizational cultures and the external environment

Organizational culture is considered one of the most **important internal dimensions of an organization**'s effectiveness criteria. Peter Drucker, an influential management guru, once stated, "Culture eats strategy for breakfast." He meant that **corporate culture** is more influential than strategy in terms of motivating employees' beliefs, behaviors, relationships, and ways they work since culture is based on values. Strategy and other **internal dimensions of organization** are also very important, but organizational culture serves two crucial purposes: first, culture helps an organization adapt to and integrate with its external environment by adopting the right values to respond to external threats and opportunities; and secondly, culture creates internal unity by bringing members together so they work more cohesively to achieve common goals. Culture is both the personality and glue that binds an organization. It is also important to note that organizational cultures are generally framed and influenced by the top-level leader or founder. This individual's vision, values, and mission set the "tone at the top," which influences both the ethics and legal foundations, modeling how other officers and employees work and behave. A framework used to study how an organization and its culture fit with the environment is offered in the Competing Values Framework.

The **Competing Values Framework** (CVF) is one of the most cited and tested models for diagnosing an organization's cultural effectiveness and examining its fit with its environment. The CVF, shown in Figure 24.6.1, has been tested for over 30 years; the effectiveness criteria offered in the framework were discovered to have made a difference in identifying organizational cultures that fit with particular characteristics of external environments.

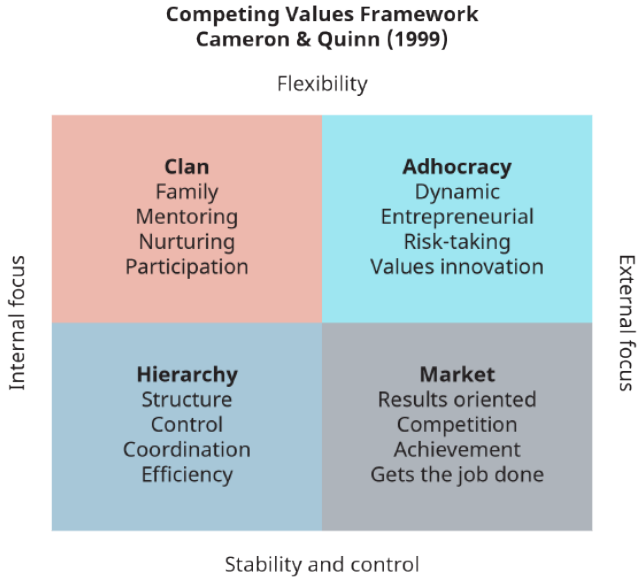


Figure 24.6.1 **The Competing Values Framework** Source: Adapted from K. Cameron and R. Quinn, 1999. Diagnosing and Changing Organizational Culture, Addison-Wesley, p. 32.

The two axes in the framework, external focus versus internal focus, indicate whether or not the organization's culture is externally or internally oriented. The other two axes, flexibility versus stability and control, determine whether a culture functions better in a stable, controlled environment or a flexible, fast-paced environment. Combining the axes offers four cultural types: (1) the dynamic, entrepreneurial **Adhocracy Culture**—an external focus with a flexibility orientation; (2) the people-oriented, friendly **Clan Culture**—an internal focus with a flexibility orientation; (3) the process-oriented, structured **Hierarchy Culture**—an internal focus with a stability/control orientation; and (4) the results-oriented, competitive **Market Culture**—an external focus with a stability/control orientation.

The orientation of each of these cultural types is summarized as follows. The **Adhocracy Culture** profile of an organization emphasizes creating, innovating, visioning the future, managing change, risk-taking, rule-breaking, experimentation, entrepreneurship, and uncertainty. This profile culture is often found in such fast-paced industries as filming, consulting, space

flight, and software development. Facebook and Google's cultures also match these characteristics. It should be noted, however, that larger organizations may have different cultures for different groupings of professionals, even though the larger culture is still dominant. For example, a different subculture may evolve for hourly workers as compared to PhD research scientists in an organization.

The **Clan Culture** type focuses on relationships, team building, commitment, empowering human development, engagement, mentoring, and coaching. Organizations that focus on human development, human resources, team building, and mentoring would fit this profile. This type of culture fits Tom's of Maine, which has strived to form respectful relationships with employees, customers, suppliers, and the physical environment.

The **Hierarchy Culture** emphasizes efficiency, process and cost control, organizational improvement, technical expertise, precision, problem solving, elimination of errors, logical, cautious and conservative, management and operational analysis, and careful decision-making. This profile would suit a company that is bureaucratic and structured, such as the U.S. Postal Service, the military, and other similar types of government agencies.

The **Market Culture** focuses on delivering value, competing, delivering shareholder value, goal achievement, driving and delivering results, speedy decisions, hard driving through barriers, directive, commanding, and getting things done. This profile suits a marketing-and-sales-oriented company that works on planning and forecasting but also getting products and services to market and sold. Oracle under the dominating, hard-charging executive chairman Larry Ellison characterized this cultural fit.

Amazon illustrates a company that can have a mix of cultures and be effective. For example, Amazon blends a high-performance Adhocracy Culture with regard to its external expansion and Bezos's leadership style; at the same time, Amazon resembles a Hierarchy Culture internally with regard to its tight control over employees at lower levels. The company propelled its domain from an "online bookstore" "to selling everything online to being the pioneering in adopting cloud computing with AWS . . . to adopting the latest robotics in its warehouses to improve productivity . . . to thinking and testing disruptive technologies like drones and so on." It has been criticized, at the same time, for its "toxic cut-throat work environment," asserting that Jeff Bezos is overly demanding and sets very high standards for Amazon employees, as well as for himself. This type of culture extends down to the warehouse employees. Amazon employees have complained that "Work came first, life came second, and trying to find the balance came last." This criticism peaked with an alleged suicide attempt in 2017 of a disgruntled employee who requested a transfer to a different department within in the company but was placed on an employee improvement plan—"a step that could result in his termination from Amazon if his performance didn't improve." Amazon has since changed many of its working rules and regulations for warehouse employees.

concept Check

1. Explain the concept of hiring for fit as it relates to corporate culture.
2. What are some organizational issues that must be addressed when two large firms merge or grow rapidly like Amazon?

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24.7: Organizing for Change in the 21st Century

6. Identify environmental trends, demands, and opportunities facing organizations.

The 2018 annual Global Risks Perception Survey (GRPS) predicts the following trends in the external environment: (1) persistent inequality and unfairness, (2) domestic and international political tensions, (3) environmental dangers, and (4) cyber vulnerabilities. With this context, authors in this report suggest that complex organizations approach their futures with the "nine resilience lens"—i.e., the capacity of a company or other organization to adapt and prosper in the face of high-impact, low-probability risks. The nine lenses are grouped into three categories. First, structural resilience considers the systemic dynamics within the organization itself. The author calls for "system modularity," i.e., structures and designs that are "loosely coupled," which is another way of saying that rigid, mechanistic hierarchies will not function as well in these high-impact environments. Secondly, integrative resilience underlines complex interconnections with the external context. Here the author suggests that organizations must be part of and aware of their contexts: geographically and the health of "individuals, families, neighborhoods, cities, provinces, and countries" that are affected. Relatedly, the author notes that organizations must rely on their social cohesion—such as the social capital an organization has to fall back on in times of crisis—which is a strong source of resilience. Third, transformative resilience requires that mitigating some risks requires transformation. Important to organizations here is the need "to proactively change or it will end up being changed by external circumstances." This process requires organizational foresight, not forecasting. Organizations need to apply different search, environmental scanning, and new discovery techniques "to engage with the uncertainty of multiple futures." They do this through innovation and experimentation. In practice, Google, Amazon, Facebook, SpaceX, Tesla, Airbnb, Uber, and the resilience of other industry and organizational pioneering will be required.

Another trend on the horizon is that "[o]rganizations are no longer judged only for their financial performance, or even the quality of their products or services. Rather, they are being evaluated on the basis of their impact on society at large—transforming them from business enterprises into social enterprises." A recent survey showed that 65 percent of CEOs rated "inclusive growth" as a "top-three strategic concern, more than three times greater than the proportion citing 'shareholder value.'" Deloitte researchers noted that "[a] social enterprise is an organization whose mission combines revenue growth and profit-making with the need to respect and support its environment and stakeholder network. This includes listening to, investing in, and actively managing the trends that are shaping today's world. It is an organization that shoulders its responsibility to be a good citizen (both inside and outside the organization), serving as a role model for its peers and promoting a high degree of collaboration at every level of the organization."

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Key Terms

Socio-cultural environment forces
Include different generations' values, beliefs, attitudes and habits, customs and traditions, habits and lifestyles.

Technological forces
Environmental influence on organizations where speed, price, service, and quality of products and services are dimensions of organizations' competitive advantage in this era.

Government and political environment forces
The global economy and changing political actions increase uncertainty for businesses, while creating opportunities for some industries and instability in others.

Natural disaster and human induced environmental problems
Events such as high-impact hurricanes, extreme temperatures and the rise in CO2 emissions as well as 'man-made' environmental disasters such as water and food crises; biodiversity loss and ecosystem collapse; large-scale involuntary migration are a force that affects organizations.

Simple-Stable environments
Environments that have a small number of external elements, and elements are similar, and the elements remain the same or change slowly.

Simple-Unstable environments
Environments that have a small number of external elements, and elements are similar and where elements change frequently and unpredictably.

Complex-Stable environments
Environments that have a large number of external elements, and elements are dissimilar and where elements remain the same or change slowly.

Complex-Unstable environments
Environments that have a large number of external elements, and elements are dissimilar and where elements change frequently and unpredictably

Organizational structures
A broad term that covers both mechanistic and organic organizational structures.

Mechanistic organizational structures
Best suited for environments that range from stable and simple to low-moderate uncertainty and have a formal "pyramid' structure.

Horizontal organizational structures
A "flatter" organizational structure often found in matrix organizations where individuals relish the breath and development that their team offers.

Organic organizational structures
The opposite of a functional organizational form that works best in unstable, complex changing environments.

Functional structure
The earliest and most used organizational designs.

Divisional structure
An organizational structure characterized by functional departments grouped under a division head.

Matrix structure
An organizational structure close in approach to organic systems that attempt to respond to environmental uncertainty, complexity, and instability.

Geographic structure
An Organizational option aimed at moving from a mechanistic to more organic design to serve customers faster and with relevant products and services; as such, this structure is organized by locations of customers that a company serves.

Networked-team structure
A form of the horizontal organization.

Virtual structure
A recent organizational structure that has emerged in the 1990's and early 2000's as a response to requiring more flexibility, solution based tasks on demand, less geographical constraints, and accessibility to dispersed expertise.

Domain
The purpose of the organization from which its strategies, organizational capabilities, resources, and management systems are mobilized to support the enterprise's purpose.

McKinsey 7-S model
A popular depiction of internal organizational dimensions.

Corporate culture
Defines how motivating employees' beliefs, behaviors, relationships, and ways they work creates a culture that is based on the values the organization believes in.

Adhocracy culture
Creates an environment of innovating, visioning the future, accepting of managing change, and risk taking, rule-breaking, experimentation, entrepreneurship, and uncertainty.

Market culture
Focuses on delivering value, competing, delivering shareholder value, goal achievement, driving and delivering results, speedy decisions, hard driving through barriers, directive, commanding, competing and getting things done.

Hierarchy culture
Emphasizes efficiency, process and cost control, organizational improvement, technical expertise, precision, problem solving, elimination of errors, logical, cautious and conservative, management and operational analysis, careful decision making.

Clan culture
Focuses on relationships, team building, commitment, empowering human development, engagement, mentoring, and coaching.

Internal dimensions of organizations
How an organization's culture affects and influences its strategy.

Competing Values Framework
Developed by Kim Cameron and Robert Quinn this model is used for diagnosing an organization's cultural effectiveness and examining its fit with its environment.

Summary of Learning Outcomes

15.1 The Organization's External Environment

1. Define the external environment of organizations

Organizations must react and adapt to many forces in their internal and external environments. The context of the firms such as size and geographic location impact how environmental forces affect each organization differently. An understanding of the forces and they currently affecting organizations and pressuring structural change is crucial.

15.2 External Environments and Industries

2. Identify contemporary external forces pressuring organizations

An understanding of the various industries and organizations 'fit' with different types of environment in crucial. There are small and large organizations that face environments that are either stable of unstable and managing the organization by recognizing their environment is a crucial skill.

15.3 Organizational Designs and Structures

3. Identify different types of organizational structures, and their strengths and weaknesses

An understanding of Mechanistic vs Organic Structures and Systems and how they differ and how these major concepts help classify different organizational structures is crucial to recognizing organizational structures. Finally, the issue of organizational complexity and its impact on organizational structure needs to be understood.

You should be able to discuss the evolution of different types of Organizational Structures. You should understand and identify the six types of organizational structures, and the advantages and disadvantages of each: Functional, Divisional, Matrix, Geographic, Networked Team, and Virtual.

15.4 The Internal Organization and External Environments

4. Explain how organizations organize to meet external market threats and opportunities

You should understand and identify the six types of organizational structures, and the advantages and disadvantages of each structure:

- Functional
- Divisional
- Matrix
- Geographic
- Networked Team
- Virtual

You should also understand why the internal dimensions of an organization matter with regard to how it fits with its external environment.

15.5 Corporate Cultures

5. Identify the fit between organizational cultures and the external environment

You should be able to identify and differentiate between the four types of organizational cultures and the fit of each with the external environment and describe the CVF framework. Finally, you can identify the internal dimensions of organizations, the interconnection among the dimensions, and how these affect the 'fit' with external environments.

15.6 Organizing for Change in the 21st Century

6. Identify environmental trends, demands, and opportunities facing organizations.

Among the trends in the external environment: (1) persistent inequality and unfairness, (2) domestic and international political tensions, (3) environmental dangers, and (4) cyber vulnerabilities. Another trend is that organizations will no longer solely be judged only for their financial performance, or even the quality of their products or services. Rather, they will be evaluated on the basis of their impact on society at large—transforming them from business enterprises into social enterprises.

Chapter Review Questions

1. Explain how several current environmental forces are affecting and will affect organizations and organizational structures' effectiveness and efficiency in the near future?
2. What are ways to classify and describe how industries and organizations fit and do not fit with their external environments?
3. What are a few industries and/or organizations that are fitting well with their current environments? What are a few that are not? Why?
4. What are some major differences between organic and mechanistic organizational structures and systems?
5. Which organization would you work best in, an organically or mechanistically structured one, and why?
6. What are some advantages and disadvantages of functional structures?
7. Do you think it's true that every organization has a hidden functional structure in it? Explain your answer.
8. Why have functional structures been criticized for not accommodating new changes in the environment?
9. What are some advantages and disadvantages of divisional structures?
10. How is a product structure one type of a divisional structure? Explain.
11. What are some disadvantages in working in a matrix structure and why?
12. What advantages do matrix structures have compared to functional structures?
13. What advantages do geographic structures have compared to a functional structure?
14. What are issues that working in a networked team structure present?
15. In what ways is a virtual organization and structure different from the other ones discussed in the chapter?
16. What major trends discussed at the end of this chapter are different from previous external environments and the ways organizations were organized?
17. What purposes does an organization's culture serve when considering the external environment?
18. How does Figure 15.4.2 facilitate an understanding of how the internal organization functions with external environments?

Management Skills Application Exercises

1. You have just been assigned to lead a functionally structured organization. Explain what types of skills you would need to best perform this function.
2. What types of problems would you expect to have managing a divisionally structured organization? What skills would you need to excel in this undertaking?
3. If you were assigned to work in a matrix team structure, explain the issues and benefits you might expect to experience and why. What skills would help you in this function?
4. .You have just been assigned to work with a strategy team in an organization to predict issues and opportunities that might be expected for the next 2 years. Using this chapter, explain what information you would provide to this team?
5. Use Figure 15.5.1, "The Competing Values Framework," to identify the type of organizational culture at IKEA, Home Depot, and Best Buy.

Managerial Decision Exercises

1. You are a manager working in a functionally structured organization. A disgruntled employee is complaining about problems she is having in that structure. Outline a way you would find out more about her complaints with regard to her being in this type of structure and some ways to assist her.
2. You are a manager working in a networked team structured organization. A disgruntled employee is complaining about problems he is having in that structure. Outline a way you would find out more about his complaints with regard to his being in this type of structure and some ways to assist him.
3. You have been selected to lead a team to decide on a different type of structure in your organization to better serve customers who are complaining about poor service that is slow, impersonal, and not meeting their needs to be heard. Presently, the functional structure isn't working well. Outline some information from your knowledge using this chapter that would help the team in its assignment.
4. You witness a senior executive at your firm engaging in overly aggressive methods of pressuring employees to increase their sales quotas beyond reasonable means. You are in a networked team structure that is partly a matrix. You are uncertain about whom to discuss this issue with. What would you do?
5. As a new graduate, you have been hired to help a medium-sized company come into the 21st century. Products need revamping, people aren't sharing information, and customers are gradually leaving. The firm has a traditional top-down managed, vertical hierarchy. It is believed that the firm has very good potential to sell its products, but new markets may be needed. Outline an agenda you would work on to research and make suggestions with regard to this chapter's focus and

content.

Critical Thinking Case

Wells Fargo, Crisis and Scandal

The recent widespread scandal at Wells Fargo jolted and shocked the corporate world. How could such internal corrupt and outrageously illegal and unethical activities by professionals have occurred? Wells Fargo is “an American multinational financial services company headquartered in San Francisco, California” with offices nationwide and “the world’s second-largest bank by market capitalization and the third largest bank in the U.S. by total assets.” In September 2016 it was discovered that the company was continuing to create fake customer accounts to show positive financial activity and gains. 5,000 salespeople had created 2 million fake customer accounts to meet high-pressure internal sales goals, including a monthly report called the “Motivator.”

The out-of-control sales leadership pressured sales employees to meet unrealistic, outrageous sales targets. Dramatically unrealistic sales goals propelled by continuous pressure from management coerced employees to open accounts for customers who didn't want or need them. “Some Wells Fargo bankers impersonated their customers and used false email addresses like noname@wellsfargo.com, according to a 2015 lawsuit filed by the city of Los Angeles.”

The “abusive sales practices claimed in a lawsuit that Wells Fargo employees probably created 3.5 million bogus accounts” starting in May 2002. Wells Fargo is awaiting final approval to settle that case for $142 million. However, regulators and investigations found that the misconduct was far more “pervasive and persistent” than had been realized. “The bank’s culture of misconduct extended well beyond the original revelations.” For example, regulators found that the company was (1) “overcharging small businesses for credit card transactions by using a ‘deceptive’ 63-page contract to confuse them.” (2) The company also charged at least 570,000 customers for auto insurance they did not need. (3)The firm admitted that it found 20,000 customers who could have defaulted on their car loans from these bogus actions; (4) The company also had created over 3.5 million fake accounts attributed to customers who had no knowledge of such accounts.

Wells Fargo has had to testify before Congress over these charges, which have amounted to $185 million dollars, and more recently the company has been ordered by regulators to return $3.4 million to brokerage customers who were defrauded. The CEO and management team have been fired and had millions of dollars withheld from their pay.

In the aftermath of the scandal, even though Wells Fargo executives were not imprisoned for the extensive consumer abuses committed by the company, the CFPB (Consumer Financial Protection Bureau) and Office of the Comptroller of the Currency (OCC) imposed a $1 billion fine on Wells Fargo for consumer-related abuses regarding auto loan and mortgage products. The OCC also forced the company to allow regulators the authority to enforce several actions to prevent future abuses, such as and including “imposing business restrictions and making changes to executive officers or members of the bank’s board of directors.” The new president of the company, Tim Sloan, stated, “What we’re trying to do, as we make change in the company and make improvements, is not just fix a problem, but build a better bank, transform the bank for the future.”

Critical Thinking Questions

1. What happened at Wells Fargo with regard to past activities that led to this major scandal?
2. What internal dimensions of the company were part of the problems that occurred?
3. How might the organizational structure of the company have been part of the problems that occurred?
4. . Identify and use relevant concepts from this chapter as well as your own thoughts and analysis to diagnose the scandal at Wells Fargo. How could such a scandal have occurred in the first place? Who and what was at fault?
5. Suggest some solution paths the company might consider, using knowledge from this chapter and your own thoughts/research, to avoid such a scandal from reoccurring.

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