



LEARNING OBJECTIVES

After studying this chapter, you should be able to:

- 1 Define *group* and distinguish the different types of groups.
- 2 Identify the five stages of group development.
- 3 Show how role requirements change in different situations.
- 4 Demonstrate how norms and status exert influence on an individual's behavior.
- 5 Show how group size affects group performance.
- 6 Contrast the benefits and disadvantages of cohesive groups.
- 7 Understand the implications of diversity for group effectiveness.
- 8 Contrast the strengths and weaknesses of group decision making.
- 9 Compare the effectiveness of interacting, brainstorming, nominal, and electronic meeting groups.

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TO THE CLICKERS GO THE SPOILS

"Ability to function well in groups" is often near the top of employer lists of desired skills in new hires. New evidence suggests that being popular or able to "click" with colleagues is more important than we have realized.

Take Heather Moseley. When Heather started her job as an accounting associate, her cubicle was right outside the office of one of her organization's top managers, Kelly McVickers. McVickers mostly kept to herself, but that didn't deter Heather. Over the next few months, Heather struck up a friendship with Kelly and found out they both admired Stevie Wonder.

"I do an accountant's job, which is really administrative," said Heather. "Because of my relationship with Kelly, I now get invited to events, meetings, and conferences that I'd have no business going to as an accountant." Even though she is above Heather in the organization, Kelly finds her friendship with Heather pays benefits, too. "Knowing Heather, I find out what's on people's minds," Kelly said. "As supervisor this is crucial information."

What Heather did was find a way to click with Kelly. Research has emerged that shows other "clickers" have experiences similar to Heather's: they advance further and more quickly in their careers. That is the nature of groups—some people seem to have a natural ability to do well in groups, and they benefit as a result.

One study of health care administrators had employees list co-workers in terms of how popular they thought their co-workers were. Popularity of each worker was measured by summing how often each person was mentioned. Interestingly, not only did popular employees receive more help from their co-workers, they were also subject to less uncivil behaviors at work.

What do you have to do to be a "clicker" and be popular with others in a group? To some degree, it's personality. Those who are agreeable, have high core self-evaluations, and are self-monitors just click more readily in groups. Geographically, clickers also tend to be centrally located. One study of dorm locations found that each dorm room down from the center of the hall decreased popularity by 50 percent.

If you can't change your personality or your office, you might be able to do something else. Harvard researchers found that when someone asks others questions requiring more intimate self-revelation, respondents later feel closer to the person who asked the question. So, without becoming too personal, try to deepen conversations with others. Move beyond, "What did you do this weekend?"

Foundations of Group Behavior

9

*Madness is the exception in individuals
but the rule in groups.*

—Friedrich Nietzsche



Being popular in groups and “clicking” with others seems to be as important at work as in school. The more things change, the more they stay the same.

Sources: O. Brafman and R. Brafman, “To the Vulnerable Go the Spoils,” *Bloomberg Businessweek* (June 20, 2010), pp. 71–73; and B. A. Scott and T. A. Judge, “The Popularity Contest at Work: Who Wins, Why, and What Do They Receive?” *Journal of Applied Psychology* 94, no. 1 (2009), pp. 20–33.

Groups have their place—and their pitfalls. Before we discuss them, examine your own attitude toward working in groups. Take the following self-assessment and answer the accompanying questions.

The objectives of this chapter and Chapter 10 are to introduce you to basic group concepts, provide you with a foundation for understanding how groups work, and show you how to create effective teams. Let’s begin by defining *group* and explaining why people join groups.



Do I Have a Negative Attitude Toward Working in Groups?

In the Self-Assessment Library (available on CD or online), take assessment IV.E.1 (Do I Have a Negative Attitude Toward Working in Groups?) and answer the following questions.

1. Are you surprised by your results? If yes, why? If not, why not?
2. Do you think it is important to always have a positive attitude toward working in groups? Why or why not?

Defining and Classifying Groups

- 1 Define *group* and distinguish the different types of groups.

We define a **group** as two or more individuals, interacting and interdependent, who have come together to achieve particular objectives. Groups can be either formal or informal. By a **formal group**, we mean one defined by the organization’s structure, with designated work assignments establishing tasks. In formal groups, the behaviors team members should engage in are stipulated by and directed toward organizational goals. The six members of an airline flight crew are a formal group. In contrast, an **informal group** is neither formally structured nor organizationally determined. Informal groups are natural formations in the work environment that appear in response to the need for social contact. Three employees from different departments who regularly have lunch or coffee together are an informal group. These types of interactions among individuals, though informal, deeply affect their behavior and performance.

Why Do People Form Groups?

Why do people form groups, and why do they feel so strongly about them? Consider the celebrations that follow a sports team’s winning a national championship. Fans have staked their own self-image on the performance of someone else. The winner’s supporters are elated, and sales of team-related shirts, jackets, and hats declaring support for the team skyrocket. Fans of the losing team feel dejected, even embarrassed. Our tendency to take personal pride or offense for the accomplishments of a group is the territory of **social identity theory**.

The employees of the Swedish transportation company Scania shown here exercising at a sports complex comprise an informal group. At different company locations, Scania offers employees free access to sports facilities during working hours. The company puts a high priority on employee health and offers employees many opportunities to reinforce an active lifestyle. The informal groups that participate in sports and exercise activities are neither formally structured nor organizationally determined. However, informal groups like these can fulfill employee desires for social interaction at work.



Source: Soren andersson/Alp/Getty/Newscom.

Social identity theory proposes that people have emotional reactions to the failure or success of their group because their self-esteem gets tied into the group's performance.¹ When your group does well, you bask in reflected glory, and your own self-esteem rises. When your group does poorly, you might feel bad about yourself, or you might even reject that part of your identity, like "fair weather fans." Social identities also help people reduce uncertainty about who they are and what they should do.²

People develop a lot of identities through the course of their lives. You might define yourself in terms of the organization you work for, the city you live in, your profession, your religious background, your ethnicity, or your gender. A U.S. expatriate working in Rome might be very aware of being from the United States but won't give this national identity a second thought when transferring from Tulsa to Tucson.³

Social identities help us understand who we are and where we fit in with other people, but they can have a negative side as well. **Ingroup favoritism** means we see members of our ingroup as better than other people, and people not in our group as all the same. This obviously paves the way for stereotyping.

When do people develop a social identity? Several characteristics make a social identity important to a person:

- **Similarity.** Not surprisingly, people who have the same values or characteristics as other members of their organization have higher levels of group identification.⁴ Demographic similarity can also lead to stronger

group Two or more individuals, interacting and interdependent, who have come together to achieve particular objectives.

formal group A designated work group defined by an organization's structure.

informal group A group that is neither formally structured nor organizationally determined; such a group appears in response to the need for social contact.

social identity theory Perspective that considers when and why individuals consider themselves members of groups.

ingroup favoritism Perspective in which we see members of our ingroup as better than other people, and people not in our group as all the same.

Social identities help Bal Seal Engineering employees interact with co-workers. The company's Spanish-speaking employees gather at the home of a co-worker to participate in an English-as-a-second-language program. Bal Seal, which buys the training materials for the program, reports that it has improved the company's communications, cooperation among fellow workers, and customer service. As social identity theory proposes, program graduates identify with the high performance of a winning team. As a result, graduates who ruled out the option of going back to school are motivated to continue their education by enrolling in GED, community college, and citizenship classes.



Source: O44/Zuma Press/Newscom.

identification for new hires, while those who are demographically different may have a hard time identifying with the group as a whole.⁵

- Distinctiveness.** People are more likely to notice identities that show how they are different from other groups. Respondents in one study identified more strongly with those in their work group with whom they shared uncommon or rare demographic characteristics.⁶ For example, veterinarians who work in veterinary medicine (where everyone is a veterinarian) identify with their organization, and veterinarians in nonveterinary medicine fields such as animal research or food inspection (where being a veterinarian is a more distinctive characteristic) identify with their profession.⁷
- Status.** Because people use identities to define themselves and increase self-esteem, it makes sense that they are most interested in linking themselves to high-status groups. Graduates of prestigious universities will go out of their way to emphasize their links to their alma maters and are also more likely to make donations.⁸ People are likely to not identify with a low-status organization and will be more likely to quit in order to leave that identity behind.⁹
- Uncertainty reduction.** Membership in a group also helps some people understand who they are and how they fit into the world.¹⁰ One study showed how the creation of a spin-off company created questions about how employees should develop a unique identity that corresponded more closely to what the division was becoming.¹¹ Managers worked to define and communicate an idealized identity for the new organization when it became clear employees were confused.

Stages of Group Development

2 Identify the five stages of group development.

Groups generally pass through a predictable sequence in their evolution. Although not all groups follow this five-stage model,¹² it is a useful framework for understanding group development. In this section, we describe the five-stage model and an alternative for temporary groups with deadlines.

The Five-Stage Model

As shown in Exhibit 9-1, the **five-stage group-development model** characterizes groups as proceeding through the distinct stages of forming, storming, norming, performing, and adjourning.¹³

The first stage, **forming stage**, is characterized by a great deal of uncertainty about the group's purpose, structure, and leadership. Members "test the waters" to determine what types of behaviors are acceptable. This stage is complete when members have begun to think of themselves as part of a group.

The **storming stage** is one of intragroup conflict. Members accept the existence of the group but resist the constraints it imposes on individuality. There is conflict over who will control the group. When this stage is complete, there will be a relatively clear hierarchy of leadership within the group.

In the third stage, close relationships develop and the group demonstrates cohesiveness. There is now a strong sense of group identity and camaraderie. This **norming stage** is complete when the group structure solidifies and the group has assimilated a common set of expectations of what defines correct member behavior.

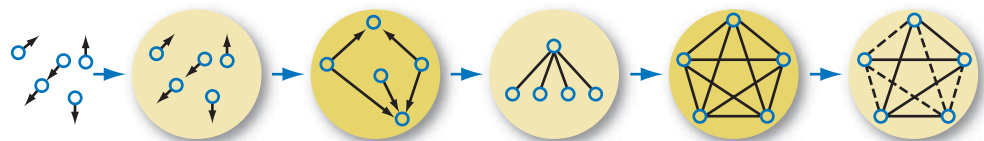
The fourth stage is **performing**. The structure at this point is fully functional and accepted. Group energy has moved from getting to know and understand each other to performing the task at hand.

For permanent work groups, performing is the last stage in development. However, for temporary committees, teams, task forces, and similar groups that have a limited task to perform, the **adjourning stage** is for wrapping up activities and preparing to disband. Some group members are upbeat, basking in the group's accomplishments. Others may be depressed over the loss of camaraderie and friendships gained during the work group's life.

Many interpreters of the five-stage model have assumed a group becomes more effective as it progresses through the first four stages. Although this may be generally true, what makes a group effective is actually more complex.¹⁴ First, groups proceed through the stages of group development at different rates. Those with a strong sense of purpose and strategy rapidly achieve high performance and improve over time, whereas those with less sense of purpose actually see their performance worsen over time. Similarly, groups that begin with a positive social focus appear to achieve the "performing" stage more

Exhibit 9-1

Stages of Group Development



five-stage group-development model The five distinct stages groups go through: forming, storming, norming, performing, and adjourning.

forming stage The first stage in group development, characterized by much uncertainty.

storming stage The second stage in group development, characterized by intragroup conflict.

norming stage The third stage in group development, characterized by close relationships and cohesiveness.

performing stage The fourth stage in group development, during which the group is fully functional.

adjourning stage The final stage in group development for temporary groups, characterized by concern with wrapping up activities rather than task performance.

rapidly. Nor do groups always proceed clearly from one stage to the next. Storming and performing can occur simultaneously, and groups can even regress to previous stages.

An Alternative Model for Temporary Groups with Deadlines

Temporary groups with deadlines don't seem to follow the usual five-stage model. Studies indicate they have their own unique sequencing of actions (or inaction): (1) their first meeting sets the group's direction, (2) this first phase of group activity is one of inertia, (3) a transition takes place exactly when the group has used up half its allotted time, (4) this transition initiates major changes, (5) a second phase of inertia follows the transition, and (6) the group's last meeting is characterized by markedly accelerated activity.¹⁵ This pattern, called the **punctuated-equilibrium model**, is shown in Exhibit 9-2.

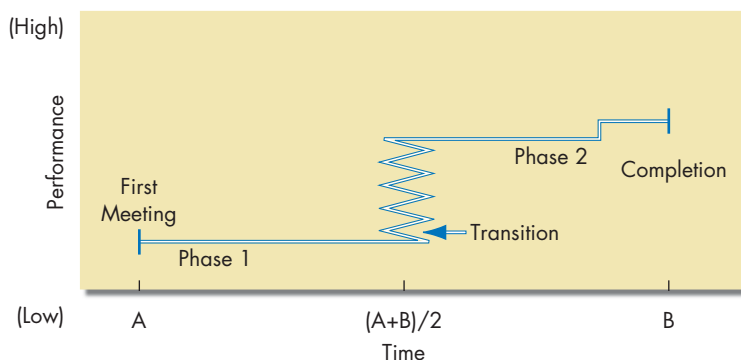
The first meeting sets the group's direction, and then a framework of behavioral patterns and assumptions through which the group will approach its project emerges, sometimes in the first few seconds of the group's existence. Once set, the group's direction is solidified and is unlikely to be reexamined throughout the first half of its life. This is a period of inertia—the group tends to stand still or become locked into a fixed course of action even if it gains new insights that challenge initial patterns and assumptions.

One of the most interesting discoveries¹⁶ was that each group experienced its transition precisely halfway between its first meeting and its official deadline—whether members spent an hour on their project or 6 months. The midpoint appears to work like an alarm clock, heightening members' awareness that their time is limited and they need to get moving. This transition ends phase 1 and is characterized by a concentrated burst of changes, dropping of old patterns, and adoption of new perspectives. The transition sets a revised direction for phase 2, a new equilibrium or period of inertia in which the group executes plans created during the transition period.

The group's last meeting is characterized by a final burst of activity to finish its work. In summary, the punctuated-equilibrium model characterizes groups as exhibiting long periods of inertia interspersed with brief revolutionary changes triggered primarily by members' awareness of time and deadlines. Keep in mind, however, that this model doesn't apply to all groups. It's essentially limited to temporary task groups working under a time-constrained completion deadline.¹⁷

Exhibit 9-2

The Punctuated-Equilibrium Model



Group Properties: Roles, Norms, Status, Size, Cohesiveness, and Diversity

- 3 Show how role requirements change in different situations.

Work groups are not unorganized mobs; they have properties that shape members' behavior and help explain and predict individual behavior within the group as well as the performance of the group itself. Some of these properties are roles, norms, status, size, cohesiveness, and diversity.

Group Property 1: Roles

Shakespeare said, "All the world's a stage, and all the men and women merely players." Using the same metaphor, all group members are actors, each playing a **role**. By this term, we mean a set of expected behavior patterns attributed to someone occupying a given position in a social unit. Our understanding of role behavior would be dramatically simplified if each of us could choose one role and play it regularly and consistently. Instead, we are required to play a number of diverse roles, both on and off our jobs. As we'll see, one of the tasks in understanding behavior is grasping the role a person is currently playing.

Bill Patterson is a plant manager with EMM Industries, a large electrical equipment manufacturer in Phoenix. He fulfills a number of roles—EMM employee, member of middle management, electrical engineer, and primary company spokesperson in the community. Off the job, Bill Patterson finds himself in still more roles: husband, father, Catholic, tennis player, member of the Thunderbird Country Club, and president of his homeowners' association. Many of these roles are compatible; some create conflicts. How does Bill's religious commitment influence his managerial decisions regarding layoffs, expense account padding, and provision of accurate information to government agencies? A recent offer of promotion requires Bill to relocate, yet his family wants to stay in Phoenix. Can the role demands of his job be reconciled with the demands of his husband and father roles?

Like Bill Patterson, we are all required to play a number of roles, and our behavior varies with each. So different groups impose different role requirements on individuals.

Role Perception Our view of how we're supposed to act in a given situation is a **role perception**. We get role perceptions from stimuli all around us—for example, friends, books, films, television, as when we form an impression of the work of doctors from watching *Grey's Anatomy*. Of course, the primary reason apprenticeship programs exist in many trades and professions is to allow beginners to watch an expert so they can learn to act as they should.

punctuated-equilibrium model A set of phases that temporary groups go through that involves transitions between inertia and activity.

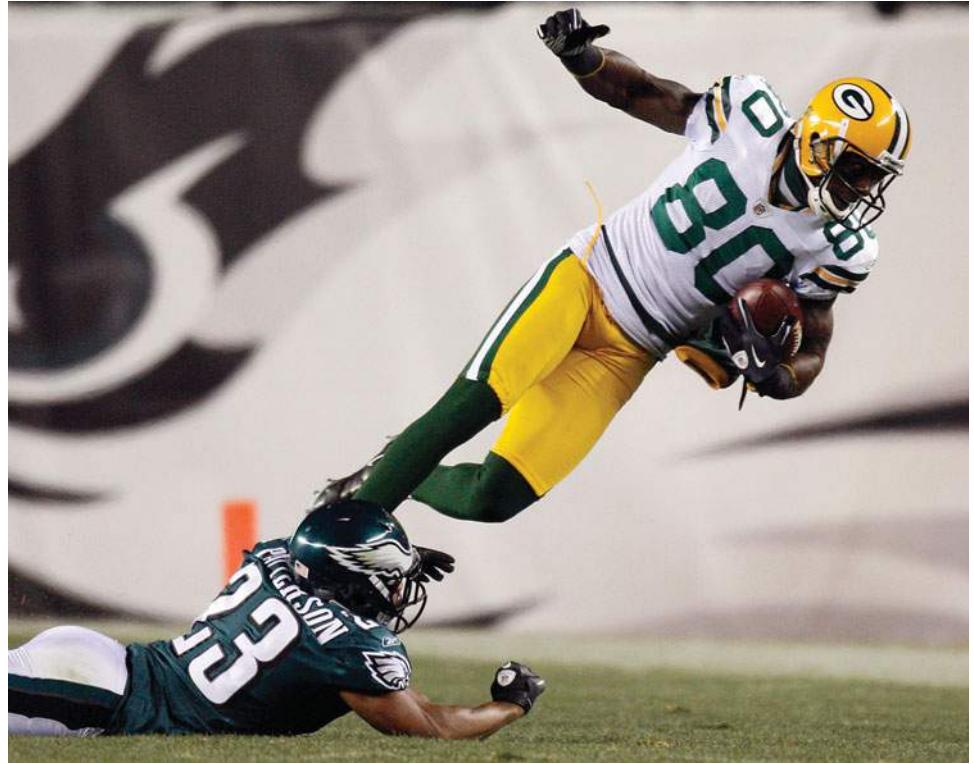
role A set of expected behavior patterns attributed to someone occupying a given position in a social unit.

role perception An individual's view of how he or she is supposed to act in a given situation.

Green Bay Packers football player Donald Driver plays a variety of roles. As a wide receiver for the Packers, his principal role is to catch passes from the quarterback and then run the ball downfield. Driver is also a husband, father, author of a children's books series, the host of a statewide TV show in Wisconsin called *Inside the Huddle*, and a volunteer for Children's Hospital of Wisconsin and Goodwill Industries.

Along with his wife, he created the Donald Driver Foundation that offers assistance to ill children with unmanageable hospital bills and provides housing for the homeless.

Each of these positions imposes different role requirements on Driver. This photo shows him diving for a first down in his role as a wide receiver.



Source: David Mallett/McGraw-Hill/Newscom.

Role Expectations **Role expectations** are the way others believe you should act in a given context. The role of a U.S. federal judge is viewed as having propriety and dignity, while a football coach is seen as aggressive, dynamic, and inspiring to his players.

In the workplace, we look at role expectations through the perspective of the **psychological contract**: an unwritten agreement that exists between employees and employer. This agreement sets out mutual expectations: what management expects from workers and vice versa.¹⁸ Management is expected to treat employees justly, provide acceptable working conditions, clearly communicate what is a fair day's work, and give feedback on how well an employee is doing. Employees are expected to respond by demonstrating a good attitude, following directions, and showing loyalty to the organization.

What happens if management is derelict in keeping its part of the bargain? We can expect negative effects on employee performance and satisfaction. One study among restaurant managers found that psychological contract violations were related to greater intentions to quit the job, while another study of a variety of different industries found they were associated with lower levels of productivity, higher levels of theft, and greater work withdrawal.¹⁹

Role Conflict When compliance with one role requirement may make it difficult to comply with another, the result is **role conflict**.²⁰ At the extreme, two or more role expectations are mutually contradictory.

Bill Patterson had to deal with role conflicts, such as his attempt to reconcile the expectations placed on him as a husband and father with those placed on him as an executive with EMM Industries. Bill's wife and children want to remain in Phoenix, while EMM expects its employees to be responsive to the company's needs and requirements. Although it might be in Bill's financial and career interests to accept a relocation, the conflict comes down to choosing

between family and career role expectations. Indeed, a great deal of research demonstrates that conflict between the work and family roles is one of the most significant sources of stress for most employees.²¹

Most employees are simultaneously in occupations, work groups, divisions, and demographic groups, and these different identities can come into conflict when the expectations of one clash with the expectations of another.²² During mergers and acquisitions, employees can be torn between their identities as members of their original organization and of the new parent company.²³ Organizations structured around multinational operations also have been shown to lead to dual identification, with employees distinguishing between the local division and the international organization.²⁴

Zimbardo's Prison Experiment One of the most illuminating role and identity experiments was done a number of years ago by Stanford University psychologist Philip Zimbardo and his associates.²⁵ They created a "prison" in the basement of the Stanford psychology building; hired at \$15 a day two dozen emotionally stable, physically healthy, law-abiding students who scored "normal average" on extensive personality tests; randomly assigned them the role of either "guard" or "prisoner"; and established some basic rules.

It took the "prisoners" little time to accept the authority positions of the "guards" or for the mock guards to adjust to their new authority roles. Consistent with social identity theory, the guards came to see the prisoners as a negative outgroup, and their comments to researchers showed they had developed stereotypes about the "typical" prisoner personality type. After the guards crushed a rebellion attempt on the second day, the prisoners became increasingly passive. Whatever the guards "dished out," the prisoners took. The prisoners actually began to believe and act as if they were inferior and powerless, as the guards constantly reminded them. And every guard, at some time during the simulation, engaged in abusive, authoritative behavior. One said, "I was surprised at myself. . . . I made them call each other names and clean the toilets out with their bare hands. I practically considered the prisoners cattle, and I kept thinking: 'I have to watch out for them in case they try something.'" Surprisingly, during the entire experiment—even after days of abuse—not one prisoner said, "Stop this. I'm a student like you. This is just an experiment!"

The simulation actually proved *too successful* in demonstrating how quickly individuals learn new roles. The researchers had to stop it after only 6 days because of the participants' pathological reactions. And remember, these were individuals chosen precisely for their normalcy and emotional stability.

What can we conclude from this prison simulation? Like the rest of us, the participants had learned stereotyped conceptions of guard and prisoner roles from the mass media and their own personal experiences in power and powerlessness relationships gained at home (parent–child), in school (teacher–student), and in other situations. This background allowed them easily and rapidly to assume roles very different from their inherent personalities and, with no prior personality pathology or training in the parts they were playing, execute extreme forms of behavior consistent with those roles.

A follow-up reality television show conducted by the BBC that used a lower-fidelity simulated prison setting provides some insights into these results.²⁶ The

role expectations How others believe a person should act in a given situation.

psychological contract An unwritten agreement that sets out what management expects from an employee and vice versa.

role conflict A situation in which an individual is confronted by divergent role expectations.

results were dramatically different from those of the Stanford experiment. The “guards” were far more careful in their behavior and limited the aggressive treatment of “prisoners.” They often described their concerns about how their actions might be perceived. In short, they did not fully take on their roles, possibly because they knew their behavior was being observed by millions of viewers. As shared identity increased among “prisoners,” they provided higher levels of social support to one another, and an egalitarian system developed between them and the guards. Philip Zimbardo has contended that the BBC study is not a replication of his study for several reasons, but he acknowledges the results demonstrate how both guards and prisoners act differently when closely monitored. These results suggest abuse of roles can be limited when people are made conscious of their behavior.



Do I Trust Others?

In the Self-Assessment Library (available on CD or online), take assessment II.B.3 (Do I Trust Others?). You can also check out assessment II.B.4 (Do Others See Me as Trusting?).

- 4** Demonstrate how norms and status exert influence on an individual's behavior.

Group Property 2: Norms

Did you ever notice that golfers don't speak while their partners are putting on the green or that employees don't criticize their bosses in public? Why not? The answer is norms.

All groups have established **norms**—acceptable standards of behavior shared by their members that express what they ought and ought not to do under certain circumstances. When agreed to and accepted by the group, norms influence members' behavior with a minimum of external controls. Different groups, communities, and societies have different norms, but they all have them.²⁷

Norms can cover virtually any aspect of group behavior.²⁸ Probably the most common is a *performance norm*, providing explicit cues about how hard members should work, what the level of output should be, how to get the job done, what level of tardiness is appropriate, and the like. These norms are extremely powerful and are capable of significantly modifying a performance prediction based solely on ability and level of personal motivation. Other norms include *appearance norms* (dress codes, unspoken rules about when to look busy), *social arrangement norms* (with whom to eat lunch, whether to form friendships on and off the job), and *resource allocation norms* (assignment of difficult jobs, distribution of resources like pay or equipment).

The Hawthorne Studies Full-scale appreciation of the influence of norms on worker behavior did not occur until the early 1930s, following studies undertaken between 1924 and 1932 at the Western Electric Company's Hawthorne Works in Chicago.²⁹

The Hawthorne researchers began by examining the relationship between the physical environment and productivity. As they increased the light level for the experimental group of workers, output rose for that unit and the control group. But to their surprise, as they dropped the light level in the experimental group, productivity continued to increase in both groups. In fact, productivity in the experimental group decreased only when the light intensity had been reduced to that of moonlight.

As a follow-up, the researchers began a second set of experiments at Western Electric. A small group of women assembling telephone relays was isolated from the main work group so their behavior could be more carefully observed. Observations covering a multiyear period found this small group's

From the Hawthorne Studies, researchers gained valuable insights into how individual behavior is influenced by group norms. They observed that a group of workers determined the level of fair output and established norms for individual work rates that conformed to the output. To enforce the group norms, workers used sarcasm, ridicule, and even physical force to influence individual behaviors that were not acceptable to the group.

Researchers also learned that money was less a factor in determining worker output than were group standards, sentiments, and security.



Source: Hawthorne Works Factory of Morton College.

output increased steadily. The number of personal and out-sick absences was approximately one-third that recorded by women in the regular production department. It became evident this group's performance was significantly influenced by its status as "special." The members thought being in the experimental group was fun, that they were in an elite group, and that management showed concern about their interests by engaging in such experimentation. In essence, workers in both the illumination and assembly-test-room experiments were really reacting to the increased attention they received.

A third study, in the bank wiring observation room, was introduced to study the effect of a sophisticated wage incentive plan. The most important finding was that employees did not individually maximize their outputs. Rather, their output became controlled by a group norm that determined what was a proper day's work. Interviews determined the group was operating well below its capability and was leveling output to protect itself. Members were afraid that if they significantly increased their output, the unit incentive rate would be cut, the expected daily output would be increased, layoffs might occur, or slower workers would be reprimanded. So the group established its idea of a fair output—neither too much nor too little. Members helped each other ensure their reports were nearly level.

The norms the group established included a number of "don'ts." *Don't* be a rate-buster, turning out too much work. *Don't* be a chiseler, turning out too little work. *Don't* squeal on any of your peers. How did the group enforce these norms? The methods included sarcasm, name-calling, ridicule, and even punches to the upper arm of any member who violated the group's norms. Members also ostracized individuals whose behavior was against the group's interest.

norms Acceptable standards of behavior within a group that are shared by the group's members.

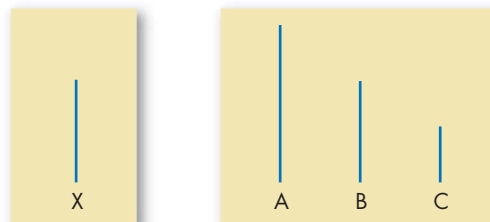
Conformity As a member of a group, you desire acceptance by the group. Thus you are susceptible to conforming to the group's norms. Considerable evidence suggests that groups can place strong pressures on individual members to change their attitudes and behaviors to conform to the group's standard.³⁰ There are numerous reasons for conformity, with recent research highlighting the importance of a desire to form accurate perceptions of reality based on group consensus, to develop meaningful social relationships with others, and to maintain a favorable self-concept.

The impact that group pressures for **conformity** can have on an individual member's judgment was demonstrated in now-classic studies by Solomon Asch.³¹ Asch made up groups of seven or eight people who were asked to compare two cards held by the experimenter. One card had one line, and the other had three lines of varying length, one of which was identical to the line on the one-line card, as Exhibit 9-3 shows. The difference in line length was quite obvious; in fact, under ordinary conditions, subjects made fewer than 1 percent errors in announcing aloud which of the three lines matched the single line. But what happens if members of the group begin giving incorrect answers? Will pressure to conform cause an unsuspecting subject (USS) to alter an answer? Asch arranged the group so only the USS was unaware the experiment was rigged. The seating was prearranged so the USS was one of the last to announce a decision.

The experiment began with several sets of matching exercises. All the subjects gave the right answers. On the third set, however, the first subject gave an obviously wrong answer—for example, saying “C” in Exhibit 9-3. The next subject gave the same wrong answer, and so did the others. Now the dilemma confronting the USS was this: publicly state a perception that differs from the announced position of the others in the group, or give an incorrect answer in order to agree with the others.

The results over many experiments and trials showed 75 percent of subjects gave at least one answer that conformed—that they knew was wrong but was consistent with the replies of other group members—and the average conformer gave wrong answers 37 percent of the time. What meaning can we draw from these results? They suggest group norms press us toward conformity. We desire to be one of the group and therefore avoid being visibly different.

This research was conducted more than 50 years ago. Has time altered the conclusions' validity? And should we consider them generalizable across cultures? Evidence indicates levels of conformity have steadily declined since Asch's studies in the early 1950s, and his findings *are* culture-bound.³² Conformity to social norms is higher in collectivist cultures, but it is still a powerful force in groups in individualistic countries.

Exhibit 9-3**Examples of Cards Used in Asch's Study**

Do individuals conform to the pressures of all the groups to which they belong? Obviously not, because people belong to many groups, and their norms vary and sometimes are contradictory. So what do people do? They conform to the important groups to which they belong or hope to belong. These important groups are **reference groups**, in which a person is aware of other members, defines himself or herself as a member or would like to be a member, and feels group members are significant to him or her. The implication, then, is that all groups do not impose equal conformity pressures on their members.

Deviant Workplace Behavior LeBron Hunt is frustrated by a co-worker who constantly spreads malicious and unsubstantiated rumors about him. Debra Hundley is tired of a member of her work team who, when confronted with a problem, takes out his frustration by yelling and screaming at her and other members. And Mi-Cha Kim recently quit her job as a dental hygienist after being constantly sexually harassed by her employer.

What do these three episodes have in common? They represent employees exposed to acts of deviant workplace behavior.³³ **Deviant workplace behavior** (also called *antisocial behavior* or *workplace incivility*) is voluntary behavior that violates significant organizational norms and, in doing so, threatens the well-being of the organization or its members. Exhibit 9-4 provides a typology of deviant workplace behaviors, with examples of each.

Few organizations will admit to creating or condoning conditions that encourage and maintain deviant norms. Yet they exist. Employees report an increase in rudeness and disregard toward others by bosses and co-workers in recent years. And nearly half of employees who have suffered this incivility say

Exhibit 9-4**Typology of Deviant Workplace Behavior**

Category	Examples
Production	Leaving early Intentionally working slowly Wasting resources
Property	Sabotage Lying about hours worked Stealing from the organization
Political	Showing favoritism Gossiping and spreading rumors Blaming co-workers
Personal aggression	Sexual harassment Verbal abuse Stealing from co-workers

Source: Based on S. L. Robinson and R. J. Bennett, "A Typology of Deviant Workplace Behaviors: A Multidimensional Scaling Study," *Academy of Management Journal*, April 1995, p. 565. Copyright 1995 by Academy of Management (NY); S. H. Appelbaum, G. D. Iaconi and A. Matousek, "Positive and Negative Deviant Workplace Behaviors: Causes, Impacts, and Solutions," *Corporate Governance* 7, no. 5 (2007), pp. 586–598; and R. W. Griffin, and A. O'Leary-Kelly, *The Dark Side of Organizational Behavior*. (Wiley, New York: 2004).

conformity The adjustment of one's behavior to align with the norms of the group.

reference groups Important groups to which individuals belong or hope to belong and with whose norms individuals are likely to conform.

deviant workplace behavior Voluntary behavior that violates significant organizational norms and, in so doing, threatens the well-being of the organization or its members. Also called *antisocial behavior* or *workplace incivility*.

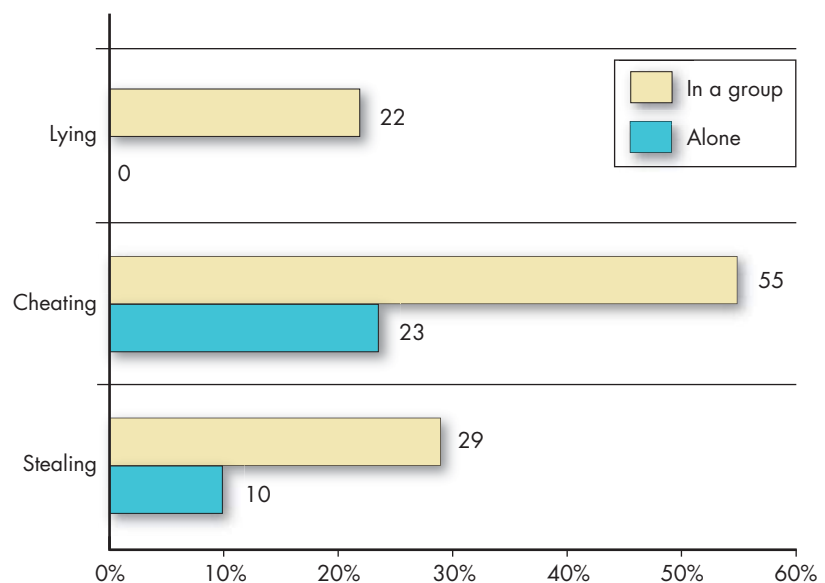
it has led them to think about changing jobs; 12 percent actually quit because of it.³⁴ A study of nearly 1,500 respondents found that in addition to increasing turnover intentions, incivility at work increased reports of psychological stress and physical illness.³⁵

Like norms in general, individual employees' antisocial actions are shaped by the group context within which they work. Evidence demonstrates deviant workplace behavior is likely to flourish where it's supported by group norms.³⁶ Workers who socialize either at or outside work with people who are frequently absent from work are more likely to be absent themselves.³⁷ What this means for managers is that when deviant workplace norms surface, employee cooperation, commitment, and motivation are likely to suffer.

What are the consequences of workplace deviance for teams? Some research suggests a chain reaction occurs in a group with high levels of dysfunctional behavior.³⁸ The process begins with negative behaviors like shirking, undermining co-workers, or being generally uncooperative. As a result of these behaviors, the team collectively starts to have negative moods. These negative moods then result in poor coordination of effort and lower levels of group performance, especially when there is a lot of nonverbal negative communication between members.

One study suggests those working in a group are more likely to lie, cheat, and steal than individuals working alone. As shown in Exhibit 9-5, in this study, no individual working alone lied, but 22 percent of those working in groups did. They also were more likely to cheat on a task (55 percent versus 23 percent of individuals working alone) and steal (29 percent compared to 10 percent working alone).³⁹ Groups provide a shield of anonymity, so someone who might ordinarily be afraid of getting caught can rely on the fact that other group members had the same opportunity, creating a false sense of confidence that may result in more aggressive behavior. Thus, deviant behavior depends on the accepted norms of the group—or even whether an individual is part of a group.⁴⁰

Exhibit 9-5 Groups and Deviant Behavior



Source: From "Lying, Cheating, Stealing: It Happens More in Groups" by A. Erez, H. Elms and E. Fong, paper presented at the European Business Ethics Network Annual Conference, Budapest, August 30, 2003. Reprinted by permission of the author.

Group Property 3: Status

Status **Status**—a socially defined position or rank given to groups or group members by others—permeates every society. Even the smallest group will develop roles, rights, and rituals to differentiate its members. Status is a significant motivator and has major behavioral consequences when individuals perceive a disparity between what they believe their status is and what others perceive it to be.

What Determines Status? According to **status characteristics theory**, status tends to derive from one of three sources:⁴¹

1. **The power a person wields over others.** Because they likely control the group's resources, people who control the outcomes tend to be perceived as high status.
2. **A person's ability to contribute to a group's goals.** People whose contributions are critical to the group's success tend to have high status. Some thought NBA star Kobe Bryant had more say over player decisions than his coaches (though not as much as Bryant wanted!).
3. **An individual's personal characteristics.** Someone whose personal characteristics are positively valued by the group (good looks, intelligence, money, or a friendly personality) typically has higher status than someone with fewer valued attributes.

Status and Norms Status has some interesting effects on the power of norms and pressures to conform. High-status individuals are often given more freedom to deviate from norms than are other group members.⁴² Physicians actively resist administrative decisions made by lower-ranking insurance company

Earning a brown apron as a winner in Starbucks' Ambassador Cup competitions is a symbol of high status.

The company holds Ambassador Cup contests throughout the world, with some contests regional and others countrywide, to determine which employees are the best coffee experts, or "ambassadors."

The competitions involve making coffee drinks, identifying coffees in blind taste tests, and testing contestants' knowledge about Starbucks and different aspects of the coffee industry such as growing regions, roasting, purchasing, and fair trade practices. Winning a brown apron signifies achieving the highest level of coffee knowledge. This photo shows coffee ambassadors who won brown aprons during a competition at Starbucks' headquarters.



Source: Erika Schultz/MCT/Newscom.

status A socially defined position or rank given to groups or group members by others.

status characteristics theory A theory that states that differences in status characteristics create status hierarchies within groups.

employees.⁴³ High-status people are also better able to resist conformity pressures than their lower-status peers. An individual who is highly valued by a group but doesn't need or care about the group's social rewards is particularly able to disregard conformity norms.⁴⁴

These findings explain why many star athletes, celebrities, top-performing salespeople, and outstanding academics seem oblivious to appearance and social norms that constrain their peers. As high-status individuals, they're given a wider range of discretion as long as their activities aren't severely detrimental to group goal achievement.⁴⁵

Status and Group Interaction High-status people tend to be more assertive group members.⁴⁶ They speak out more often, criticize more, state more commands, and interrupt others more often. But status differences actually inhibit diversity of ideas and creativity in groups, because lower-status members tend to participate less actively in group discussions. When they possess expertise and insights that could aid the group, failure to fully utilize them reduces the group's overall performance.

Status Inequity It is important for group members to believe the status hierarchy is equitable. Perceived inequity creates disequilibrium, which inspires various types of corrective behavior. Hierarchical groups can lead to resentment among those at the lower end of the status continuum. Large differences in status within groups are also associated with poorer individual performance, lower health, and higher intentions to leave the group.⁴⁷

The concept of equity we presented in Chapter 6 applies to status. People expect rewards to be proportionate to costs incurred. If Dana and Anne are the two finalists for the head nurse position in a hospital, and Dana clearly has more seniority and better preparation, Anne will view the selection of Dana as equitable. However, if Anne is chosen because she is the daughter-in-law of the hospital director, Dana will believe an injustice has been committed.

Groups generally agree within themselves on status criteria; hence, there is usually high concurrence in group rankings of individuals. Managers who occupy central positions in their social networks are typically seen as higher in status by their subordinates, and this position translates into greater influence over the group's functioning.⁴⁸ However, individuals can find themselves in conflicts when they move between groups whose status criteria are different, or when they join groups whose members have heterogeneous backgrounds. Business executives may use personal income or the growth rate of their companies as determinants of status. Government bureaucrats may use the size of their budgets, and blue-collar workers years of seniority. When groups are heterogeneous or when heterogeneous groups must be interdependent, status differences may initiate conflict as the group attempts to reconcile the differing hierarchies. As we'll see in Chapter 10, this can be a problem when management creates teams of employees from varied functions.

Do cultural differences affect status and the criteria that create it? The answer is a resounding "yes."⁴⁹ The French are highly status conscious. Latin Americans and Asians derive status from family position and formal roles in organizations. In the United States and Australia, status is more often conferred for accomplishments.⁵⁰

Group Property 4: Size

5 Show how group size affects group performance.

Does the size of a group affect the group's overall behavior? Yes, but the effect depends on what dependent variables we look at. Smaller groups are faster at completing tasks than larger ones, and individuals perform better in smaller

groups.⁵¹ However, in problem solving, large groups consistently get better marks than their smaller counterparts.⁵² Translating these results into specific numbers is a bit more hazardous, but groups with a dozen or more members are good for gaining diverse input. So if the goal is fact-finding, larger groups should be more effective. Smaller groups of about seven members are better at doing something productive with that input.

One of the most important findings about the size of a group concerns **social loafing**, the tendency for individuals to expend less effort when working collectively than alone.⁵³ It directly challenges the assumption that the productivity of the group as a whole should at least equal the sum of the productivity of the individuals in it.

Does team spirit spur individual effort and enhance the group's overall productivity? In the late 1920s, German psychologist Max Ringelmann compared the results of individual and group performance on a rope-pulling task.⁵⁴ He expected that three people pulling together should exert three times as much pull on the rope as one person, and eight people eight times as much. But one person pulling on a rope alone exerted an average of 63 kilograms of force. In groups of three, the per-person force dropped to 53 kilograms. And in groups of eight, it fell to only 31 kilograms per person.

Replications of Ringelmann's research with similar tasks have generally supported his findings.⁵⁵ Group performance increases with group size, but the addition of new members has diminishing returns on productivity. So more may be better in that total productivity of a group of four is greater than that of three, but the individual productivity of each member declines.

What causes social loafing? It may be a belief that others in the group are not carrying their fair share. If you see others as lazy or inept, you can reestablish equity by reducing your effort. Another explanation is the dispersion of responsibility. Because group results cannot be attributed to any single person, the relationship between an individual's input and the group's output is clouded. Individuals may then be tempted to become free riders and coast on the group's efforts. The implications for OB are significant. When managers use collective work situations to enhance morale and teamwork, they must also be able to identify individual efforts. Otherwise, they must weigh the potential losses in productivity from using groups against the possible gains in worker satisfaction.⁵⁶

Social loafing appears to have a Western bias. It's consistent with individualistic cultures, such as the United States and Canada, that are dominated by self-interest. It is *not* consistent with collective societies, in which individuals are motivated by in-group goals. In studies comparing U.S. employees with employees from the People's Republic of China and Israel (both collectivist societies), the Chinese and Israelis showed no propensity to engage in social loafing and actually performed better in a group than alone.

There are several ways to prevent social loafing: (1) Set group goals, so the group has a common purpose to strive toward; (2) increase intergroup competition, which again focuses on the shared outcome; (3) engage in peer evaluation so each person evaluates each other person's contribution; (4) select members who have high motivation and prefer to work in groups, and (5) if possible, base group rewards in part on each member's unique contributions.⁵⁷ Although no magic bullet will prevent social loafing in all cases, these steps should help minimize its effect.

social loafing *The tendency for individuals to expend less effort when working collectively than when working individually.*

Social loafing is the tendency for individuals to put forth less of an effort when working in a group than when working alone. Studies indicate that the employees shown here producing Spice handsets at a factory in China do not show any propensity to engage in social loafing. In collectivist societies such as China and Israel, employees actually prefer working in a group and are motivated by in-group goals. But in individualistic societies such as the United States and Canada that are dominated by self-interest, social loafing is more likely.



Source: Sir/ Stringer/ Getty Images.

- 6 Contrast the benefits and disadvantages of cohesive groups.

Group Property 5: Cohesiveness

Groups differ in their **cohesiveness**—the degree to which members are attracted to each other and motivated to stay in the group. Some work groups are cohesive because the members have spent a great deal of time together, or the group's small size facilitates high interaction, or external threats have brought members close together.

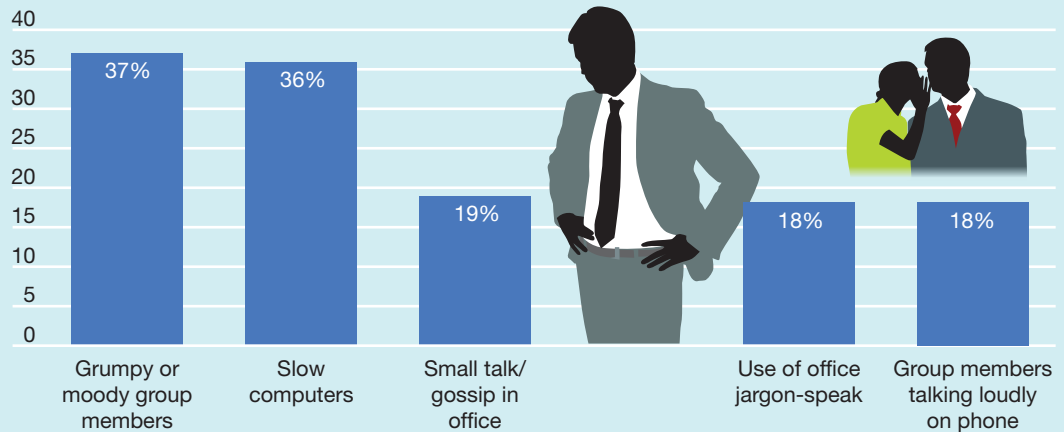
Cohesiveness affects group productivity.⁵⁸ Studies consistently show that the relationship between cohesiveness and productivity depends on the group's performance-related norms.⁵⁹ If norms for quality, output, and cooperation with outsiders, for instance, are high, a cohesive group will be more productive than will a less cohesive group. But if cohesiveness is high and performance norms are low, productivity will be low. If cohesiveness is low and performance norms are high, productivity increases, but less than in the high-cohesiveness/high-norms situation. When cohesiveness and performance-related norms are both low, productivity tends to fall into the low-to-moderate range. These conclusions are summarized in Exhibit 9-6.

What can you do to encourage group cohesiveness? (1) Make the group smaller, (2) encourage agreement with group goals, (3) increase the time members spend together, (4) increase the group's status and the perceived difficulty of attaining membership, (5) stimulate competition with other groups, (6) give rewards to the group rather than to individual members, and (7) physically isolate the group.⁶⁰

Group Property 6: Diversity

The final property of groups we consider is **diversity** in the group's membership, the degree to which members of the group are similar to, or different from, one another. A great deal of research is being done on how diversity influences group performance. Some looks at cultural diversity and some at racial, gender, and other differences. Overall, studies identify both benefits and costs from group diversity.

Diversity appears to increase group conflict, especially in the early stages of a group's tenure, which often lowers group morale and raises dropout rates. One study compared groups that were culturally diverse (composed of people from different countries) and homogeneous (composed of people from the

OB Poll**Working with Others Is Often Irritating****What causes annoyance and stress when working in groups?**

National sample of 1,836 adults working in an office in the United Kingdom.

Source: "The Office--An Annoying Workplace," Opinion Research LLP (February 24, 2010), downloaded May 26, 2011 from <http://news.opinium.co.uk>. Reprinted with permission from The Gallup Organization.

Exhibit 9-6**Relationship Between Group Cohesiveness, Performance Norms, and Productivity**

		Cohesiveness	
		High	Low
Performance Norms	High	High productivity	Moderate productivity
	Low	Low productivity	Moderate to low productivity

same country). On a wilderness survival exercise (not unlike the Experiential Exercise at the end of this chapter), the groups performed equally well, but the diverse groups were less satisfied with their groups, were less cohesive, and had more conflict.⁶¹ Another study examined the effect of differences in tenure on the performance of 67 engineering research and development groups.⁶² When most people had roughly the same level of tenure, performance was high, but as tenure diversity increased, performance dropped off. There was an important qualifier: higher levels of tenure diversity were not related to lower performance for groups when there were effective team-oriented human resources practices. Teams in which members' values or opinions differ tend

cohesiveness The degree to which group members are attracted to each other and are motivated to stay in the group.

diversity The extent to which members of a group are similar to, or different from, one another.

to experience more conflict, but leaders who can get the group to focus on the task at hand and encourage group learning are able to reduce these conflicts and enhance discussion of group issues.⁶³ It seems diversity can be bad for performance even in creative teams, but appropriate organizational support and leadership might offset these problems.

However, culturally and demographically diverse groups may perform better over time—if they can get over their initial conflicts. Why might this be so?

Surface-level diversity—in observable characteristics such as national origin, race, and gender—alerts people to possible deep-level diversity—in underlying attitudes, values, and opinions. One researcher argues, “The mere presence of diversity you can see, such as a person’s race or gender, actually cues a team that there’s likely to be differences of opinion.”⁶⁴ Although those differences can lead to conflict, they also provide an opportunity to solve problems in unique ways.

One study of jury behavior found diverse juries more likely to deliberate longer, share more information, and make fewer factual errors when discussing evidence. Two studies of MBA student groups found surface-level diversity led to greater openness even without deep-level diversity. Here, surface-level diversity may subconsciously cue team members to be more open-minded in their views.⁶⁵

The impact of diversity on groups is mixed. It is difficult to be in a diverse group in the short term. However, if members can weather their differences, over time diversity may help them be more open-minded and creative and to do better. But even positive effects are unlikely to be especially strong. As one review stated, “The business case (in terms of demonstrable financial results) for diversity remains hard to support based on the extant research.”⁶⁶

Group Decision Making

7 Understand the implications of diversity for group effectiveness.

The belief—characterized by juries—that two heads are better than one has long been accepted as a basic component of the U.S. legal system and those of many other countries. Today, many decisions in organizations are made by groups, teams, or committees.⁶⁷

Groups versus the Individual

Decision-making groups may be widely used in organizations, but are group decisions preferable to those made by an individual alone? The answer depends on a number of factors. Let’s begin by looking at the strengths and weaknesses of group decision making.⁶⁸

Strengths of Group Decision Making Groups generate *more complete information and knowledge*. By aggregating the resources of several individuals, groups bring more input as well as heterogeneity into the decision process. They offer *increased diversity of views*. This opens up the opportunity to consider more approaches and alternatives. Finally, groups lead to increased *acceptance of a solution*. Group members who participated in making a decision are more likely to enthusiastically support and encourage others to accept it.

Weaknesses of Group Decision Making Group decisions are time consuming because groups typically take more time to reach a solution. There are *conformity pressures*. The desire by group members to be accepted and considered an asset to the group can squash any overt disagreement. Group discussion can be *dominated*

Forming International Teams in a Virtual World

As more organizations become global entities, the need for work groups that can collaborate across national boundaries grows. Advances in technology that have accompanied globalization lead us to a new type of working relationship: *global virtual teams*. These are groups of individuals working together across national boundaries through electronic communication media. Engineers in Germany might communicate with production teams in China to produce components for assembly and marketing by team members in Canada. Although some global teams occasionally meet in person, geographically dispersed managers often must collaborate virtually.

Virtual global teams have certain liabilities. Traditional teams offer multiple opportunities to work closely with

colleagues and develop close personal relationships that can facilitate performance. To be effective, virtual teams need to facilitate these relationships despite numerous barriers. It's easy to misinterpret messages without cues like facial expression and tone of voice. These problems can be even more pronounced among individuals with different cultural backgrounds.

So how can virtual global teams be more effective? Alcoa found it was important to develop regular meeting routines to facilitate collaboration. Groups were also encouraged to review the progress of their own and other teams to identify "best practices" that worked in a variety of situations. Not surprisingly, higher levels of communication and cohesion among members of global virtual teams are associated with shared performance goals, which

in turn lead to higher performance. More surprisingly, leaders' efforts to build personal, inspirational relationships can help even teams that don't meet face to face.

Although global virtual teams face many challenges, companies that implement them effectively can realize tremendous rewards through the diverse knowledge they gain.

Sources: Based on A. Joshi, M. B. Lazarova, and H. Liao, "Getting Everyone on Board: The Role of Inspirational Leadership in Geographically Dispersed Teams," *Organization Science* 20, no. 1 (2009), pp. 240–252; J. Cordery, C. Soo, B. Kirkman, B. Rosen, and J. Mathieu, "Leading Parallel Global Virtual Teams: Lessons from Alcoa," *Organizational Dynamics* 38, no. 3 (2009), pp. 204–216; and R. L. Algesheimer, U. M. Dholakia, and C. Gurau, "Virtual Team Performance in a Highly Competitive Environment," *Group and Organization Management* 36, no. 2 (2011), pp. 161–190.

by one or a few members. If they're low- and medium-ability members, the group's overall effectiveness will suffer. Finally, group decisions suffer from *ambiguous responsibility*. In an individual decision, it's clear who is accountable for the final outcome. In a group decision, the responsibility of any single member is diluted.

Effectiveness and Efficiency Whether groups are more effective than individuals depends on how you define effectiveness. Group decisions are generally more *accurate* than the decisions of the average individual in a group, but less accurate than the judgments of the most accurate.⁶⁹ In terms of *speed*, individuals are superior. If *creativity* is important, groups tend to be more effective. And if effectiveness means the degree of *acceptance* the final solution achieves, the nod again goes to the group.⁷⁰

But we cannot consider effectiveness without also assessing efficiency. With few exceptions, group decision making consumes more work hours than an individual tackling the same problem alone. The exceptions tend to be the instances in which, to achieve comparable quantities of diverse input, the single decision maker must spend a great deal of time reviewing files and talking to other people. In deciding whether to use groups, then, managers must assess whether increases in effectiveness are more than enough to offset the reductions in efficiency.

Summary In summary, groups are an excellent vehicle for performing many steps in the decision-making process and offer both breadth and depth of input for information gathering. If group members have diverse backgrounds, the alternatives generated should be more extensive and the analysis more critical.

“Asians Have Less Ingroup Bias Than Americans”

This statement is true. But first let’s review what in-group bias means.

When they form groups, members characteristically exhibit an *ingroup bias*—they tend to favor members of their group regardless of whether they deserve it. Race, gender, and nationality are commonly investigated causes of ingroup bias. However, nearly any identity can activate ingroup bias, even when individuals are randomly assigned to groups and given a group identity (“lions,” “bears,” and so on).

Ingroup bias happens because when group identity is salient to people—which it often is—they tend to simplify; they see themselves as more similar to other group members, and less similar to outgroup members, than is really the case.

Recent research suggests that Asians exhibit less ingroup bias than

Americans. One study asked Chinese students at Peking University and U.S. students at University of California–Berkeley to describe the degree to which a set of 16 favorable–unfavorable characteristics (intelligent/foolish, loyal/undependable) described the family member they were closest to. Chinese students described their closest family members significantly less favorably than did the U.S. students. In another study, when Chinese and Americans were asked to evaluate cultural stereotypes of Chinese and Americans in general (intelligent, hard-working, leaderlike, and so on), Americans were more likely to favor their group than were the Chinese.

Why do Asians appear to demonstrate less ingroup bias? One likely explanation is that Asians score higher on *dialecticism*—the tendency to be more comfortable with contradiction

(yin and yang), change (nothing is permanent), and holism (everything has both good and bad). As one Chinese student noted, “If you ask me about Chinese politics, the culture, the people, I can go on for hours talking about everything that’s negative. But I still love that place.” This tendency may help Asians see both the good and bad sides of their own ingroups.

Sources: C. Ma-Kellams, J. Spencer-Rodgers, and K. Peng, “I Am Against Us? Unpacking Cultural Differences in Ingroup Favoritism Via Dialecticism,” *Personality and Social Psychology Bulletin* 37, no. 1 (2011), pp. 15–27; A. E. Giannakakis and I. Fritzsche, “Social Identities, Group Norms, and Threat: On the Malleability of Ingroup Bias,” *Personality and Social Psychology Bulletin* 37, no. 1 (2011), pp. 82–93; and T. E. DiDonato, J. Ullrich, and J. I. Krueger, “Social Perception as Induction and Inference: An Integrative Model of Intergroup Differentiation, Ingroup Favoritism, and Differential Accuracy,” *Journal of Personality and Social Psychology* 100, no. 1 (2011), pp. 66–83.

When the final solution is agreed on, there are more people in a group decision to support and implement it. These pluses, however, can be more than offset by the time consumed by group decisions, the internal conflicts they create, and the pressures they generate toward conformity. In some cases, therefore, we can expect individuals to make better decisions than groups.

Groupthink and Groupshift

Two by-products of group decision making have the potential to affect a group’s ability to appraise alternatives objectively and arrive at high-quality solutions.

The first, called **groupthink**, relates to norms. It describes situations in which group pressures for conformity deter the group from critically appraising unusual, minority, or unpopular views. Groupthink is a disease that attacks many groups and can dramatically hinder their performance. The second phenomenon is **groupshift**, which describes the way group members tend to exaggerate the initial positions they hold when discussing a given set of alternatives and arriving at a solution. In some situations, caution dominates and there is a conservative shift, while in other situations groups tend toward a risky shift. Let’s look at each phenomenon in detail.

Groupthink Have you ever felt like speaking up in a meeting, a classroom, or an informal group but decided against it? One reason may have been shyness. Or you may have been a victim of groupthink, which occurs when the norm for

consensus overrides the realistic appraisal of alternative courses and the full expression of deviant, minority, or unpopular views. The individual's mental efficiency, reality testing, and moral judgment deteriorate as a result of group pressures.⁷¹

We have all seen the symptoms of groupthink:

1. Group members rationalize any resistance to the assumptions they've made. No matter how strongly the evidence may contradict their basic assumptions, they behave so as to reinforce them.
2. Members apply direct pressures on those who momentarily express doubts about any of the group's shared views, or who question the validity of arguments supporting the alternative favored by the majority.
3. Members who have doubts or differing points of view seek to avoid deviating from what appears to be group consensus by keeping silent about misgivings and even minimizing to themselves the importance of their doubts.
4. There is an illusion of unanimity. If someone doesn't speak, it's assumed he or she is in full accord. Abstention becomes a "yes" vote.⁷²

Groupthink appears closely aligned with the conclusions Solomon Asch drew in his experiments with a lone dissenter. Individuals who hold a position different from that of the dominant majority are under pressure to suppress, withhold, or modify their true feelings and beliefs. As members of a group, we find it more pleasant to be in agreement—to be a positive part of the group—than to be a disruptive force, even if disruption is necessary to improve the effectiveness of the group's decisions. Groups that are more focused on performance than on learning are especially likely to fall victim to groupthink and to suppress the opinions of those who do not agree with the majority.⁷³

Does groupthink attack all groups? No. It seems to occur most often when there is a clear group identity, when members hold a positive image of their group that they want to protect, and when the group perceives a collective threat to this positive image.⁷⁴ So groupthink is not a dissenter-suppression mechanism as much as it's a means for a group to protect its positive image. One study also showed that those influenced by groupthink were more confident about their course of action early on.⁷⁵ Groups that believe too strongly in the correctness of their course of action are more likely to suppress dissent and encourage conformity than are groups that are more skeptical about their course of action.

What can managers do to minimize groupthink?⁷⁶ First, they can monitor group size. People grow more intimidated and hesitant as group size increases, and although there is no magic number that will eliminate groupthink, individuals are likely to feel less personal responsibility when groups get larger than about 10 members. Managers should also encourage group leaders to play an impartial role. Leaders should actively seek input from all members and avoid expressing their own opinions, especially in the early stages of deliberation. In addition, managers should appoint one group member to play the role of devil's advocate, overtly challenging the majority position and offering divergent perspectives. Still another suggestion is to use exercises that stimulate active discussion of diverse alternatives without threatening the group or intensifying identity protection. Have group members delay discussion of possible gains so they can first talk about the dangers or risks inherent in a decision. Requiring

groupthink *A phenomenon in which the norm for consensus overrides the realistic appraisal of alternative courses of action.*

groupshift *A change between a group's decision and an individual decision that a member within the group would make; the shift can be toward either conservatism or greater risk but it generally is toward a more extreme version of the group's original position.*

Should You Use Group Peer Pressure?

We've all experienced peer pressure, and it can be hard to behave differently from your friends and co-workers. As more work in organizations is performed in groups and teams, the possibilities and pitfalls of such pressure have become an increasingly important ethical issue for managers.

Peer pressure can be a positive force in some ways. If one member of a group or team is not performing to full potential, pressure from co-workers can encourage better performance. A team with a norm toward behaving ethically might even use peer pressure directly to minimize negative

behavior. Peer pressure can increase all sorts of ethical behavior ranging from donating to charity to working for the Salvation Army.

However, as the chapter has shown, peer pressure can also be more destructive. It can create a feeling of exclusion in those who do not go along with group norms and can be very stressful and hurtful for those who don't see eye-to-eye with the rest of the group. Peer pressure itself might become an unethical practice that unduly influences workers' behavior and thoughts.

So should you use group peer pressure? It depends on what type and why. If you are using peer pressure to

encourage individuals to work toward team goals and behave consistently with organizational values, it can enhance ethical performance. But it should emphasize acceptance and rewarding of positive behavior, rather than rejection and exclusion, as a means of getting everyone to behave consistently in a group.

Sources: Based on: A. Verghese, "The Healing Power of Peer Pressure," *Newsweek* (March 14, 2011), www.newsweek.com; T. Rosenberg, *Join the Club: How Peer Pressure Can Transform the World* (New York: W. W. Norton & Company, 2011); and J. Meer, "Brother, Can You Spare a Dime? Peer Pressure in Charitable Solicitation," *Journal of Public Economics* 95, no. 7–8 (2011), pp. 926–941.

members to first focus on the negatives of an alternative makes the group less likely to stifle dissenting views and more likely to gain an objective evaluation.

Group Shift or Group Polarization There are differences between group decisions and the individual decisions of group members.⁷⁷ What appears to happen in groups is that the discussion leads members toward a more extreme view of the position they already held. Conservatives become more cautious, and more aggressive types take on more risk. The group discussion tends to exaggerate the initial position of the group.

We can view group polarization as a special case of groupthink. The group's decision reflects the dominant decision-making norm that develops during discussion. Whether the shift in the group's decision is toward greater caution or more risk depends on the dominant pre-discussion norm.

The shift toward polarization has generated several explanations.⁷⁸ It's been argued, for instance, that discussion makes the members more comfortable with each other and, thus, more willing to express extreme versions of their original positions. Another argument is that the group diffuses responsibility. Group decisions free any single member from accountability for the group's final choice, so a more extreme position can be taken. It's also likely that people take on extreme positions because they want to demonstrate how different they are from the outgroup.⁷⁹ People on the fringes of political or social movements take on ever-more extreme positions just to prove they are really committed to the cause, whereas those who are more cautious tend to take exceptionally moderate positions to demonstrate how reasonable they are.

So how should you use the findings on groupshift? Recognize that group decisions exaggerate the initial position of the individual members, that the shift has been shown more often to be toward greater risk, and that which way a group will shift is a function of the members' pre-discussion inclinations.

We now turn to the techniques by which groups make decisions. These reduce some of the dysfunctional aspects of group decision making.

Group Decision-Making Techniques

- 8 Contrast the strengths and weaknesses of group decision making.

The most common form of group decision making takes place in **interacting groups**. Members meet face to face and rely on both verbal and nonverbal interaction to communicate. But as our discussion of groupthink demonstrated, interacting groups often censor themselves and pressure individual members toward conformity of opinion. Brainstorming, the nominal group technique, and electronic meetings can reduce problems inherent in the traditional interacting group.

Brainstorming can overcome the pressures for conformity that dampen creativity⁸⁰ by encouraging any and all alternatives while withholding criticism. In a typical brainstorming session, a half-dozen to a dozen people sit around a table. The group leader states the problem in a clear manner so all participants understand. Members then freewheel as many alternatives as they can in a given length of time. To encourage members to “think the unusual,” no criticism is allowed, even of the most bizarre suggestions, and all ideas are recorded for later discussion and analysis.

Brainstorming may indeed generate ideas—but not in a very efficient manner. Research consistently shows individuals working alone generate more ideas than a group in a brainstorming session. One reason for this is “production blocking.” When people are generating ideas in a group, many are talking at once, which blocks the thought process and eventually impedes the sharing of ideas.⁸¹ The following two techniques go further than brainstorming by helping groups arrive at a preferred solution.⁸²

The **nominal group technique** restricts discussion or interpersonal communication during the decision-making process, hence the term *nominal*. Group members are all physically present, as in a traditional committee meeting, but they operate independently. Specifically, a problem is presented and then the group takes the following steps:

1. Before any discussion takes place, each member independently writes down ideas on the problem.
2. After this silent period, each member presents one idea to the group. No discussion takes place until all ideas have been presented and recorded.
3. The group discusses the ideas for clarity and evaluates them.
4. Each group member silently and independently rank-orders the ideas. The idea with the highest aggregate ranking determines the final decision.

The chief advantage of the nominal group technique is that it permits a group to meet formally but does not restrict independent thinking, as does an interacting group. Research generally shows nominal groups outperform brainstorming groups.⁸³

The most recent approach to group decision making blends the nominal group technique with sophisticated computer technology.⁸⁴ It’s called a computer-assisted group, or an **electronic meeting**. Once the required technology is in

interacting groups Typical groups in which members interact with each other face to face.

brainstorming An idea-generation process that specifically encourages any and all alternatives while withholding any criticism of those alternatives.

nominal group technique A group decision-making method in which individual members meet face to face to pool their judgments in a systematic but independent fashion.

electronic meeting A meeting in which members interact on computers, allowing for anonymity of comments and aggregation of votes.

Exhibit 9-7 Evaluating Group Effectiveness

Effectiveness Criteria	Type of Group			
	Interacting	Brainstorming	Nominal	Electronic
Number and quality of ideas	Low	Moderate	High	High
Social pressure	High	Low	Moderate	Low
Money costs	Low	Low	Low	High
Speed	Moderate	Moderate	Moderate	Moderate
Task orientation	Low	High	High	High
Potential for interpersonal conflict	High	Low	Moderate	Low
Commitment to solution	High	Not applicable	Moderate	Moderate
Development of group cohesiveness	High	High	Moderate	Low

9 Compare the effectiveness of interacting, brainstorming, nominal, and electronic meeting groups.

place, the concept is simple. Up to 50 people sit around a horseshoe-shaped table, empty except for a series of networked laptops. Issues are presented to them, and they type their responses into their computers. These individual but anonymous comments, as well as aggregate votes, are displayed on a projection screen. This technique also allows people to be brutally honest without penalty. And it's fast because chitchat is eliminated, discussions don't digress, and many participants can "talk" at once without stepping on one another's toes. Early evidence, however, suggests electronic meetings don't achieve most of their proposed benefits. They actually lead to *decreased* group effectiveness, require *more* time to complete tasks, and result in *reduced* member satisfaction compared with face-to-face groups.⁸⁵ Nevertheless, current enthusiasm for computer-mediated communications suggests this technology is here to stay and is likely to increase in popularity in the future.

Each of the four group-decision techniques has its own set of strengths and weaknesses. The choice depends on what criteria you want to emphasize and the cost-benefit trade-off. As Exhibit 9-7 indicates, an interacting group is good for achieving commitment to a solution, brainstorming develops group cohesiveness, the nominal group technique is an inexpensive means for generating a large number of ideas, and electronic meetings minimize social pressures and conflicts.

MyManagementLab

Now that you have finished this chapter, go back to www.mymanagementlab.com to continue practicing and applying the concepts you've learned.

Summary and Implications for Managers

Several implications can be drawn from our discussion of groups. The next chapter will explore several of these in greater depth.

- Role perception and an employee's performance evaluation are positively related.⁸⁶ The degree of congruence between the employee's and the boss's perception of the employee's job influences the degree to which the boss will judge that employee effective. An employee whose role perception fulfills the boss's role expectations will receive a higher performance evaluation.

- Norms control behavior by establishing standards of right and wrong. The norms of a given group can help explain members' behaviors for managers. When norms support high output, managers can expect markedly higher individual performance than when they aim to restrict output. Norms that support antisocial behavior increase the likelihood that individuals will engage in deviant workplace activities.
- Status inequities create frustration and can adversely influence productivity and willingness to remain with an organization. Incongruence is likely to reduce motivation and motivate a search for ways to bring about fairness (say, by taking another job). Because lower-status people tend to participate less in group discussions, groups with high status differences are likely to inhibit input from lower-status members and reduce their potential.
- The impact of size on a group's performance depends on the type of task. Larger groups are more effective at fact-finding activities, smaller groups at action-taking tasks. Our knowledge of social loafing suggests that managers using larger groups should also provide measures of individual performance.
- Cohesiveness can influence a group's level of productivity or not, depending on the group's performance-related norms.
- Diversity appears to have a mixed impact on group performance, with some studies suggesting that diversity can help performance and others suggesting it can hurt it. It appears the situation makes a difference in whether positive or negative results predominate.
- High congruence between a boss's and an employee's perception of the employee's job correlates strongly with high employee satisfaction.⁸⁷ Role conflict is associated with job-induced tension and job dissatisfaction.⁸⁸
- Most people prefer to communicate with others at their own status level or a higher one rather than with those below them.⁸⁹ As a result, we should expect satisfaction to be greater among employees whose job minimizes interaction with individuals lower in status than themselves.
- The group size–satisfaction relationship is what we would intuitively expect: larger groups are associated with lower satisfaction.⁹⁰ As size increases, opportunities for participation and social interaction decrease, as does the ability of members to identify with the group's accomplishments. At the same time, having more members also prompts dissension, conflict, and the formation of subgroups, which all act to make the group a less pleasant entity of which to be a part.

QUESTIONS FOR REVIEW

- 1 Define *group*. What are the different types of groups?
- 2 What are the five stages of group development?
- 3 Do role requirements change in different situations? If so, how?
- 4 How do group norms and status influence an individual's behavior?
- 5 How does group size affect group performance?
- 6 What are the advantages and limitations of cohesive groups?
- 7 What are the implications of diversity for group effectiveness?
- 8 What are the strengths and weaknesses of group (versus individual) decision making?
- 9 How effective are interacting, brainstorming, nominal, and electronic meeting groups?

Affinity Groups Fuel Business Success

POINT

Employee resource groups (ERGs), also known as affinity groups, have become part of nearly all large organizations' cultures. ERGs are voluntary networking groups that provide forums for employees to gather socially and share ideas outside their particular business units. Many ERGs are organized around surface characteristics such as gender, age, disability, sexual orientation, race, and ethnic background. However, they can be formed around any issue.

The rationale for ERGs is obvious. Large organizations often are very decentralized, leading many employees to feel disconnected and isolated. That's especially true for employees who are or feel different. So large companies such as Best Buy, Ford, Intuit, Prudential, Wells Fargo, Johnson & Johnson, and Macy's have found that their ERGs lead to greater feelings of inclusiveness. When employees of a large organization realize they're hardly alone, ERGs are a great way to foster commitment by joining employees to others in the organization, often in a way that's independent of their work unit. Why not tie employees to one another in as many ways as possible?

Finally, many ERGs solve organizational problems in unique ways. Cisco's Asian Affinity Network played a key role in forging a bond between Cisco and Shui On Group, the largest publicly traded real estate company in China, by proposing that Cisco hold a business development event during a Silicon Valley visit by Shui On Group's founder and chairman.

Many thought the decline in the economy and the growth of social networking sites would spell the end for ERGs. However, it seems the opposite is true. ERGs are growing. When a company like Northrop Grumman has 125,000 employees spread across 25 countries and all 50 states, it needs a way to join them together. That's exactly what ERGs do best.

ERGs make great business sense. Ford executive Rosalind Cox says of Ford's ERGs: "At the end of the day, we want to build a diverse and inclusive culture that drives business results."

COUNTERPOINT

ERGs may sound like a good idea with few drawbacks, but that's not the case. They have some real problems, few of which you'll hear about in the rah-rah press generated about them, much of it put forth by companies' PR departments.

First, there's cost. These affinity groups can cost a lot of money. One study estimated that the budget for affinity groups was \$7,203 for each 100 group members. That doesn't even include the cost of technology, facilities, and staff support (on average, about 1.5 staff employees for each group). Costlier still is the time ERG members spend on their groups, coaching, training, meeting, and planning events oriented around a very small slice of the company's workforce—on average, only 8 percent of an organization's employees. In these competitive times, that doesn't sound like the most efficient and fair use of an organization's resources.

Then there are the legal issues. Affinity groups have been subject to significant legal action, often by excluded employees. Most employers also don't realize that ERGs can be viewed as "sweetheart unions" by the National Labor Relations Board. "The National Labor Relations Act controls collective actions between employers and employees whether a union is present or not," says one employment law expert. Most companies resist unions trying to organize their employees. Why do they form them by their own hand?

Organizations should do everything they can to encourage all employees to feel they are included and heard. Networking is a wonderful way to do that. But organizations that endorse, establish, and fund segmented groups that exclude some employees are asking for trouble. The best way to fight feelings of isolation is by drawing employees in and giving them a voice. It's not by slicing the organizations into groups, including some and excluding others.

Sources: R. R. Hastings, "Employee Resource Groups Drive Business Results," *HR Magazine* (February 15, 2011), downloaded June 10, 2011, from www.shrm.org/; R. R. Hastings, "Employee Resource Groups Can Create Labor Issues," *HR Magazine* (June 25, 2009), downloaded June 10, 2011, from www.shrm.org/; and "Affinity and Networking Groups," *The New York Times*, downloaded June 11, 2011 from www.nytimes.com/.

EXPERIENTIAL EXERCISE Wilderness Survival

You are a member of a hiking party. After reaching base camp on the first day, you decide to take a quick sunset hike by yourself. After a few exhilarating miles, you decide to return to camp. On your way back, you realize you are lost. You have shouted for help, to no avail. It is now dark. And getting cold.

Your Task

Without communicating with anyone else in your group, read the following scenarios and choose the best answer. Keep track of your answers on a sheet of paper. You have 10 minutes to answer the 10 questions.

- The first thing you decide to do is to build a fire. However, you have no matches, so you use the bow-and-drill method. What is the bow-and-drill method?
 - A dry, soft stick is rubbed between the hands against a board of supple green wood.
 - A soft green stick is rubbed between the hands against a hardwood board.
 - A straight stick of wood is quickly rubbed back and forth against a dead tree.
 - Two sticks (one being the bow, the other the drill) are struck to create a spark.
- It occurs to you that you can also use the fire as a distress signal. How do you form the international distress signal with fire?
 - 2 fires
 - 4 fires in a square
 - 4 fires in a cross
 - 3 fires in a line
- You are very thirsty. You go to a nearby stream and collect some water in the small metal cup you have in your backpack. How long should you boil the water?
 - 15 minutes
 - A few seconds
 - 1 hour
 - It depends on the altitude.
- You are very hungry, so you decide to eat what appear to be edible berries. When performing the universal edibility test, what should you do?
 - Do not eat for 2 hours before the test.
 - If the plant stings your lip, confirm the sting by holding it under your tongue for 15 minutes.
 - If nothing bad has happened 2 hours after digestion, eat half a cup of the plant and wait again.
 - Separate the plant into its basic components and eat each component, one at a time.
- Next, you decide to build a shelter for the evening. In selecting a site, what do you *not* have to consider?
 - It must contain material to make the type of shelter you need.
 - It must be free of insects, reptiles, and poisonous plants.
 - It must be large enough and level enough for you to lie down comfortably.
 - It must be on a hill so you can signal rescuers and keep an eye on your surroundings.
- In the shelter that you built, you notice a spider. You heard from a fellow hiker that black widow spiders populate the area. How do you identify a black widow spider?
 - Its head and abdomen are black; its thorax is red.
 - It is attracted to light.
 - It runs away from light.
 - It is a dark spider with a red or orange marking on the female's abdomen.
- After getting some sleep, you notice that the night sky has cleared, so you decide to try to find your way back to base camp. You believe you should travel north and can use the North Star for navigation. How do you locate the North Star?
 - Hold your right hand up as far as you can and look between your index and middle fingers.
 - Find Sirius and look 60 degrees above it and to the right.
 - Look for the Big Dipper and follow the line created by its cup end.
 - Follow the line of Orion's belt.
- You come across a fast-moving stream. What is the best way to cross it?
 - Find a spot downstream from a sandbar, where the water will be calmer.
 - Build a bridge.
 - Find a rocky area, as the water will be shallow and you will have hand- and footholds.
 - Find a level stretch where it breaks into a few channels.
- After walking for about an hour, you feel several spiders in your clothes. You don't feel any pain, but you know some spider bites are painless. Which of these spider bites is painless?
 - Black widow
 - Brown recluse
 - Wolf spider
 - Harvestman (daddy longlegs)
- You decide to eat some insects. Which insects should you avoid?
 - Adults that sting or bite
 - Caterpillars and insects that have a pungent odor
 - Hairy or brightly colored ones
 - All the above

Group Task

Break into groups of five or six people. Now imagine that your whole group is lost. Answer each question as a group, employing a consensus approach to reach each

decision. Once the group comes to an agreement, write down the decision on the same sheet of paper that you used for your individual answers. You will have approximately 20 minutes for the group task.

Scoring Your Answers

Your instructor will provide you with the correct answers, which are based on expert judgments in these situations. Once you have received the answers, calculate (A) your individual score; (B) your group's score; (C) the average individual score in the group; and (D) the best individual score in the group. Write these down and consult with your group to ensure that these scores are accurate.

A. Your individual score _____

B. Your group's score _____

C. Average individual score in group _____

D. Best individual score in group _____

Discussion Questions

1. How did your group (B) perform relative to yourself (A)?
2. How did your group (B) perform relative to the average individual score in the group (C)?
3. How did your group (B) perform relative to the best individual score in the group (D)?
4. Compare your results with those of other groups. Did some groups do a better job of outperforming individuals than others?
5. What do these results tell you about the effectiveness of group decision making?
6. What can groups do to make group decision making more effective?

ETHICAL DILEMMA Is Social Loafing Shirking?

As you now know, social loafing is one disadvantage of working in groups. Regardless of the type of task—from games of Tug of War to working on a group projects—research suggests that when working in a group, most individuals contribute less than if they were working on their own. We might call those who do social loafing “shirkers” because they are not living up to their responsibilities as group members.

Most of us have experienced social loafing, or shirking, in groups. And we may even admit to times when we shirked ourselves. We discussed earlier in this chapter some ways of discouraging social loafing, such as limiting group size, holding individuals responsible for their contributions, setting group goals, and providing “hybrid” incentives that reward both individual and group performance. While these tactics may be effective, in our experience many students simply work around shirkers. “We just did it ourselves—it was easier that way,” says one group member.

Questions

1. If group members end up “working around” shirkers, do you think this information should be communicated to the instructor so that each individual's contribution to the project is judged more fairly? If so, does the group have an ethical responsibility to communicate this to the shirking group member?
2. Do you think social loafing is always shirking (failing to live up to one's responsibilities)? Is social loafing always unethical? Why or why not?
3. Social loafing has been found to be higher in Western, more individualist, nations than in other countries. Do you think this means we should tolerate shirking on the part of U.S. students and workers to a greater degree than if it occurred with someone from Asia?

CASE INCIDENT 1 Negative Aspects of Collaboration?

Throughout this chapter we've discussed ways that groups can perform well or perform poorly, which leaves an overriding question: are the negative aspects of collaboration so severe that we should avoid making decisions and working in groups?

Groups and teams need more time to process multiple piece of information and coordinate what they know. Daniel Kaheman and colleagues also warn that when committees

and groups make recommendations, they've often “fallen in love” with a particular idea and are no longer thinking rationally. These problems of heuristics and biases (introduced earlier in the book) can be magnified when a group of people are making a decision collectively. Look no further than the U.S. Congress in recent years to see instances in which a group decision-making process might lead to a worse outcome than if one consistent course of action were pursued.

So what can managers do to minimize these biases? The problems of coordination and collaboration suggest that we should invoke group decision making only when it appears that pooling information will lead to better decisions than individual decision making. Experts advise that decision makers receiving advice from teams should always ask whether the team's recommendations contain any self-interested biases. It's also important to see whether the team has developed an emotional attachment to one course of action or has succumbed to groupthink. Finally, run down a checklist of the heuristics and biases we've described earlier in the book to see whether the group might be prone to making these decision errors.

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CASE INCIDENT 2 Herd Behavior and the Housing Bubble (and Collapse)

It is sometimes easy to forget that humans are not unlike other animals. Economist John Maynard Keynes recognized this when he commented, "Most, probably, of our decisions to do something positive, the full consequences of which will be drawn out over many days to come, can only be taken as the result of animal spirits—a spontaneous urge to action rather than inaction, and not as the outcome of a weighted average of quantitative benefits multiplied by quantitative probabilities."

Such "animal spirits" are particularly dangerous at the collective level. One animal's decision to charge over a cliff is a tragedy for the animal, but it may also lead the entire herd over the cliff.

You may be wondering how this is applicable to organizational behavior. Consider the recent housing bubble and its subsequent and enduring collapse, or the dot-com implosion of the turn of the century. As housing prices rose ever higher, people discounted risk. Homeowners and investors rushed to buy properties because everyone else was doing it. Banks rushed to provide loans with little due diligence because, well, everyone else was doing it. "Banks didn't want to get left behind. Everybody lowered their underwriting standards, no matter who they are," said Regions Bank executive Michael Menk. "As bankers that's who we are; we follow the herd." Similar problems led to a run up in prices for internet-based companies during the early twenty-first century, and some wonder

Questions

1. Think about a time when you've been in a group that had to make a collective decision that didn't turn out well. Can you identify any specific decision-making errors the team made?
2. In the situation you encountered, can you think of any strategies that would have helped make the group decision-making process more efficient and accurate?
3. Can you think of a type of decision that is probably better made by an individual than a group? What types of decisions need to be made by groups?

whether the current valuations of social networking sites are following a similar trend of overpricing.

Yale Economist Robert Shiller called this "herd behavior" and cited research showing people often rely heavily on the behavior of groups in formulating decisions about what they should do. A recent study in behavioral finance confirmed herd behavior in investment decisions and showed that analysts were especially likely to follow other analysts' behavior when they had private information that was less accurate or reliable.

Questions

1. Some research suggests herd behavior increases as the size of the group increases. Why do you think this might be the case?
2. One researcher argues that "pack behavior" comes about because it has benefits. What is the upside of such behavior?
3. Shiller argues that herd behavior can go both ways: It explains the housing bubble, but it also explains the bust. As he notes, "Rational individuals become excessively pessimistic as they see others bidding down home prices to abnormally low levels." Do you agree with Shiller?
4. How might organizations combat the problems resulting from herd behavior?

Sources: Based on R. J. Shiller, "How a Bubble Stayed Under the Radar," *The New York Times* (March 2, 2008), p. BU6; W. Hobson, "Reversal of Fortune," *Panama City News Herald* (March 22, 2009), www.newsherald.com; P. Leoni, "Pack Behavior," *Journal of Mathematical Psychology* 52, no. 6 (2008), pp. 348–351; and J. Reiczigel, Z. Lang, L. Rózsa, and B. Tóthmérész, "Measures of Sociality: Two Different Views of Group Size," *Animal Behaviour* 75, no. 2 (2008), pp. 715–721.

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LEARNING OBJECTIVES

After studying this chapter, you should be able to:

- 1 Analyze the growing popularity of teams in organizations.
- 2 Contrast groups and teams.
- 3 Compare and contrast four types of teams.
- 4 Identify the characteristics of effective teams.
- 5 Show how organizations can create team players.
- 6 Decide when to use individuals instead of teams.
- 7 Show how our understanding of teams differs in a global context.

MyManagementLab

Access a host of interactive learning aids to help strengthen your understanding of the chapter concepts at www.mymanagementlab.com.

KILLING BIN LADEN

The decision by the U.S. government on May 1, 2011, to send SEAL Team Six to hunt and capture or kill Osama bin Laden was, by all accounts, not an easy one. Appreciating the team dynamics of this decision helps us understand how teams make key decisions.

The decision of a government to deploy military force to capture or kill is obviously among the most serious, and often controversial, decisions leaders and teams can make. Keep in mind that our focus here is not on the merits of the decision, but on how the decision was made.

In 2010, U.S. intelligence identified and located a man whom captured al Qaeda operatives had named as Osama bin Laden's courier. After spending months tracking him and analyzing the compound in Pakistan, Central Intelligence Agency (CIA) analysts were convinced there was a "strong possibility" that bin Laden was also hiding there. At that point, Navy SEAL teams began training to take the compound. But no one knew for sure whether bin Laden was actually there.

The mission carried considerable risk. The members of the administration's national security team brought up past failed missions: the U.S. Army battle in Mogadishu, Somalia (depicted in the movie, *Black Hawk Down*), and the attempted rescue of U.S. hostages in Iran. "There wasn't a meeting when someone didn't mention 'Black Hawk Down,'" said one team member. The United States might be sending troops into hostile territory with no proof that the target of their efforts was even there. The president later said military commanders put the odds of a successful mission at 55–45.

Over the next 2 months, the administration's national security team met at least six times. Some members were against the operation, pending more definitive proof that bin Laden was actually there. None came. After a final meeting between the president and his national security team at 2 P.M. on Sunday, May 1, the 40 elite SEAL Team Six commandos departed in four helicopters from an undisclosed location in Afghanistan, the eastern border of which is about 120 miles west of bin Laden's compound. A White House photo shows Obama and his national security team anxiously watching as the mission played out on the situation room monitor. Obama is tieless and grim-faced, his eyes fixed on the screen. Hillary Clinton, holding a hand to her mouth, and Robert Gates, his arms folded across his chest, gaze at the same point. After the "minutes passed like days," the team received confirmation that the mission was over. "Geronimo"—the code name given bin Laden—was dead.

That many members of the decision-making team were willing to voice their reservations probably aided the decision-making process. President Obama later told *60 Minutes*: "The fact that there were some who voiced doubts about this approach was invaluable, because it meant the plan was

Understanding Work Teams

10

*We're going to turn this team around
360 degrees.* —Jason Kidd

Photo: Official White House photograph shows U.S. President Barack Obama, Vice President Joe Biden, US Secretary of Defense Robert Gates and US Secretary of State Hillary Clinton as they receive an update on the mission against Osama bin Laden. Source: Pete Souza/AFP/Getty Images/Newscom.



sharper, it meant that we had thought through all of our options, it meant that when I finally did make the decision, I was making it based on the very best information."

Sources: A. Kruglanski, "Obama's Choice and the Social Psychology of Group Decision Making," *Huffington Post* (May 12, 2011), downloaded June 1, 2011, from www.huffingtonpost.com/; B. Steiden, "Bin Laden Dead," *The Atlanta Journal-Constitution* (May 3, 2011), downloaded June 2, 2011, from www.ajc.com/; and M. Mazzetti, H. Cooper, and P. Baker, "Behind the Hunt for Bin Laden," *The New York Times* (May 2, 2011), downloaded June 2, 2011, from www.nytimes.com/.

Teams are increasingly the primary means for organizing work in contemporary business firms. In fact, there are few more damaging insults than "not a team player." Do you think you're a team player? Take the following self-assessment to find out.



SELF-ASSESSMENT LIBRARY

How Good Am I at Building and Leading a Team?

In the Self-Assessment Library (available on CD or online), take assessment II.B.6 (How Good Am I at Building and Leading a Team?) and answer the following questions.

1. Did you score as high as you thought you would? Why or why not?
2. Do you think you can improve your score? If so, how? If not, why not?
3. Do you think there is such a thing as team players? If yes, what are their behaviors?

Why Have Teams Become So Popular?

- 1 Analyze the growing popularity of teams in organizations.

Decades ago, when companies such as W. L. Gore, Volvo, and General Foods introduced teams into their production processes, it made news because no one else was doing it. Today, it's just the opposite. The organization that *doesn't* use teams has become newsworthy. Teams are everywhere.

How do we explain the current popularity of teams? As organizations have restructured themselves to compete more effectively and efficiently, they have turned to teams as a better way to use employee talents. Teams are more flexible and responsive to changing events than traditional departments or other forms of permanent groupings. They can quickly assemble, deploy, refocus, and disband. But don't overlook the motivational properties of teams. Consistent with our discussion in Chapter 7 of employee involvement as a motivator, teams facilitate employee participation in operating decisions. So another explanation for their popularity is that they are an effective means for management to democratize organizations and increase employee motivation.

The fact that organizations have turned to teams doesn't necessarily mean they're always effective. Decision makers, as humans, can be swayed by fads and herd mentality. Are teams truly effective? What conditions affect their potential? How do members work together? These are some of the questions we'll answer in this chapter.

Differences Between Groups and Teams

2 Contrast groups and teams.

Groups and teams are not the same thing. In this section, we define and clarify the difference between work groups and work teams.¹

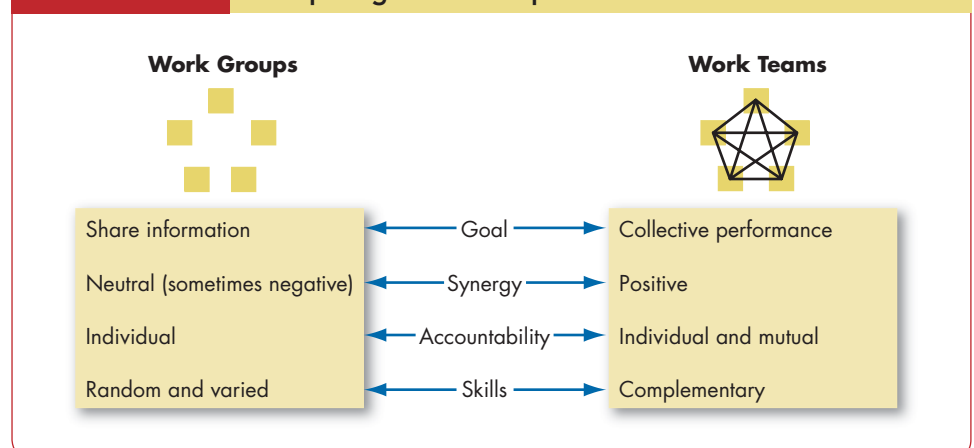
In Chapter 9, we defined a *group* as two or more individuals, interacting and interdependent, who have come together to achieve particular objectives. A **work group** is a group that interacts primarily to share information and make decisions to help each member perform within his or her area of responsibility.

Work groups have no need or opportunity to engage in collective work that requires joint effort. So their performance is merely the summation of each group member's individual contribution. There is no positive synergy that would create an overall level of performance greater than the sum of the inputs.

A **work team**, on the other hand, generates positive synergy through coordinated effort. The individual efforts result in a level of performance greater than the sum of those individual inputs. Exhibit 10-1 highlights the differences between work groups and work teams.

These definitions help clarify why so many organizations have recently restructured work processes around teams. Management is looking for positive synergy that will allow the organizations to increase performance. The extensive use of teams creates the *potential* for an organization to generate greater outputs with no increase in inputs. Notice, however, that we said *potential*. There is nothing inherently magical that ensures the achievement of positive synergy in the creation of teams. Merely calling a *group* a *team* doesn't automatically improve its performance. As we show later in this chapter, effective teams have certain common characteristics. If management hopes to gain increases in organizational performance through the use of teams, its teams must possess these.

Exhibit 10-1 Comparing Work Groups and Work Teams



work group A group that interacts primarily to share information and to make decisions to help each group member perform within his or her area of responsibility.

work team A group whose individual efforts result in performance that is greater than the sum of the individual inputs.

Types of Teams

3 Compare and contrast four types of teams.

Teams can make products, provide services, negotiate deals, coordinate projects, offer advice, and make decisions.² In this section, we describe the four most common types of teams in an organization: *problem-solving teams*, *self-managed work teams*, *cross-functional teams*, and *virtual teams* (see Exhibit 10-2).

Problem-Solving Teams

In the past, teams were typically composed of 5 to 12 hourly employees from the same department who met for a few hours each week to discuss ways of improving quality, efficiency, and the work environment.³ These **problem-solving teams** rarely have the authority to unilaterally implement any of their suggestions. Merrill Lynch created a problem-solving team to figure out ways to reduce the number of days it took to open a new cash management account.⁴ By suggesting cutting the number of steps from 46 to 36, the team reduced the average number of days from 15 to 8.

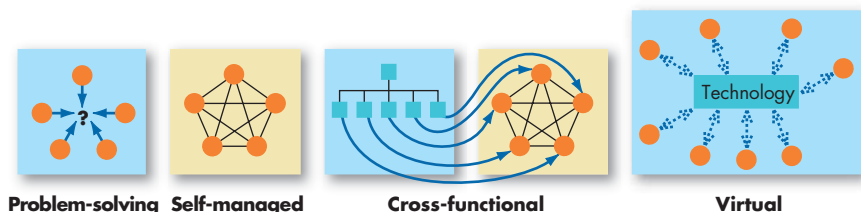
Self-Managed Work Teams

Problem-solving teams only make recommendations. Some organizations have gone further and created teams that not only solve problems but implement solutions and take responsibility for outcomes.

Self-managed work teams are groups of employees (typically 10 to 15 in number) who perform highly related or interdependent jobs and take on many of the responsibilities of their former supervisors.⁵ Typically, these tasks are planning and scheduling work, assigning tasks to members, making operating decisions, taking action on problems, and working with suppliers and customers. Fully self-managed work teams even select their own members and evaluate each other's performance. Supervisory positions take on decreased importance and are sometimes even eliminated.

But research on the effectiveness of self-managed work teams has not been uniformly positive.⁶ Self-managed teams do not typically manage conflicts well. When disputes arise, members stop cooperating and power struggles ensue, which leads to lower group performance.⁷ Moreover, although individuals on these teams report higher levels of job satisfaction than other individuals, they also sometimes have higher absenteeism and turnover rates. One large-scale study of labor productivity in British establishments found that although using teams in general does improve labor productivity, no evidence supported the

Exhibit 10-2 Four Types of Teams



Sprig Toys, Inc. uses cross-functional teamwork in creating toys that are made of recycled products to keep the planet healthy and kids off the couch. The Sprig Dream Team includes toy designers and toy industry-specific expertise in the areas of product design, patent development, supply chain strategy, market research, vendor sourcing, merchandising, branding, packaging, and marketing. Team members are dedicated to Sprig's mission of creating fun toys that encourage active play for kids and are battery-free, eco-friendly, and paint-free. Shown here with some Sprig toys are chief executive Craig Storey (standing, left) and the firm's co-founders.



Source: AP Photo/The Coloradoan, V. Richard Haro.

claim that self-managed teams performed better than traditional teams with less decision-making authority.⁸

Cross-Functional Teams

Starbucks created a team of individuals from production, global PR, global communications, and U.S. marketing to develop its Via brand of instant coffee. The team's suggestions resulted in a product that would be cost-effective to produce and distribute and that was marketed through a tightly integrated, multifaceted strategy.⁹ This example illustrates the use of **cross-functional teams**, made up of employees from about the same hierarchical level but different work areas, who come together to accomplish a task.

Many organizations have used horizontal, boundary-spanning groups for decades. In the 1960s, IBM created a large task force of employees from across departments to develop its highly successful System 360. Today cross-functional teams are so widely used it is hard to imagine a major organizational undertaking without one. All the major automobile manufacturers—Toyota, Honda, Nissan, BMW, GM, Ford, and Chrysler—currently use this form of team to coordinate complex projects. Cisco relies on specific cross-functional teams to identify and capitalize on new trends in several areas of the software market. The teams are the equivalent of social-networking groups that collaborate in real time to identify new business opportunities in the field and then implement them from the bottom up.¹⁰

problem-solving teams Groups of 5 to 12 employees from the same department who meet for a few hours each week to discuss ways of improving quality, efficiency, and the work environment.

self-managed work teams Groups of 10 to 15 people who take on responsibilities of their former supervisors.

cross-functional teams Employees from about the same hierarchical level, but from different work areas, who come together to accomplish a task.

Cross-functional teams are an effective means of allowing people from diverse areas within or even between organizations to exchange information, develop new ideas, solve problems, and coordinate complex projects. Of course, cross-functional teams are no picnic to manage. Their early stages of development are often long, as members learn to work with diversity and complexity. It takes time to build trust and teamwork, especially among people from different backgrounds with different experiences and perspectives.

Virtual Teams

The teams described in the preceding section do their work face to face. **Virtual teams** use computer technology to unite physically dispersed members and achieve a common goal.¹¹ They collaborate online—using communication links such as wide-area networks, videoconferencing, or e-mail—whether they’re a room away or continents apart. Virtual teams are so pervasive, and technology has advanced so far, that it’s probably a bit of a misnomer to call them “virtual.” Nearly all teams today do at least some of their work remotely.

Despite their ubiquity, virtual teams face special challenges. They may suffer because there is less social rapport and direct interaction among members. Evidence from 94 studies entailing more than 5,000 groups found that virtual teams are better at sharing unique information (information held by individual members but not the entire group), but they tend to share less information overall.¹² As a result, low levels of virtuality in teams results in higher levels of information sharing, but high levels of virtuality hinder it. For virtual teams to be effective, management should ensure that (1) trust is established among members (one inflammatory remark in an e-mail can severely undermine team trust), (2) team progress is monitored closely (so the team doesn’t lose sight of its goals and no team member “disappears”), and (3) the efforts and products of the team are publicized throughout the organization (so the team does not become invisible).¹³

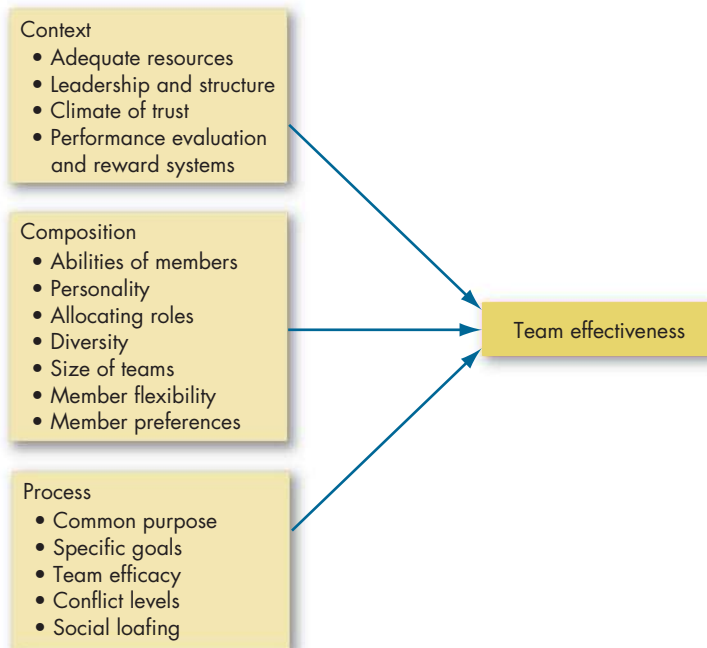
Creating Effective Teams

4 Identify the characteristics of effective teams.

Many have tried to identify factors related to team effectiveness.¹⁴ However, some studies have organized what was once a “veritable laundry list of characteristics”¹⁵ into a relatively focused model.¹⁶ Exhibit 10-3 summarizes what we currently know about what makes teams effective. As you’ll see, it builds on many of the group concepts introduced in Chapter 9.

The following discussion is based on the model in Exhibit 10-3. Keep in mind two points. First, teams differ in form and structure. The model attempts to generalize across all varieties of teams, but avoid rigidly applying its predictions to all teams.¹⁷ Use it as a guide. Second, the model assumes teamwork is preferable to individual work. Creating “effective” teams when individuals can do the job better is like perfectly solving the wrong problem.

We can organize the key components of effective teams into three general categories. First are the resources and other *contextual* influences that make teams effective. The second relates to the team’s *composition*. Finally, *process* variables are events within the team that influence effectiveness. What does *team effectiveness* mean in this model? Typically, it has included objective measures of the team’s productivity, managers’ ratings of the team’s performance, and aggregate measures of member satisfaction.

Exhibit 10-3**Team Effectiveness Model**

Context: What Factors Determine Whether Teams Are Successful

The four contextual factors most significantly related to team performance are adequate resources, effective leadership, a climate of trust, and a performance evaluation and reward system that reflects team contributions.

Adequate Resources Teams are part of a larger organization system; every work team relies on resources outside the group to sustain it. A scarcity of resources directly reduces the ability of a team to perform its job effectively and achieve its goals. As one study concluded, after looking at 13 factors related to group performance, “perhaps one of the most important characteristics of an effective work group is the support the group receives from the organization.”¹⁸ This support includes timely information, proper equipment, adequate staffing, encouragement, and administrative assistance.

Leadership and Structure Teams can’t function if they can’t agree on who is to do what and ensure all members share the workload. Agreeing on the specifics of work and how they fit together to integrate individual skills requires leadership and structure, either from management or from the team members themselves. It’s true in self-managed teams that team members absorb many of the

virtual teams Teams that use computer technology to tie together physically dispersed members in order to achieve a common goal.

Group Cohesiveness across Cultures

As you might suspect, researchers have paid a great deal of attention to the differences between individualists and collectivists in terms of team orientation. As we learned from Chapter 5 on personality and values, people from collectivist societies—like those found in much of East Asia, Latin America, and Africa—are generally more prone to look toward group goals as important and to emphasize collaborative processes. Individualist cultures like the United States, Canada, and the UK, on the other hand, emphasize individual achievement and performance.

Individualist cultures may have greater difficulty implementing team-based work processes for a variety of reasons. Collectivists appear more

sensitive to the moods of their co-workers, so the motivation and positive mood of one group member is likely to spill over to increase motivation and positive moods in others. Collectivist teams also already have a strong predisposition to work together as a group, so there's less need for increased teamwork. Other research suggests that collectively oriented teams are better able to pool resources and correct one another's errors than are individually oriented teams.

What's the lesson for managers? Managers in individualist cultures may need to work harder to increase team cohesiveness. One way to do this is to give teams more challenging assignments and provide them with more

independence. Alternatively, managers may find it useful to promote a collectivist orientation for team processes even when working with groups of individualists.

Sources: Based on R. Ilies, D. T. Wagner, and F. P. Morgeson, "Explaining Affective Linkages in Teams: Individual Differences in Susceptibility to Contagion and Individualism-Collectivism," *Journal of Applied Psychology* 92, no. 4 (2007), pp. 1140–1148; E. C. Dierdorff, S. T. Bell, and J. A. Belohlav, "The Power of 'We': Effects of Psychological Collectivism on Team Performance Over Time," *Journal of Applied Psychology* 96, no. 2 (2011), pp. 247–262; and J. E. Driskell, E. Salas, and S. Hughes, "Collective Orientation and Team Performance: Development of an Individual Differences Measure," *Human Factors* 52, no. 2 (2010), pp. 316–328.

duties typically assumed by managers. However, a manager's job then becomes managing *outside* (rather than inside) the team.

Leadership is especially important in **multiteam systems**, in which different teams coordinate their efforts to produce a desired outcome. Here, leaders need to empower teams by delegating responsibility to them, and they play the role of facilitator, making sure the teams work together rather than against one another.¹⁹ Teams that establish shared leadership by effectively delegating it are more effective than teams with a traditional single-leader structure.²⁰

Climate of Trust Members of effective teams trust each other. They also exhibit trust in their leaders.²¹ Interpersonal trust among team members facilitates cooperation, reduces the need to monitor each others' behavior, and bonds members around the belief that others on the team won't take advantage of them. Team members are more likely to take risks and expose vulnerabilities when they believe they can trust others on their team. And, as we will discuss in Chapter 12, trust is the foundation of leadership. It allows a team to accept and commit to its leader's goals and decisions.

Performance Evaluation and Reward Systems How do you get team members to be both individually and jointly accountable? Individual performance evaluations and incentives may interfere with the development of high-performance teams. So, in addition to evaluating and rewarding employees for their individual contributions, management should modify the traditional, individually oriented evaluation and reward system to reflect team performance and focus on hybrid systems that recognize individual members for their exceptional

An Ethical Choice

Using Global Virtual Teams as an Environmental Choice

Many teams in geographically dispersed organizations have turned to electronic media to improve communication across locations. However, there may be an equally strong *ethical* argument for using global virtual teams: it may be a more environmentally responsible choice than having team members travel internationally when they need to communicate. A very large proportion of airline, rail, and car transport is for business purposes and contributes greatly to global carbon dioxide emissions. When teams are able to meet virtually rather than face-to-face, they dramatically reduce the amount of energy consumed.

In a globally connected world, what sorts of actions might you take to

minimize your organization's environmental impact from business travel? Several tips might help to get you started thinking about ways that global virtual teams can be harnessed for greater sustainability:

1. Encourage all team members to think about whether a face-to-face meeting is really necessary, and to try to utilize alternative communication methods whenever possible.
2. Communicate as much information as possible through virtual means, including e-mail, telephone calls, and teleconferencing.
3. When traveling to team meetings, choose the most environmentally

responsible methods possible, such as flying in coach rather than business class. Also, check the environmental profile of hotels prior to booking rooms.

4. Make the business case for sustainable business travel alternatives. Most experts agree that teleconferencing and environmentally responsible travel arrangements not only help the environment but are more cost-effective as well.

Sources: P. Tilstone, "Cut Carbon... and Bills," *Director* (May 2009), p. 54; and L. C. Latimer, "6 Strategies for Sustainable Business Travel," *Greenbiz* (February 11, 2011), www.greenbiz.com.

contributions and reward the entire group for positive outcomes.²² Group-based appraisals, profit sharing, gainsharing, small-group incentives, and other system modifications can reinforce team effort and commitment.

Team Composition

The team composition category includes variables that relate to how teams should be staffed—the ability and personality of team members, allocation of roles and diversity, size of the team, and members' preference for teamwork.

Abilities of Members Part of a team's performance depends on the knowledge, skills, and abilities of its individual members.²³ It's true we occasionally read about an athletic team of mediocre players who, because of excellent coaching, determination, and precision teamwork, beat a far more talented group. But such cases make the news precisely because they are unusual. A team's performance is not merely the summation of its individual members' abilities. However, these abilities set limits on what members can do and how effectively they will perform on a team.

Research reveals some insights into team composition and performance. First, when the task entails considerable thought (solving a complex problem

multiteam systems Systems in which different teams need to coordinate their efforts to produce a desired outcome.

such as reengineering an assembly line), high-ability teams—composed of mostly intelligent members—do better than lower-ability teams, especially when the workload is distributed evenly. That way, team performance does not depend on the weakest link. High-ability teams are also more adaptable to changing situations; they can more effectively apply existing knowledge to new problems.

Finally, the ability of the team's leader also matters. Smart team leaders help less-intelligent team members when they struggle with a task. But a less intelligent leader can neutralize the effect of a high-ability team.²⁴

Personality of Members We demonstrated in Chapter 5 that personality significantly influences individual employee behavior. Many of the dimensions identified in the Big Five personality model are also relevant to team effectiveness; a review of the literature identified three.²⁵ Specifically, teams that rate higher on mean levels of conscientiousness and openness to experience tend to perform better, and the minimum level of team member agreeableness also matters: teams did worse when they had one or more highly disagreeable members. Perhaps one bad apple *can* spoil the whole bunch!

Research has also provided us with a good idea about why these personality traits are important to teams. Conscientious people are good at backing up other team members, and they're also good at sensing when their support is truly needed. One study found that specific behavioral tendencies such as personal organization, cognitive structuring, achievement orientation, and endurance were all related to higher levels of team performance.²⁶ Open team members communicate better with one another and throw out more ideas, which makes teams composed of open people more creative and innovative.²⁷

Suppose an organization needs to create 20 teams of 4 people each and has 40 highly conscientious people and 40 who score low on conscientiousness. Would the organization be better off (1) forming 10 teams of highly conscientious people and 10 teams of members low on conscientiousness, or

British Chief Inspector of Nuclear Installations Mike Weightman is the leader of an 18-member global team created by the International Atomic Energy Commission to study the Fukushima nuclear power station accident triggered by the 2011 earthquake in Japan. This high-ability team with members from 12 countries includes experts with experience across a wide range of nuclear specialties. Team members apply their technical expertise, problem-solving and decision-making skills, and interpersonal skills to their mission of identifying lessons learned from the accident that can help improve nuclear safety around the world. In this photo, Weightman (left) shakes hands with the Fukushima plant chief after the team inspected the crippled nuclear power plant.



Source: HO/AFP/Getty Images/Newscom.

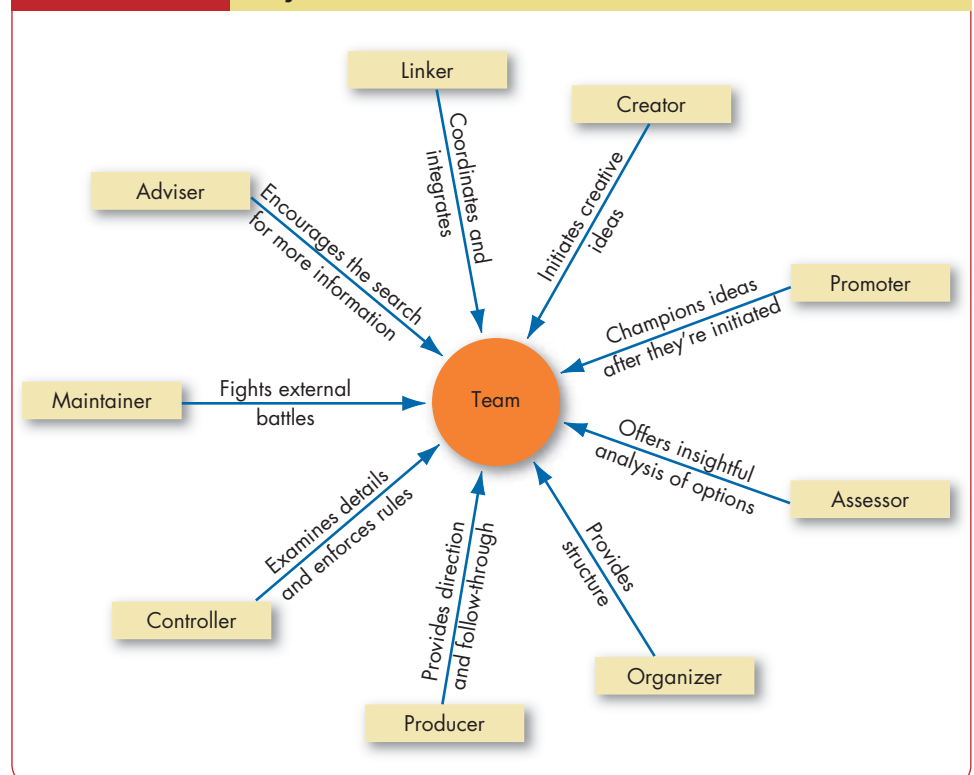
(2) “seeding” each team with 2 people who scored high and 2 who scored low on conscientiousness? Perhaps surprisingly, evidence suggests option 1 is the best choice; performance across the teams will be higher if the organization forms 10 highly conscientious teams and 10 teams low in conscientiousness.²⁸

Allocation of Roles Teams have different needs, and members should be selected to ensure all the various roles are filled. A study of 778 major league baseball teams over a 21-year period highlights the importance of assigning roles appropriately.²⁹ As you might expect, teams with more experienced and skilled members performed better. However, the experience and skill of those in core roles who handle more of the workflow of the team, and who are central to all work processes (in this case, pitchers and catchers), were especially vital. In other words, put your most able, experienced, and conscientious workers in the most central roles in a team.

We can identify nine potential team roles (see Exhibit 10-4). Successful work teams have selected people to play all these roles based on their skills and preferences.³⁰ (On many teams, individuals will play multiple roles.) To increase the likelihood the team members will work well together, managers need to understand the individual strengths each person can bring to a team, select members with their strengths in mind, and allocate work assignments that fit with members’ preferred styles.

Diversity of Members In Chapter 9, we discussed research on the effect of diversity on groups. How does *team* diversity affect *team* performance? The degree to which members of a work unit (group, team, or department) share a common demographic attribute, such as age, sex, race, educational level, or

Exhibit 10-4 Key Roles of Teams



length of service in the organization, is the subject of **organizational demography**. Organizational demography suggests that attributes such as age or the date of joining should help us predict turnover. The logic goes like this: turnover will be greater among those with dissimilar experiences because communication is more difficult and conflict is more likely. Increased conflict makes membership less attractive, so employees are more likely to quit. Similarly, the losers in a power struggle are more apt to leave voluntarily or be forced out.³¹

Many of us hold the optimistic view that diversity should be a good thing—diverse teams should benefit from differing perspectives. Two meta-analytic reviews of the research literature show, however, that demographic diversity is essentially unrelated to team performance overall, while a third actually suggests that race and gender diversity are negatively related to team performance.³² One qualifier is that gender and ethnic diversity have more negative effects in occupations dominated by white or male employees, but in more demographically balanced occupations, diversity is less of a problem. Diversity in function, education, and expertise are positively related to group performance, but these effects are quite small and depend on the situation.

Proper leadership can also improve the performance of diverse teams.³³ When leaders provide an inspirational common goal for members with varying types of education and knowledge, teams are very creative. When leaders don't provide such goals, diverse teams fail to take advantage of their unique skills and are actually *less* creative than teams with homogeneous skills. Even teams with diverse values can perform effectively, however, if leaders provide a focus on work tasks rather than leading based on personal relationships.

We have discussed research on team diversity in race or gender. But what about diversity created by national differences? Like the earlier research, evidence here indicates these elements of diversity interfere with team processes, at least in the short term.³⁴ Cultural diversity does seem to be an asset for tasks that call for a variety of viewpoints. But culturally heterogeneous teams have more difficulty learning to work with each other and solving problems. The good news is that these difficulties seem to dissipate with time. Although newly formed culturally diverse teams underperform newly formed culturally homogeneous teams, the differences disappear after about 3 months.³⁵ Fortunately, some team performance-enhancing strategies seem to work well in many cultures. One study found that teams in the European Union made up of members from collectivist and individualist countries benefited equally from having group goals.³⁶

Size of Teams Most experts agree, keeping teams small is a key to improving group effectiveness.³⁷ Generally speaking, the most effective teams have five to nine members. And experts suggest using the smallest number of people who can do the task. Unfortunately, managers often err by making teams too large. It may require only four or five members to develop diversity of views and skills, while coordination problems can increase exponentially as team members are added. When teams have excess members, cohesiveness and mutual accountability decline, social loafing increases, and more people communicate less. Members of large teams have trouble coordinating with one another, especially under time pressure. If a natural working unit is larger and you want a team effort, consider breaking the group into subteams.³⁸

Member Preferences Not every employee is a team player. Given the option, many employees will select themselves *out* of team participation. When people who prefer to work alone are required to team up, there is a direct threat to the team's morale and to individual member satisfaction.³⁹ This result suggests

Members of Wells Fargo's ethnography teams are diversified in function and expertise. Working in the bank's strategic account-management group, team members possess a variety of banking experiences and skills in treasury management, investments, credit cards, and relationship management. The teams visit clients to interview their key managers and observe how employees perform various financial workflows such as payroll and accounts payable. From these studies, the ethnography teams help clients improve their work processes and use of technology. Wells Fargo benefits by gaining a deeper understanding of customer needs and improving customer responsiveness.



Source: Cindy Charles / PhotoEdit

that, when selecting team members, managers should consider individual preferences along with abilities, personalities, and skills. High-performing teams are likely to be composed of people who prefer working as part of a group.

Team Processes

The final category related to team effectiveness is process variables such as member commitment to a common purpose, establishment of specific team goals, team efficacy, a managed level of conflict, and minimized social loafing. These will be especially important in larger teams and in teams that are highly interdependent.⁴⁰

Why are processes important to team effectiveness? Let's return to the topic of social loafing. We found that $1 + 1 + 1$ doesn't necessarily add up to 3. When each member's contribution is not clearly visible, individuals tend to decrease their effort. Social loafing, in other words, illustrates a process loss from using teams. But teams should create outputs greater than the sum of their inputs, as when a diverse group develops creative alternatives. Exhibit 10-5 illustrates how group processes can have an impact on a group's actual effectiveness.⁴¹ Teams are often used in research laboratories because they can draw on the diverse skills of various individuals to produce more meaningful research than researchers working independently—that is, they produce positive synergy, and their process gains exceed their process losses.

Common Plan and Purpose Effective teams begin by analyzing the team's mission, developing goals to achieve that mission, and creating strategies for

organizational demography *The degree to which members of a work unit share a common demographic attribute, such as age, sex, race, educational level, or length of service in an organization, and the impact of this attribute on turnover.*

Myth or Science?

“Teams Work Best Under Angry Leaders”

This statement is false as a general rule. However, there *are* situations when teams perform their best when their leader is angry.

If you have ever seen an episode of one of celebrity chef Gordon Ramsay’s reality television shows (*Hell’s Kitchen*, *The F Word*, *Kitchen Nightmares*)—where Ramsay regularly terrorizes culinary teams with outbursts, threats, and intimidation—you have seen how angry leaders motivate. But does this approach really get results? Many of us would be skeptical. A harsh, temperamental approach to leading teams would seem to be reliably counterproductive. Who would want to work for such a leader?

As it turns out, the angry team leader may, in fact, have his or her place. A recent study found that whereas teams filled with relatively agreeable members were the most

motivated and performed the best when their leader showed happiness, teams filled with relatively disagreeable members were the most motivated and did best when their leader expressed anger.

Why do disagreeable teams do their best when their leader is angry? If you recall our discussion of agreeableness in Chapter 5, disagreeable individuals are more direct, more argumentative, and less conflict-averse than their more agreeable counterparts. Disagreeable teams may react better to an angry leader because the leader is speaking a language the team can understand, or the disagreeable team members may be less sensitive to inconsiderate behavior (of which the display of anger is a prime example).

Asked to reflect on his angry approach to leading teams, Ramsay said, “When there’s no adrenaline

flying high and there’s very little pressure created, you don’t get results.” For some types of teams (those filled with team members as disagreeable as their leader), it appears he is right. Tough love seems to work best with tough teams.

Sources: G. A. Van Kleef, A. C. Homan, B. Beersma, and D. van Knippenberg, “On Angry Leaders and Agreeable Followers: How Leaders’ Emotions and Followers’ Personalities Shape Motivation and Team Performance,” *Psychological Science* 21, no. 12 (2010), pp. 1827–1834; G. A. Van Kleef, A. C. Homan, B. Beersma, D. van Knippenberg, B. van Knippenberg, and F. Damen, “Searing Sentiment or Cold Calculation? The Effects of Leader Emotional Displays on Team Performance Depend on Follower Epistemic Motivation,” *Academy of Management Journal* 52, no. 3 (2009), pp. 562–580; and S. Lyall, “The Terrible-Tempered Star Chef of London,” *The New York Times* (February 23, 2005), downloaded June 3, 2011, from <http://select.nytimes.com/>.

achieving the goals. Teams that consistently perform better have established a clear sense of what needs to be done and how.⁴²

Members of successful teams put a tremendous amount of time and effort into discussing, shaping, and agreeing on a purpose that belongs to them both collectively and individually. This common purpose, when accepted by the team, becomes what celestial navigation is to a ship captain: it provides direction and guidance under any and all conditions. Like a ship following the wrong course, teams that don’t have good planning skills are doomed; perfectly executing the wrong plan is a lost cause.⁴³ Teams should also agree on whether their goal is to learn about and master a task or simply to perform the task; evidence suggest that different perspectives on learning versus performance goals lead to lower levels of team performance overall.⁴⁴ It appears that these differences in goal orientation have their effects by reducing discussion and sharing

Exhibit 10-5 Effects of Group Processes

$$\text{Potential group effectiveness} + \text{Process gains} - \text{Process losses} = \text{Actual group effectiveness}$$

Team members of NASCAR race car driver Danica Patrick's pit crew shown here work toward the common goal of winning the race. Providing direction, momentum, and commitment, the pit crew's plan is to function at top speed with no errors in checking the car, fixing parts, changing tires, and pumping gas. Each member of the pit crew has a specific job and a clear sense of what needs to be done. And each member continuously fine-tunes his job to shave time off the pit stops, which are so important because they may win or lose a race.



Source: Brandon Wade/MCT/Newscom.

of information. In sum, having all employees on a team strive for the same *type* of goal is important.

Effective teams also show **reflexivity**, meaning they reflect on and adjust their master plan when necessary. A team has to have a good plan, but it also has to be willing and able to adapt when conditions call for it.⁴⁵ Interestingly, some evidence does suggest that teams high in reflexivity are better able to adapt to conflicting plans and goals among team members.⁴⁶

Specific Goals Successful teams translate their common purpose into specific, measurable, and realistic performance goals. Specific goals facilitate clear communication. They also help teams maintain their focus on getting results.

Consistent with the research on individual goals, team goals should also be challenging. Difficult but achievable goals raise team performance on those criteria for which they're set. So, for instance, goals for quantity tend to raise quantity, goals for accuracy raise accuracy, and so on.⁴⁷

Team Efficacy Effective teams have confidence in themselves; they believe they can succeed. We call this *team efficacy*.⁴⁸ Teams that have been successful raise their beliefs about future success, which, in turn, motivates them to work harder. What can management do to increase team efficacy? Two options are helping the team achieve small successes that build confidence and providing training to improve members' technical and interpersonal skills. The greater the abilities of team members, the more likely the team will develop confidence and the ability to deliver on that confidence.

Mental Models Effective teams share accurate **mental models**—organized mental representations of the key elements within a team's environment that team members share.⁴⁹ If team members have the wrong mental models, which is particularly likely with teams under acute stress, their performance suffers.⁵⁰

reflexivity A team characteristic of reflecting on and adjusting the master plan when necessary.

mental models Team members' knowledge and beliefs about how the work gets done by the team.

In the Iraq War, for instance, many military leaders said they underestimated the power of the insurgency and the infighting among Iraqi religious sects. The similarity of team members' mental models matters, too. If team members have different ideas about how to do things, the team will fight over methods rather than focus on what needs to be done.⁵¹ One review of 65 independent studies of team cognition found that teams with shared mental models engaged in more frequent interactions with one another, were more motivated, had more positive attitudes toward their work, and had higher levels of objectively rated performance.⁵²

Conflict Levels Conflict on a team isn't necessarily bad. As we discuss in Chapter 15, conflict has a complex relationship with team performance. Relationship conflicts—those based on interpersonal incompatibilities, tension, and animosity toward others—are almost always dysfunctional. However, when teams are performing nonroutine activities, disagreements about task content (called *task conflicts*) stimulate discussion, promote critical assessment of problems and options, and can lead to better team decisions. A study conducted in China found that moderate levels of task conflict during the initial phases of team performance were positively related to team creativity, but both very low and very high levels of task conflict were negatively related to team performance.⁵³ In other words, both too much and too little disagreement about how a team should initially perform a creative task can inhibit performance.

The way conflicts are resolved can also make the difference between effective and ineffective teams. A study of ongoing comments made by 37 autonomous work groups showed that effective teams resolved conflicts by explicitly discussing the issues, whereas ineffective teams had conflicts focused more on personalities and the way things were said.⁵⁴

Social Loafing As we noted earlier, individuals can engage in social loafing and coast on the group's effort because their particular contributions can't be identified. Effective teams undermine this tendency by making members individually and jointly accountable for the team's purpose, goals, and approach.⁵⁵ Therefore, members should be clear on what they are individually responsible for and what they are jointly responsible for on the team.



What Is My Team Efficacy?

In the Self-Assessment Library (available on CD or online), take assessment IV.E.2 (What Is My Team Efficacy?).

Turning Individuals into Team Players

- 5 Show how organizations can create team players.

We've made a strong case for the value and growing popularity of teams. But many people are not inherently team players, and many organizations have historically nurtured individual accomplishments. Finally, teams fit well in countries that score high on collectivism. But what if an organization wants

OB Poll**Different Views on the Importance of Teamwork****Percent indicating teamwork as high priority skill in workplace**

Source: Based on "New Study Sheds Light on Chicago's Employment Landscape," PR Newswire (May 4, 2011). Reprinted with permission from The Gallup Organization.

to introduce teams into a work population of individuals born and raised in an individualistic society? A veteran employee of a large company, who had done well working in an individualistic company in an individualist country, described the experience of joining a team: "I'm learning my lesson. I just had my first negative performance appraisal in 20 years."⁵⁶

So what can organizations do to enhance team effectiveness—to turn individual contributors into team members? Here are options for managers trying to turn individuals into team players.

Selecting: Hiring Team Players

Some people already possess the interpersonal skills to be effective team players. When hiring team members, be sure candidates can fulfill their team roles as well as technical requirements.⁵⁷

When faced with job candidates who lack team skills, managers have three options. First, don't hire them. If you have to hire them, assign them to tasks or positions that don't require teamwork. If that is not feasible, the candidates can undergo training to make them into team players. In established organizations that decide to redesign jobs around teams, some employees will resist being team players and may be untrainable. Unfortunately, they typically become casualties of the team approach.

Creating teams often means resisting the urge to hire the best talent no matter what. The Los Angeles Galaxy professional soccer team paid enormously for British star David Beckham's talents, seemingly without considering whether he was a team player.⁵⁸ The result was low levels of coordination and cooperation with the team. Personal traits also appear to make some people better candidates for working in diverse teams. Teams made up of members who like to work through difficult mental puzzles also seem more effective and capitalizing on the multiple points of view that arise from diversity in age and education.⁵⁹



Employees of Cigna, a global health services corporation, learn how to become team players by participating in WhirlyBall competitions. Organizations like Cigna use the team sport as a team-building exercise in which two teams maneuver WhirlyBugs on a court while using scoops to toss a ball back and forth among team members in trying to score a goal. WhirlyBall is one of many team-building activities that employees participate in to build their teamwork skills and experience the satisfaction that teamwork can provide.

MyManagementLab

For an interactive application of this topic, check out this chapter's simulation activity at www.mymanagementlab.com.

Training: Creating Team Players

Training specialists conduct exercises that allow employees to experience the satisfaction teamwork can provide. Workshops help employees improve their problem-solving, communication, negotiation, conflict-management, and coaching skills. L'Oréal, for example, found that successful sales teams required much more than being staffed with high-ability salespeople: management had to focus much of its efforts on team building. "What we didn't account for was that many members of our top team in sales had been promoted because they had excellent technical and executional skills," said L'Oréal's senior VP of sales, David Waldock. As a result of the focus on team training, Waldock says, "We are no longer a team just on paper, working independently. We have a real group dynamic now, and it's a good one."⁶⁰ Employees also learn the five-stage group development model described in Chapter 9. Developing an effective team doesn't happen overnight—it takes time.

Rewarding: Providing Incentives to Be a Good Team Player

An organization's reward system must be reworked to encourage cooperative efforts rather than competitive ones.⁶¹ Hallmark Cards Inc. added to its basic individual-incentive system an annual bonus based on achievement of team goals. Whole Foods directs most of its performance-based rewards toward team performance. As a result, teams select new members carefully so they will contribute to team effectiveness (and thus team bonuses).⁶² It is usually best to set a cooperative tone as soon as possible in the life of a team. As we already noted, teams that switch from a competitive to a cooperative system do not immediately share information, and they still tend to make rushed, poor-quality decisions.⁶³ Apparently, the low trust typical of the competitive group will not be readily replaced by high trust with a quick change in reward systems. These problems are not seen in teams that have consistently cooperative systems.

Promotions, pay raises, and other forms of recognition should be given to individuals who work effectively as team members by training new colleagues, sharing information, helping resolve team conflicts, and mastering needed new skills. This doesn't mean individual contributions should be ignored; rather, they should be balanced with selfless contributions to the team.

Finally, don't forget the intrinsic rewards, such as camaraderie, that employees can receive from teamwork. It's exciting and satisfying to be part of a successful team. The opportunity for personal development of self and teammates can be a very satisfying and rewarding experience.

Beware! Teams Aren't Always the Answer

- 6 Decide when to use individuals instead of teams.

Teamwork takes more time and often more resources than individual work. Teams have increased communication demands, conflicts to manage, and meetings to run. So, the benefits of using teams have to exceed the costs, and that's not always the case.⁶⁴ Before you rush to implement teams, carefully assess whether the work requires or will benefit from a collective effort.

How do you know whether the work of your group would be better done in teams? You can apply three tests.⁶⁵ First, can the work be done better by more than one person? A good indicator is the complexity of the work and the need

for different perspectives. Simple tasks that don't require diverse input are probably better left to individuals. Second, does the work create a common purpose or set of goals for the people in the group that is more than the aggregate of individual goals? Many service departments of new-vehicle dealers have introduced teams that link customer-service people, mechanics, parts specialists, and sales representatives. Such teams can better manage collective responsibility for ensuring customer needs are properly met.

The final test is to determine whether the members of the group are interdependent. Using teams makes sense when there is interdependence among tasks—the success of the whole depends on the success of each one, *and* the success of each one depends on the success of the others. Soccer, for instance, is an obvious *team* sport. Success requires a great deal of coordination between interdependent players. Conversely, except possibly for relays, swim teams are not really teams. They're groups of individuals performing individually, whose total performance is merely the aggregate summation of their individual performances.

MyManagementLab

Now that you have finished this chapter, go back to www.mymanagementlab.com to continue practicing and applying the concepts you've learned.

Summary and Implications for Managers

- 7** Show how our understanding of teams differs in a global context.

Few trends have influenced jobs as much as the massive movement to introduce teams into the workplace. The shift from working alone to working on teams requires employees to cooperate with others, share information, confront differences, and sublimate personal interests for the greater good of the team.

- Effective teams have common characteristics. They have adequate resources, effective leadership, a climate of trust, and a performance evaluation and reward system that reflects team contributions. These teams have individuals with technical expertise as well as problem-solving, decision-making, and interpersonal skills and the right traits, especially conscientiousness and openness.
- Effective teams also tend to be small—with fewer than 10 people, preferably of diverse backgrounds. They have members who fill role demands and who prefer to be part of a group. And the work that members do provides freedom and autonomy, the opportunity to use different skills and talents, the ability to complete a whole and identifiable task or product, and work that has a substantial impact on others.
- Finally, effective teams have members who believe in the team's capabilities and are committed to a common plan and purpose, an accurate shared mental model of what is to be accomplished, specific team goals, a manageable level of conflict, and a minimal degree of social loafing.
- Because individualistic organizations and societies attract and reward individual accomplishments, it can be difficult to create team players in these environments. To make the conversion, management should try to select individuals who have the interpersonal skills to be effective team players, provide training to develop teamwork skills, and reward individuals for cooperative efforts.

We Can Learn Much About Work Teams from Studying Sports Teams

POINT

In nearly every nation on earth, sports teams are looked upon as examples of teamwork and collective achievement. We celebrate when our favorite teams win and commiserate with others when they lose. Individual sports like golf or singles tennis can be enjoyable to play and, depending on your taste, to watch, but nothing compares to the exhilaration of seeing teams—whether it is football (soccer or American football), basketball, or baseball—band together and succeed.

Of course, it only stands to reason that we seek to draw leadership lessons from these teams. After all, they won at the highest levels of competition, and sometimes they can provide a unique window into team dynamics because their actions are so visible. There is nothing wrong in seeing what we can learn from these teams in terms of making our teams at work more effective. We learn from examples, and if the examples are good ones, the learning is good, too.

Interestingly, some research suggests that, more than those in other cultures, U.S. individuals tend to use team metaphors rather than references to family, the military, or other institutions. Hewlett-Packard's Susie Wee writes:

Every so often someone asks me what I learned in grad school that helped me in the working world. I can say that many of my most important learnings from school came from playing team sports. My school had a women's club ice hockey team that I played on for 10 years (as an undergrad and grad student). Over these 10 years, my role on the team evolved from a benchwarmer . . . to a player . . . to a captain . . . back to a player . . . and to an assistant coach. Many of my everyday experiences with the team turned into learnings that stayed with me and help me at work.

A perhaps more subtle learning comes from how you make yourself a part of the team when you are the "worst skilled" player or a bench warmer. You can still make important contributions by having a great attitude, [and] by working hard to improve your skills. This directly carries over to the working world, as no matter what your skill or experience level, you can always find a way to make an important contribution to your team.

My advice to people? Students—get involved in a team sport! Workers—treat your career like a team sport!

COUNTERPOINT

Susie Wee's story is a nice one, but that fact that she found her athletic experience helpful doesn't prove much, because that experience may be specific to Susie Wee. A lot of mischief is created in our understanding of organizational behavior when folks try to over-generalize from their past experience.

There certainly is no shortage of athletes and coaches hawking books they propose have organizational implications. In fact, such books are a veritable cottage industry for current and former NFL coaches. Tony Dungy can tell you how to be a "mentor leader" of your team. Rex Ryan can tell you how to use passion and humor to lead teams. Even Bill Walsh (who died in 2007) has a 2010 team leadership book whose theme is "the score takes care of itself." Vince Lombardi (who died in 1970) seems to have a book on team leadership published every year. In all these books, the coaches spend a lot of time discussing how their approach is relevant in the business world. These are all good coaches, some of them are great coaches, but there is little reason to believe athletic teams function like work teams. How many coaches go on to successful careers in organizations outside the athletic context?

In fact, some in-depth reporting on the 2010 U.S. Winter Olympic Team, which won more medals in Vancouver than have ever been won by a U.S. team, demonstrate it was not really a team. The hockey team didn't have much to do with the figure skating team, which didn't have much interaction with the curling team. However, even within the teams organized by sport, there often was no team effort in any real sense of the word. Speedskater Shani Davis, winner of a gold and a silver medal, neither lived nor practiced with the team. He didn't even allow his biography to be posted on the team's Web site. Skier Lindsey Vonn, snowboarder Shaun White, and many others were similarly and rather defiantly "on their own."

There are not many organizations in which a member of a team could get by with that kind of behavior. It often happens, and in fact may be the norm, in sports teams where winning is the only thing that matters. That is one of many differences between sports teams and work teams.

Source: G. B. Gibson and D. M. McDaniel, "Moving Beyond Conventional Wisdom: Advancements in Cross-Cultural Theories of Leadership, Conflict, and Teams," *Perspectives on Psychological Science* 5, no. 4 (2010), pp. 450–462; K. Thomas, "U.S. Olympic Glory, From Stars Hardly on Team," *The New York Times* (February 28, 2010), pp. 1, 4; and S. Schomer, "HP's Susie Wee and the 'Wall of Touch,'" *Fast Company* (May 1, 2010), downloaded June 3, 2011, from www.fastcompany.com/.

QUESTIONS FOR REVIEW

- 1 How do you explain the growing popularity of teams in organizations?
- 2 What is the difference between a group and a team?
- 3 What are the four types of teams?
- 4 What conditions or context factors determine whether teams are effective?
- 5 How can organizations create team players?
- 6 When is work performed by individuals preferred over work performed by teams?
- 7 What are three ways in which our understanding of teams differs in a global context?

EXPERIENTIAL EXERCISE FIXED VERSUS VARIABLE FLIGHT CREWS

Break into teams of five. Assume that you've been hired by AJet, a startup airline based in St. Louis. Your team has been formed to consider the pros and cons of using variable flight crews and to arrive at a recommendation on whether to follow this industry practice at AJet.

Variable flight crews are crews formed when pilots, co-pilots, and flight attendants typically bid for schedules on specific planes (for instance, Boeing 737s, 757s, or 767s) based on seniority. Then they're given a monthly schedule made up of 1- to 4-day trips. Thus, any given flight crew on a plane is rarely together for more than a few days at a time. A complicated system is required to complete the schedules. Because of this system, it's not unusual for a senior pilot at a large airline to fly with a different co-pilot on every trip during any given month. And a pilot and co-pilot who work together for 3 days in

January may never work together again the rest of the year. (In contrast, a fixed flight crew consists of the same group of pilots and attendants who fly together for a period of time.)

In considering whether to use variable flight crews, your team is to answer the following questions:

1. What are the primary advantages of variable flight crews?
2. If you were to recommend some version of fixed flight crews, drawing from the material in this chapter, on what criteria would you assign AJet crews?

When your team has considered the advantages and disadvantages of variable flight crews and answered these questions, be prepared to present to the class your recommendations and justification.

ETHICAL DILEMMA Unethical Teams

We often think of unethical behavior as individual behavior. However, in many cases, unethical behavior is a team effort. The Enron, Adelphia, and WorldCom corporate scandals were brewed by members of the top management teams in these organizations. The BP oil disaster implicated several teams that failed to ensure construction and safety guidelines were followed. Do these examples show that team unethical behavior is limited to top management teams, or can it also occur with "ordinary" work teams?

A study of 126 three-member teams of undergraduates suggests that unethical team behavior can occur beyond top management teams. In this study, teams were given a problem on which to work, with the following instructions:

You are assigned a team project in one of your finance courses. Your team waits until the last minute to being working. To save time, a friend suggests using an old project out of his fraternity files. Does your team go along with this plan?

How many of the teams decided to cheat? About 37 percent decided to use the old project.

Because this exercise was hypothetical, the authors also studied team cheating in another way—by allowing teams to self-grade a "decoy" assignment (an aspect of their assignment that did not in reality exist) that counted as 2 percent of their course grade. How many teams cheated here? About one in four.

This study found that team cheating was greater when a team was composed of utilitarian members (those who think the ends justify the means). However, utilitarian attitudes were more likely to translate into team cheating when team members felt interpersonally "safe"—when they felt there was little risk within the team of being attacked or ridiculed for propositions or arguments they made.

The upshot? It appears that in the right circumstances, all types of teams are capable of behaving unethically.

By holding individual team members accountable, and by providing a climate of “voice” where dissenting team members feel free to speak up, managers can discourage team unethical behavior.

Questions

1. Do you know for certain that you would have refused to agree to the unethical behavior in the experiment?

2. Do you think the team nature of the decision makes it more likely or less likely that individuals will choose to behave unethically?
3. In this study, all team members were required to sign a response form indicating they agreed with the decision. Do you think the results would change if consensus or a signature was not required?

Sources: M. J. Pearsall and A. P. J. Ellis, “Thick as Thieves: The Effects of Ethical Orientation and Psychological Safety on Unethical Team Behavior,” *Journal of Applied Psychology* 96, no. 2 (2011), pp. 401–411; and D. W. White and E. Lean, “The Impact of Perceived Leader Integrity on Subordinates in a Work Team Environment,” *Journal of Business Ethics* 81, no. 4 (2008), pp. 765–778.

CASE INCIDENT 1 Why Don’t Teams Work Like They’re Supposed to?

Despite years of promises that teamwork will serve as a cure-all for the problems of business, many managers have found that even teams with highly motivated, skilled, and committed members can fail to achieve the expected results. Professor Richard Hackman from Harvard University has been studying teams for years and believes that more often than not, failing to establish the groundwork for effective team performance leads teams to be less effective than if the leader simply divided up tasks and had each individual work on his or her assigned part. As Hackman notes, “I have no question that a team can generate magic. But don’t count on it.”

What are the main factors Hackman has identified that lead to effective teams? Teams should be kept small and have consistent membership to minimize the types of coordination tasks that take up valuable time. Too often, organizations set up project-based teams and then reconfigure them, without considering the stages of group development that might have to occur before the team can achieve full performance. Supports need to be in place, like group-based rewards and clearly defined group responsibilities. Surprisingly, in his study of 120 senior management teams, Hackman found fewer than 10 percent of members agreed about who was even on the team!

Successful teams also have assertive, courageous leaders who can invoke authority even when the team resists direction. Similar lessons were derived from the failure of Ghana Airways, a state-run organization that experienced frequent changes in top management that were disruptive to establishing a consistent leadership team. As a result

of excessive turbulence and lack of strategic vision, the 40-year-old air carrier that was once an emblem for the country went bankrupt.

Do these weaknesses mean teams are never the answer to a business problem? Obviously, it is often necessary to bring together and coordinate individuals with a diverse set of skills and abilities to solve a problem. It would be impossible for all the management tasks of a complex organization like Ghana Airways to be done by disconnected individuals. And often there is more work to be done in a compressed time period than any one individual can possibly accomplish. In these cases, it is wise to consider how to best heed the advice provided above and ensure your team isn’t less than the sum of its parts.

Questions

1. What do you think of the elements of successful teamwork Hackman has identified? Do you believe these elements are necessary for effective team performance?
2. Can you think of other conditions necessary for teams to be effective?
3. Imagine you’ve been asked to assemble and lead a team of high-potential new hires to work on the development of an international marketing campaign. What specific steps might you take early in the team’s life to ensure that the new team is able to avoid some of the problems Hackman identified? Is there any way to break down the overall group goal into subtasks so individual accountability can be enhanced?

Sources: D. Coutu, “Why Teams Don’t Work” *Harvard Business Review* (May 2009), pp. 99–105; G. Gregory, “Why All-Star Teams Fail,” *Lab Manager Magazine* (January 11, 2011), www.labmanager.com; and J. Amankwah-Amoah and Y. A. Debrah, “The Protracted Collapse of Ghana Airways: Lessons in Organizational Failure,” *Group and Organization Management* 35, no. 5 (2010), pp. 636–665.

CASE INCIDENT 2 Multicultural Multinational Teams at IBM

When many people think of a traditional, established company, they think of IBM. IBM has been famous for its written and unwritten rules—such as its no-layoff policy, its focus on individual promotions and achievement, the expectation of lifetime service at the company, and its requirement of suits and white shirts at work. The firm was one of the mainstays of the “man in a gray flannel suit” corporate culture in the United States.

Times have certainly changed.

IBM has clients in 170 countries and now does two-thirds of its business outside the United States. As a result, it has overturned virtually all aspects of its old culture. One relatively new focus is on teamwork. While IBM uses work teams extensively, like almost all large organizations, the way it does so is unique.

To foster appreciation of a variety of cultures and open up emerging markets, IBM sends hundreds of its employees to month-long volunteer project teams in regions of the world where most big companies don’t do business. Al Chakra, a software development manager located in Raleigh, North Carolina, was sent to join GreenForest, a furniture manufacturing team in Timisoara, Romania. With Chakra were IBM employees from five other countries. Together, the team helped GreenForest become more computer-savvy to increase its business. In return for the IBM team’s assistance, GreenForest was charged nothing.

This is hardly altruism at work. IBM firmly believes these multicultural, multinational teams are good investments. First, they help lay the groundwork for uncovering business in emerging economies, many of which might be expected to enjoy greater future growth than mature markets. Stanley Litow, the IBM VP who oversees the

program, also thinks it helps IBMers develop multicultural team skills and an appreciation of local markets. He notes, “We want to build a leadership cadre that learns about these places and also learns to exchange their diverse backgrounds and skills.” Among the countries where IBM has sent its multicultural teams are Turkey, Tanzania, Vietnam, Ghana, and the Philippines.

As for Chakra, he was thrilled to be selected for the team. “I felt like I won the lottery,” he said. He advised GreenForest on how to become a paperless company in 3 years and recommended computer systems to boost productivity and increase exports to western Europe.

Another team member, Bronwyn Grantham, an Australian who works at IBM in London, advised GreenForest about sales strategies. Describing her team experience, Grantham said, “I’ve never worked so closely with a team of IBMers from such a wide range of competencies.”

Questions

1. If you calculate the person-hours devoted to IBM’s team projects, they amount to more than 180,000 hours of management time each year. Do you think this is a wise investment of IBM’s human resources? Why or why not?
2. Why do you think IBM’s culture changed from formal, stable, and individualistic to informal, impermanent, and team-oriented?
3. Would you like to work on one of IBM’s multicultural, multinational project teams? Why or why not?
4. Multicultural project teams often face problems with communication, expectations, and values. How do you think some of these challenges can be overcome?

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LEARNING OBJECTIVES

After studying this chapter, you should be able to:

- 1 Identify the main functions of communication.
- 2 Describe the communication process and distinguish between formal and informal communication.
- 3 Contrast downward, upward, and lateral communication, and provide examples of each.
- 4 Contrast oral, written, and nonverbal communication.
- 5 Analyze the advantages and challenges of electronic communication.
- 6 Show how channel richness underlies the choice of communication channel.
- 7 Differentiate between automatic and controlled processing of persuasive messages.
- 8 Identify common barriers to effective communication.
- 9 Show how to overcome the potential problems in cross-cultural communication.

MyManagementLab

Access a host of interactive learning aids to help strengthen your understanding of the chapter concepts at www.mymanagementlab.com.

GOLDMAN RULES

Large organizations have policies governing many aspects of employee behavior, including e-mail communication. But few have e-mail rules more elaborate than Goldman Sachs.

Goldman is one of the oldest, largest, and most respected U.S. investment banks. While some of its competitors either went bankrupt during the recent subprime mortgage meltdown (Lehman Brothers, Bear Stearns) or required massive government assistance (especially Citigroup, Bank of America, JPMorgan Chase, and Wells Fargo), Goldman fared better. It did take \$10 billion from the government's Troubled Asset Relief Program (TARP), but it paid the money back (with 23 percent interest) before any other investment bank.

What makes Goldman great? One factor surely is management. *BusinessWeek* ranked Goldman sixth on its 2010 list of best places to start a career. One review commented, "MBAs perennially rank Goldman Sachs as one of the most desired places to work, and it's foremost among financial services firms. Once in the door, people still love the firm."

But do they love its e-mail policies? Goldman's e-mail manual, ominously titled *United States Policies for the Preparation, Supervision, Distribution and Retention of Written and Electronic Communications*, is so intricate that it has two rules for the uses of "and."

Some of the more interesting e-mail rules are:

- "The level of detail or explanation necessary to make a communication clear, accurate, and understandable will depend, in part, on the breadth and sophistication of the intended audience . . . the lack of financial sophistication of the recipient will often warrant a more detailed presentation."
- "All sales correspondence from or to employees working from home offices must be routed through regional offices for purposes of review, approval, distribution, and retention."
- "Each individual's correspondence must be sampled no less often than annually."

As elaborate as Goldman's rules are, they didn't keep the company out of hot water when it came to light that Goldman was recommending clients make mortgage investments while the company itself was betting against—"shorting"—those very same mortgage obligations. Several e-mails were particularly damning, calling the strategy "The Big Short." Another e-mail string showed that while being instructed to "be aggressive distributing these things" (positive mortgage positions), a Goldman manager wrote to his girlfriend, "That business is dead, and the poor little subprime borrowers will not last long."

Communication

11

Constantly talking isn't necessarily communicating. —Joel in *Eternal Sunshine of the Spotless Mind*



Photo: Goldman Sachs booth, New York Stock Exchange. Source: AP Photo/Richard Drew.

It's unlikely these messages would be consistent with Goldman's elaborate e-mail policies. But the firm did make some serious profit.

Source: M. Abelson and C. Winter, "The Goldman Rules," *Bloomberg Businessweek* (April 25, 2011), pp. 90–91; L. Lavelle, "Best Places to Launch a Career," *Bloomberg Businessweek* (June 2010), downloaded June 10, 2011, from <http://images.businessweek.com/>; and L. Story and S. Chan, "Goldman Cited 'Serious' Profit on Mortgages," *The New York Times* (April 25, 2010), pp. Y1, Y25.

This example illustrates the profound consequences of communication. In this chapter, we'll analyze the power of communication and ways in which it can be more effective. One of the topics we'll discuss is gossip. Consider the following self-assessment, and see how you score on your attitudes toward gossip at work.

Poor communication is probably the most frequently cited source of interpersonal conflict.¹ Because individuals spend nearly 70 percent of their waking hours communicating—writing, reading, speaking, listening—it seems reasonable that one of the biggest inhibitors of group performance is lack of effective communication. Good communication skills are critical to career success. Polls of recruiters nearly always show communication skills among the most desired characteristics.²

No individual, group, or organization can exist without sharing meaning among its members. It is only thus that we can convey information and ideas. Communicating, however, is more than merely imparting meaning; that meaning must also be understood. If one group member speaks only German and the others do not know the language, the German speaker will not be fully understood. Therefore, **communication** must include both the *transfer and the understanding of meaning*.

Perfect communication, if it existed, would occur when a thought or idea was transmitted so the receiver perceived exactly the same mental picture as the sender. Though it sounds elementary, perfect communication is never achieved in practice, for reasons we shall see later in this chapter.

First let's briefly review the functions communication performs and describe the communication process.



Am I A Gossip?

In the Self-Assessment Library (available on CD or online), take assessment IV.E.3 (Am I a Gossip?) and answer the following questions.

1. How did you score relative to your classmates?
2. Do you think gossiping is morally wrong? Why or why not?

Functions of Communication

- 1** Identify the main functions of communication.

Communication serves four major functions within a group or organization: control, motivation, emotional expression, and information.³

Communication acts to *control* member behavior in several ways. Organizations have authority hierarchies and formal guidelines employees

Many communication interactions that take place in an organization perform the function of providing for the emotional expression of feelings and fulfillment of social needs. In this photo, Rene Brookbank, marketing consultant and director of client relations at Cummins & White law firm, jokes with her co-workers during a corporate fashion event. The law firm staged a show for female lawyers and staffers as a fun way for them to view fashion trends in business attire and then treated them all to new outfits. Throughout the social event, cheerful communication among employees allowed them to express their emotions of happiness and gratitude.



Source: o44/ZUMA Press/Newscom.

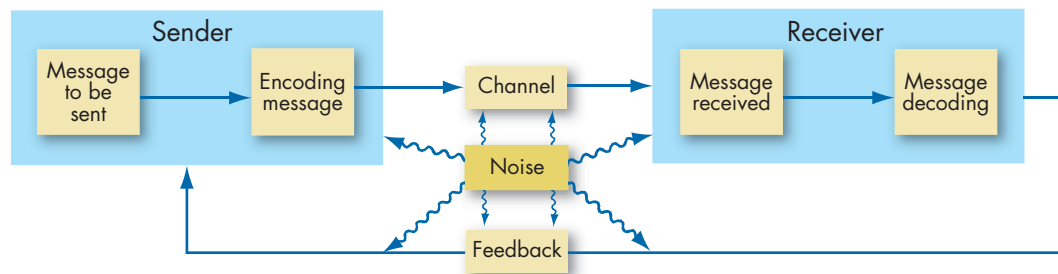
are required to follow. When employees must communicate any job-related grievance to their immediate boss, follow their job description, or comply with company policies, communication is performing a control function. Informal communication controls behavior too. When work groups tease or harass a member who produces too much (and makes the rest of the group look bad), they are informally communicating, and controlling, the member's behavior.

Communication fosters *motivation* by clarifying to employees what they must do, how well they are doing it, and how they can improve if performance is subpar. We saw this operating in our review of goal-setting theory in Chapter 7. The formation of specific goals, feedback on progress toward the goals, and reward for desired behavior all stimulate motivation and require communication.

Their work group is a primary source of social interaction for many employees. Communication within the group is a fundamental mechanism by which members show their satisfaction and frustrations. Communication, therefore, provides for the *emotional expression* of feelings and fulfillment of social needs.

The final function of communication is to facilitate decision making. Communication provides the *information* individuals and groups need to make decisions by transmitting the data needed to identify and evaluate choices.

Almost every communication interaction that takes place in a group or organization performs one or more of these functions, and none of the four is more important than the others. To perform effectively, groups need to maintain some form of control over members, stimulate members to perform, allow emotional expression, and make decision choices.

Exhibit 11-1 The Communication Process

The Communication Process

- 2** Describe the communication process and distinguish between formal and informal communication.

Before communication can take place it needs a purpose, a message to be conveyed between a sender and a receiver. The sender encodes the message (converts it to a symbolic form) and passes it through a medium (channel) to the receiver, who decodes it. The result is transfer of meaning from one person to another.⁴

Exhibit 11-1 depicts this **communication process**. The key parts of this model are (1) the sender, (2) encoding, (3) the message, (4) the channel, (5) decoding, (6) the receiver, (7) noise, and (8) feedback.

The *sender* initiates a message by encoding a thought. The *message* is the actual physical product of the sender's *encoding*. When we speak, the speech is the message. When we write, the writing is the message. When we gesture, the movements of our arms and the expressions on our faces are the message. The *channel* is the medium through which the message travels. The sender selects it, determining whether to use a formal or informal channel. **Formal channels** are established by the organization and transmit messages related to the professional activities of members. They traditionally follow the authority chain within the organization. Other forms of messages, such as personal or social, follow **informal channels**, which are spontaneous and emerge as a response to individual choices.⁵ The *receiver* is the person(s) to whom the message is directed, who must first translate the symbols into understandable form. This step is the *decoding* of the message. *Noise* represents communication barriers that distort the clarity of the message, such as perceptual problems, information overload, semantic difficulties, or cultural differences. The final link in the communication process is a feedback loop. *Feedback* is the check on how successful we have been in transferring our messages as originally intended. It determines whether understanding has been achieved.

Direction of Communication

- 3** Contrast downward, upward, and lateral communication, and provide examples of each.

Communication can flow vertically or laterally. We further subdivide the vertical dimension into downward and upward directions.⁶

Downward Communication

Communication that flows from one level of a group or organization to a lower level is *downward communication*. Group leaders and managers use it to assign goals, provide job instructions, explain policies and procedures, point out problems that need attention, and offer feedback about performance.

When engaging in downward communication, managers must explain the reasons *why* a decision was made. One study found employees were twice as likely to be committed to changes when the reasons behind them were fully explained. Although this may seem like common sense, many managers feel they are too busy to explain things or that explanations will “open up a big can of worms.” Evidence clearly indicates, though, that explanations increase employee commitment and support of decisions.⁷ Moreover, although managers might think that sending a message one time is enough to get through to lower-level employees, most research suggests managerial communications must be repeated several times and through a variety of different media to be truly effective.⁸

Another problem in downward communication is its one-way nature; generally, managers inform employees but rarely solicit their advice or opinions. A study revealed that nearly two-thirds of employees say their boss rarely or never asks their advice. The study noted, “Organizations are always striving for higher employee engagement, but evidence indicates they unnecessarily create fundamental mistakes. People need to be respected and listened to.” Companies like cell phone maker Nokia actively listen to employee’s suggestions, a practice the company thinks is especially important to innovation.⁹

The best communicators explain the reasons behind their downward communications but also solicit communication from the employees they supervise. That leads us to the next direction: upward communication.

Upward Communication

Upward communication flows to a higher level in the group or organization. It’s used to provide feedback to higher-ups, inform them of progress toward goals, and relay current problems. Upward communication keeps managers aware of how employees feel about their jobs, co-workers, and the organization in general. Managers also rely on upward communication for ideas on how conditions can be improved.

Given that most managers’ job responsibilities have expanded, upward communication is increasingly difficult because managers are overwhelmed and easily distracted. To engage in effective upward communication, try to reduce distractions (meet in a conference room if you can, rather than your boss’s office or cubicle), communicate in headlines not paragraphs (your goal is to get your boss’s attention, not to engage in a meandering discussion), support your headlines with actionable items (what you believe should happen), and prepare an agenda to make sure you use your boss’s attention well.¹⁰

Lateral Communication

When communication takes place among members of the same work group, members of work groups at the same level, managers at the same level, or any other horizontally equivalent workers, we describe it as *lateral communication*.

communication process The steps between a source and a receiver that result in the transfer and understanding of meaning.

formal channels Communication channels established by an organization to transmit messages related to the professional activities of members.

informal channels Communication channels that are created spontaneously and that emerge as responses to individual choices.

As president of Home Depot's southern division, Ann-Marie Campbell demonstrates the text concept of downward communication when speaking with the manager and employees of a store in St. Petersburg, Florida. Serving as a member of Home Depot's senior leadership team, Campbell oversees 100,000 workers at 640 stores in 15 states, Puerto Rico, and the Virgin Islands. During her store visits, Campbell communicates the retailer's goals of focusing on clean warehouses, stocked shelves, and excellent customer service. Her personal, face-to-face meetings with employees give her the opportunity to solicit upward communication from them.



Source: s70/ZUMA Press/Newscom.

Why is lateral communication needed if a group or an organization's vertical communications are effective? Lateral communication saves time and facilitates coordination. Some lateral relationships are formally sanctioned. More often, they are informally created to short-circuit the vertical hierarchy and expedite action. So from management's viewpoint, lateral communications can be good or bad. Because strictly adhering to the formal vertical structure for all communications can be inefficient, lateral communication occurring with management's knowledge and support can be beneficial. But it can create dysfunctional conflicts when the formal vertical channels are breached, when members go above or around their superiors to get things done, or when bosses find actions have been taken or decisions made without their knowledge.

Interpersonal Communication

4 Contrast oral, written, and nonverbal communication.

How do group members transfer meaning between and among each other? They essentially rely on oral, written, and nonverbal communication.

Oral Communication

The chief means of conveying messages is oral communication. Speeches, formal one-on-one and group discussions, and the informal rumor mill or grapevine are popular forms of oral communication.

The advantages of oral communication are speed and feedback. We can convey a verbal message and receive a response in minimal time. If the receiver is unsure of the message, rapid feedback allows the sender to quickly detect and correct it. As one professional put it, "Face-to-face communication on a consistent basis is still the best way to get information to and from employees."¹¹

The major disadvantage of oral communication surfaces whenever a message has to pass through a number of people: the more people, the greater the potential distortion. If you've ever played the game "Telephone," you know the

problem. Each person interprets the message in his or her own way. The message's content, when it reaches its destination, is often very different from the original. In an organization, where decisions and other communiqués are verbally passed up and down the authority hierarchy, considerable opportunities arise for messages to become distorted.

Written Communication

Written communications include memos, letters, fax transmissions, e-mail, instant messaging, organizational periodicals, notices placed on bulletin boards (including electronic ones), and any other device that transmits via written words or symbols.

Why would a sender choose written communication? It's often tangible and verifiable. Both the sender and receiver have a record of the communication; and the message can be stored for an indefinite period. If there are questions about its content, the message is physically available for later reference. This feature is particularly important for complex and lengthy communications. The marketing plan for a new product, for instance, is likely to contain a number of tasks spread out over several months. By putting it in writing, those who have to initiate the plan can readily refer to it over its lifespan. A final benefit of all written communication comes from the process itself. People are usually forced to think more thoroughly about what they want to convey in a written message than in a spoken one. Thus, written communications are more likely to be well thought out, logical, and clear.

Of course, written messages have drawbacks. They're time consuming. You could convey far more information to a college instructor in a 1-hour oral exam than in a 1-hour written exam. In fact, what you can say in 10 to 15 minutes might take you an hour to write. The other major disadvantage is lack of a built-in feedback mechanism. Oral communication allows the receiver to respond rapidly to what he thinks he hears. But emailing a memo or sending an instant message provides no assurance it has been received or that the recipient will interpret it as the sender intended.

Nonverbal Communication

Every time we deliver a verbal message, we also impart a nonverbal message.¹² Sometimes the nonverbal component may stand alone. In a singles bar, a glance, a stare, a smile, a frown, and a provocative body movement all convey meaning. No discussion of communication would thus be complete without consideration of *nonverbal communication*—which includes body movements, the intonations or emphasis we give to words, facial expressions, and the physical distance between the sender and receiver.

We could argue that every *body movement* has meaning, and no movement is accidental (though some are unconscious). Through body language, we say, "Help me, I'm lonely"; "Take me, I'm available"; and "Leave me alone, I'm depressed." We act out our state of being with nonverbal body language. We lift one eyebrow for disbelief. We rub our noses for puzzlement. We clasp our arms to isolate ourselves or to protect ourselves. We shrug our shoulders for indifference, wink for intimacy, tap our fingers for impatience, slap our forehead for forgetfulness.¹³

The two most important messages body language conveys are (1) the extent to which we like another and are interested in his or her views and (2) the perceived status between a sender and receiver.¹⁴ We're more likely to position ourselves closer to people we like and touch them more often. Similarly, if you feel you're of higher status than another, you're more likely to display body movements—such as crossed legs or a slouched seated position—that reflect a casual and relaxed manner.¹⁵

Exhibit 11-2 Intonations: It's the Way You Say It!

Change your tone and you change your meaning:

Placement of the Emphasis	What It Means
Why don't I take you to dinner tonight?	I was going to take someone else.
Why don't I take you to dinner tonight?	Instead of the guy you were going with.
Why don't I take you to dinner tonight?	I'm trying to find a reason why I shouldn't take you.
Why don't I take you to dinner tonight?	Do you have a problem with me?
Why don't I take you to dinner tonight?	Instead of going on your own.
Why don't I take you to dinner tonight?	Instead of lunch tomorrow.
Why don't I take you to dinner tonight ?	Not tomorrow night.

Source: Based on M. Kiely, "when 'No' Means 'Yes,'" *Marketing* (October 1993), pp. 7-9. Reproduced in A. Huczynski and D. Buchanan, *Organizational Behavior*, 4th ed. (Essex, UK: Pearson Education, 2001), p. 194.

Body language adds to, and often complicates, verbal communication. A body position or movement can communicate something of the emotion behind a message, but when it is linked with spoken language, it gives fuller meaning to a sender's message.

If you read the verbatim minutes of a meeting, you wouldn't grasp the impact of what was said the same way as if you had been there or could see the meeting on video. Why? There is no record of nonverbal communication. The emphasis given to words or phrases is missing. Exhibit 11-2 illustrates how *intonations* can change the meaning of a message. *Facial expressions* also convey meaning. A snarling face says something different from a smile. Facial expressions, along with intonations, can show arrogance, aggressiveness, fear, shyness, and other characteristics.

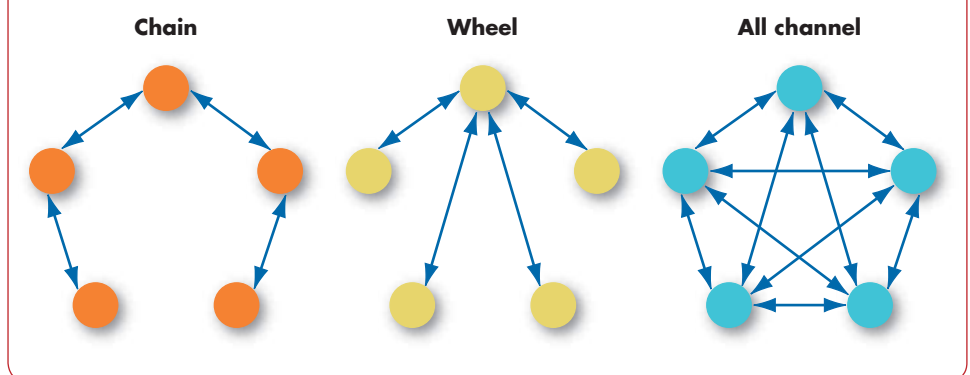
Physical distance also has meaning. What is considered proper spacing between people largely depends on cultural norms. A businesslike distance in some European countries feels intimate in many parts of North America. If someone stands closer to you than is considered appropriate, it may indicate aggressiveness or sexual interest; if farther away, it may signal disinterest or displeasure with what is being said.

It's important to be alert to these nonverbal aspects of communication and look for nonverbal cues as well as the literal meaning of a sender's words. You should particularly be aware of contradictions between the messages. Someone who frequently glances at her wristwatch is giving the message that she would prefer to terminate the conversation no matter what she actually says. We misinform others when we express one message verbally, such as trust, but nonverbally communicate a contradictory message that reads, "I don't have confidence in you."

Organizational Communication

5 Analyze the advantages and challenges of electronic communication.

In this section, we move from interpersonal communication to organizational communication. Our first focus will be to describe and distinguish formal networks and the grapevine. Then we discuss technological innovations in communication.

Exhibit 11-3**Three Common Small-Group Networks****MyManagementLab**

For an interactive application of this topic, check out this chapter's simulation activity at

www.mymanagementlab.com.

Formal Small-Group Networks

Formal organizational networks can be very complicated, including hundreds of people and a half-dozen or more hierarchical levels. To simplify our discussion, we've condensed these networks into three common small groups of five people each (see Exhibit 11-3): chain, wheel, and all channel.

The *chain* rigidly follows the formal chain of command; this network approximates the communication channels you might find in a rigid three-level organization. The *wheel* relies on a central figure to act as the conduit for all the group's communication; it simulates the communication network you would find on a team with a strong leader. The *all-channel* network permits all group members to actively communicate with each other; it's most often characterized in practice by self-managed teams, in which all group members are free to contribute and no one person takes on a leadership role.

As Exhibit 11-4 demonstrates, the effectiveness of each network depends on the dependent variable that concerns you. The structure of the wheel facilitates the emergence of a leader, the all-channel network is best if you desire high member satisfaction, and the chain is best if accuracy is most important. Exhibit 11-4 leads us to the conclusion that no single network will be best for all occasions.

The Grapevine

The informal communication network in a group or organization is called the **grapevine**.¹⁶ Although the rumors and gossip transmitted through the grapevine may be informal, it's still an important source of information.

Exhibit 11-4**Small-Group Networks and Effective Criteria**

Criteria	Chain	Networks Wheel	All Channel
Speed	Moderate	Fast	Fast
Accuracy	High	High	Moderate
Emergence of a leader	Moderate	High	None
Member satisfaction	Moderate	Low	High

grapevine An organization's informal communication network.

One survey found it's where 75 percent of employees hear news first.¹⁷ A recent report shows that grapevine or word-of-mouth information from peers about a company has important effects on whether job applicants join an organization.¹⁸

One of the most famous studies of the grapevine investigated communication patterns among 67 managers in a small manufacturing firm.¹⁹ The study asked each communication recipient how he or she first received a given piece of information and then traced it back to its source. While the grapevine was important, only 10 percent of the executives acted as liaison individuals (that is, passed the information to more than one other person). When one executive decided to resign to enter the insurance business, 81 percent of the others knew about it, but only 11 percent told someone else. This lack of spreading information through the grapevine is interesting in light of how often individuals claim to receive information that way.

It's frequently assumed rumors start because they make good gossip. This is rarely the case. Rumors emerge as a response to situations that are *important* to us, when there is *ambiguity*, and under conditions that arouse *anxiety*.²⁰ The fact that work situations frequently contain these three elements explains why rumors flourish in organizations. The secrecy and competition that typically prevail in large organizations—around the appointment of new bosses, the relocation of offices, downsizing decisions, or the realignment of work assignments—encourage and sustain rumors on the grapevine. A rumor will persist until either the wants and expectations creating the uncertainty are fulfilled or the anxiety has been reduced.

What can we conclude about the grapevine? Certainly it's an important part of any group or organization communication network and is well worth understanding. It gives managers a feel for the morale of their organization, identifies issues employees consider important, and helps tap into employee anxieties. The grapevine also serves employees' needs: small talk creates a sense of closeness and friendship among those who share information, although research suggests it often does so at the expense of those in the "out" group.²¹ There is also evidence that gossip is driven largely by employee social networks that managers can study to learn more about how positive and negative information is flowing through their organization.²² Thus, while the grapevine may not be sanctioned or controlled by the organization, it can be understood.

Can managers entirely eliminate rumors? no. What they should do, however, is minimize the negative consequences of rumors by limiting their range and impact. Exhibit 11-5 offers a few practical suggestions.

Exhibit 11-5

Suggestions for Reducing the Negative Consequences of Rumors

1. **Provide** information—in the long run, the best defense against rumors is a good offense (in other words, rumors tend to thrive in the absence of formal communication).
2. **Explain** actions and decisions that may appear inconsistent, unfair, or secretive.
3. **Refrain** from shooting the messenger—rumors are a natural fact of organizational life, so respond to them calmly, rationally, and respectfully.
4. **Maintain** open communication channels—constantly encourage employees to come to you with concerns, suggestions, and ideas.

An Ethical Choice

The Ethics of Gossip at Work

Experts define gossip as “the exchange of information between two people about a third, absent person.” It’s tempting to gossip about others at work. We all want to know about what’s going on with our co-workers, even if it isn’t necessarily our concern. But there is a real possibility that gossip can change from harmless chat about other people’s lives to truly destructive words that can spread animosity and anger.

So is gossip necessarily bad? Not according to Joe Labianca at the University of Kentucky. He notes, “If a few people know what’s really going on, gossip becomes the means of spreading that information to everyone else. What’s more, research shows that gossip often reduces individuals’

anxiety and helps them cope with uncertainty.” How? Labianca and colleagues have found that gossip allows people to make personal connections with co-workers and facilitates social support. Managers tend not to like gossip because it subverts their authority, but at the same time, it can level the playing field for those who do not otherwise have access to power. Gossip can also be a means to identify individuals who are free riders, bullies, or difficult to work with. In this way, gossip can even facilitate productive performance.

Does this mean that anything goes when it comes to gossip? Hardly. There are several guidelines for keeping gossip a positive source of information. First, don’t pass on any information without checking that it’s

accurate. Second, don’t share personally sensitive information about someone else that violates that person’s privacy. Finally, whenever possible, let the person you are talking about to have a chance to enter the discussion at some later point so his or her view can be explicitly taken into account.

Sources: Based on G. Michelson, A. van Iterson, and K. Waddington, “Gossip in Organizations: Contexts, Consequences, and Controversies,” *Group and Organization Management* 35, no. 4 (2010), pp. 371–390; K. M. Kniffin and D. S. Wilson, “Evolutionary Perspectives on Workplace Gossip: Why and How Gossip Can Serve Groups,” *Group and Organization Management* 35, no. 2 (2010), pp. 150–176; and J. Labianca, “It’s Not ‘Unprofessional’ to Gossip at Work,” *Harvard Business Review* (September 2010), pp. 28–29.

Electronic Communications

An indispensable—and in about 71 percent of cases, the primary—medium of communication in today’s organizations is electronic. Electronic communications include e-mail, text messaging, networking software, blogs, and video conferencing. Let’s discuss each.

E-mail E-mail uses the Internet to transmit and receive computer-generated text and documents. Its growth has been spectacular, and its use is now so pervasive it’s hard to imagine life without it. E-mail messages can be quickly written, edited, and stored. They can be distributed to one person or thousands with a click of a mouse. And the cost of sending formal e-mail messages to employees is a fraction of the cost of printing, duplicating, and distributing a comparable letter or brochure.²³

E-mail is not without drawbacks. The following are some of its most significant limitations and what organizations should do to reduce or eliminate them:

- **Risk of misinterpreting the message.** It’s true we often misinterpret verbal messages, but the potential to misinterpret e-mail is even greater. One research team at New York University found we can accurately decode an e-mail’s intent and tone only 50 percent of the time, yet most of us vastly overestimate our ability to send and interpret clear messages. If you’re sending an important message, make sure you reread it for clarity.²⁴
- **Drawbacks for communicating negative messages.** E-mail may not be the best way to communicate negative information. When Radio Shack

decided to lay off 400 employees, it drew an avalanche of scorn inside and outside the company by doing it via e-mail. Employees need to be careful when communicating negative messages via e-mail, too. Justen Deal, 22, wrote an e-mail critical of some strategic decisions made by his employer, pharmaceutical giant Kaiser Permanente, and questioned the financing of several information technology projects. Within hours, Deal's computer was seized; he was later fired.²⁵

- **Time-consuming nature.** An estimated 62 trillion e-mails are sent every year, of which approximately 60 percent, or 36 trillion, are non-spam messages that someone has to answer!²⁶ Some people, such as venture capitalist and Dallas Mavericks owner Mark Cuban, receive more than a thousand messages a day (Cuban says 10 percent are of the "I want" variety). Although you probably don't receive *that* many, most of us have trouble keeping up with all e-mail, especially as we advance in our career. Experts suggest the following strategies:
 - **Don't check e-mail in the morning.** Take care of important tasks before getting ensnared in e-mails. Otherwise, you may never get to those tasks.
 - **Check e-mail in batches.** Don't check e-mail continually throughout the day. Some experts suggest twice a day. "You wouldn't want to do a new load of laundry every time you have a dirty pair of socks," says one expert.
 - **Unsubscribe.** Stop newsletters and other subscriptions you don't really need.
 - **Stop sending e-mail.** The best way to receive lots of e-mail is to send lots of e-mail, so send less. Shorter e-mails garner shorter responses. "A well-written message can and should be as concise as possible," says one expert.
 - **Declare e-mail bankruptcy.** Some people, like recording artist Moby and venture capitalist Fred Wilson, become so overwhelmed by e-mail they declare "e-mail bankruptcy." They wipe out their entire inbox and start over.

Although some of these steps may not work for you, keep in mind that e-mail can be less productive than it seems: we often seem busy but get less accomplished through e-mail than we might think.²⁷

- **Limited expression of emotions.** We tend to think of e-mail as a sort of sterile, faceless form of communication. Some researchers say the lack of visual and vocal cues means emotionally positive messages, like those including praise, will be seen as more emotionally neutral than the sender intended.²⁸ But as you no doubt know, e-mails are often highly emotional. E-mail tends to have a disinhibiting effect on people; without the recipient's facial expression to temper their emotional expression, senders write things they'd never be comfortable saying in person. When others send flaming messages, remain calm and try not to respond in kind. And, as hard as it might sometimes be, try to see the flaming message from the other party's point of view. That in itself may calm your nerves.²⁹
- **Privacy concerns.** There are two privacy issues with e-mail.³⁰ First, your e-mails may be, and often are, monitored. You can't always trust the recipient of your e-mail to keep it confidential, either. For these reasons, you shouldn't write anything you wouldn't want made public. Second, you need to exercise caution in forwarding e-mail from your company's e-mail account to a personal or "public" e-mail account (for example, Gmail, Yahoo!, MSN). These accounts often aren't as secure as corporate accounts, so when you forward a company e-mail to them, you may be

violating your organization's policy or unintentionally disclosing confidential data. Many employers hire vendors to sift through e-mails, using software to catch not only obvious key words ("insider trading") but also the vague ("that thing we talked about") or the guilt-ridden ("regret"). Another survey revealed nearly 40 percent of companies have employees whose only job is to read other employees' e-mail.³¹

Instant Messaging and Text Messaging Like e-mail, instant messaging (IM) and text messaging (TM) use electronic media. Unlike e-mail, though, IM and TM either occur in real time (IM) or use portable communication devices (TM). In just a few years, IM and TM have become pervasive. As you no doubt know from experience, IM is usually sent via computer, whereas TM is transmitted via cellphones or handheld devices such as BlackBerrys and iPhones.

Despite their advantages, IM and TM aren't going to replace e-mail. E-mail is still probably a better device for conveying long messages that must be saved. IM is preferable for one- or two-line messages that would just clutter up an e-mail inbox. On the downside, some IM and TM users find the technology intrusive and distracting. Its continual presence can make it hard for employees to concentrate and stay focused. A survey of managers revealed that in 86 percent of meetings, at least some participants checked TM, and another survey revealed 20 percent of managers report having been scolded for using wireless devices during meetings.³² Finally, because instant messages can be intercepted easily, many organizations are concerned about the security of IM and TM.³³

One other point: it's important to not let the informality of text messaging ("omg! r u serious? brb") spill over into business e-mails. Many prefer to keep business communication relatively formal. A survey of employers revealed that 58 percent rate grammar, spelling, and punctuation as "very important" in e-mail messages.³⁴ By making sure your professional communications are, well, professional, you'll show yourself to be mature and serious. Avoid jargon and slang, use formal titles, use formal e-mail addresses for yourself (lose thatpartygirl@yahoo.com), and take care to make your message concise and well written. None of this means, of course, that you have to give up TM or IM; you just need to maintain the differences between the way you communicate with your friends and the way you communicate professionally.

Social Networking Nowhere has communication been more transformed than in the rise of social networking. You are doubtless familiar with and perhaps a user of social networking platforms such as Facebook and LinkedIn. Rather than being one huge site, Facebook, which has more than 600 million active users, is actually composed of separate networks based on schools, companies, or regions. Individuals older than age 25 are now its fastest-growing group of users. In a desire to maintain control over employee use of social networking for professional purposes, many organizations have developed their own in-house social networking applications. The research and advisory firm Gartner Inc. estimates that social networking will soon replace e-mail as the primary form of business communication for 20 percent or more of business users.³⁵

To get the most from social networks and avoid irritating your contacts, reserve them for high-value items only—not as an everyday or even every-week tool. Remember that a prospective employer might check your Facebook entries. Some entrepreneurs have developed software that mines such Web sites on behalf of companies (or individuals) that want to check up on a job applicant

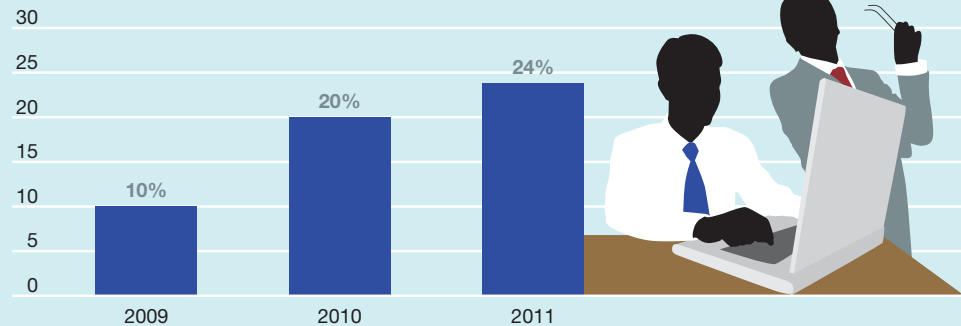


Source: Teh Eng Koon/AP Images.

Malaysia's airline AirAsia is taking advantage of the flexibility of text messaging to make it more convenient for travelers to book flights. AirAsia flight attendants are shown here with a mobile phone billboard during the launch of the world's first airline booking through a short messaging service (SMS) on cell phones. The SMS makes it easier for travelers to book their seats as the service allows them to choose their flights, confirm their booking, and pay for their seats by text messaging from the convenience of their mobile phone wherever they are.

OB Poll**Rising Risks of Social Networking at Work**

Percentage of organizations that have disciplined an employee for activities on Facebook, LinkedIn, or Twitter



Source: Based on Studylogic poll for Starwood Hotels and Resorts/Sheraton.

(or potential date). So keep in mind that what you post may be read by people other than your intended contacts.³⁶

Blogs A **blog (Web log)** is a Web site about a single person or company. Experts estimate that more than 156 million blogs now exist. Millions of U.S. workers have blogs. And, of course, many organizations and organizational leaders have blogs that speak for the organization.

Twitter is a hybrid social networking service that allows users to post “micro-blog” entries to their subscribers about any topic, including work. Many organizational leaders send Twitter messages (“tweets”), but they can also come from any employee about any work topic, leaving organizations with less control over the communication of important or sensitive information.

Although some companies have policies governing the content of blogs and Twitter feeds, many don’t, and many posters say they have blogged or tweeted comments that could be construed as harmful to their company’s reputation. Many think their personal blogs are outside their employer’s purview, but if someone else in the company happens to read a critical or negative blog entry or post, there is nothing to keep him or her from sharing that information with others, and the employee could be dismissed as a result.

One legal expert notes, “Employee bloggers mistakenly believe the First Amendment gives them the right to say whatever they want on their personal blogs. Wrong!” Also, beware of posting personal blog entries from work. More than three-quarters of employers actively monitor employees’ Web site connections. In short, if you are going to have a personal blog, maintain a strict work–personal “firewall.”³⁷

Video Conferencing *Video conferencing* permits employees in an organization to have real-time meetings with people at different locations. Live audio and video images let participants see, hear, and talk with each other without being physically in the same location.

Peter Quirk, a program manager with EMC Corporation, uses video conferencing to hold monthly meetings of employees at various locations and many



Source: Deshakalyan Chowdhury/Getty Images.

Sunita Williams, a NASA astronaut commander and the woman who has spent the longest time in space, used videoconferencing to speak to students and journalists at The American Center in Kolkata, India. The videoconferencing technology allowed the students and journalists to interact with Williams as she discussed her experiences aboard the Space Station Atlantis. The interactive meeting gave Williams the opportunity to answer questions about her job as a U.S. Navy experimental test pilot and as a helicopter pilot during the Gulf War.

other meetings as well. Doing so saves travel expenses and time. However, Quirk notes it's especially important to stimulate questions and involve all participants in order to avoid someone who is linked in but disengaged. Sun Microsystem's Karen Rhode agrees special efforts must be made to engage remote participants, suggesting, "You can poll people, people can ask questions, you can do an engaging presentation."³⁸

Managing Information

We all have more information at our disposal than ever. It brings us many benefits, but also two important challenges: information overload and threats to information security. We consider each in turn.

Dealing with Information Overload Do you find yourself bombarded with information—from e-mail, blogs, Internet surfing, IMs, cell phones, and television? You're not alone. Basex, a company that looks at worker efficiency, found the largest part of an average worker's day—43 percent—is spent on matters that are neither important nor urgent, such as responding to noncrucial e-mails and surfing the Web. (In fairness to e-mail, Basex also found 25 percent of an employee's time was spent composing and responding to *important* e-mail.)

Intel designed an 8-month experiment to see how limiting this **information overload** might aid productivity. One group of employees was told to limit both digital and in-person contact for 4 hours on Tuesdays, while another group followed its usual routine. The first group was more productive, and 75 percent of its members suggested the program be expanded. "It's huge. We were expecting less," remarked Nathan Zeldes, an Intel engineer who led the experiments. "When people are uninterrupted they can sit back and design chips and really think."³⁹

We have already reviewed some ways of reducing the time sunk into e-mails. More generally, as the Intel study shows, it may make sense to connect to technology less frequently, to, in the words of one article, "avoid letting the drumbeat of digital missives constantly shake up and reorder to-do lists." Lynaia Lutes, an account supervisor for a small Texas company, was able to think much more strategically by taking a break from digital information each day. In the past, she said, "I basically completed an assignment" but didn't approach it strategically. By creating such breaks for yourself, you may be better able to prioritize, think about the big picture, and thereby be more effective.⁴⁰

As information technology and immediate communication have become a more prevalent component of modern organizational life, more employees find they are never able to get offline. Some business travelers were disappointed when airlines began offering wireless Internet connections in flight because they could no longer use their travel time as a rare opportunity to relax without a constant barrage of organizational communications. The negative impacts of these communication devices can spill over into employees' personal lives as well. Both workers and their spouses relate the use of electronic communication technologies outside work to higher levels of work-life conflict.⁴¹ Employees must balance the need for constant communication with their own

blog (Web log) A Web site where entries are written, and generally displayed in reverse chronological order, about news, events, and personal diary entries.

Twitter A free blogging and networking service where users send and read messages known as tweets, many of which concern OB issues.

information overload A condition in which information inflow exceeds an individual's processing capacity.

personal need for breaks from work, or they risk burnout from being on call 24 hours a day.

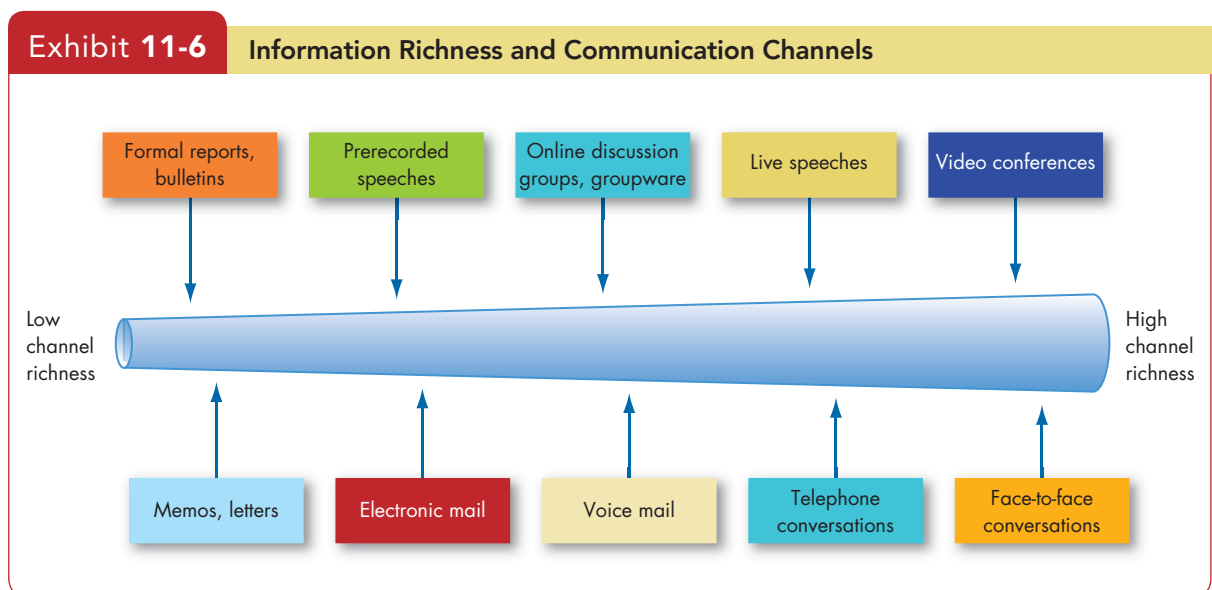
Threats to Information Security Security is a huge concern for nearly all organizations with private or proprietary information about clients, customers, and employees. A Merrill Lynch survey of 50 executives found 52 percent rated leaks of company information as their number-one information security concern, topping viruses and hackers. Most companies actively monitor employee Internet use and e-mail records, and some even use video surveillance and record phone conversations. Necessary though they may be, such practices can seem invasive to employees. An organization can relieve employee concerns by engaging them in the creation of information-security policies and giving them some control over how their personal information is used.⁴²

Choice of Communication Channel

- 6 Show how channel richness underlies the choice of communication channel.

Why do people choose one channel of communication over another—say, a phone call instead of a face-to-face talk? A model of media richness helps explain channel selection among managers.⁴³

Channels differ in their capacity to convey information. Some are *rich* in that they can (1) handle multiple cues simultaneously, (2) facilitate rapid feedback, and (3) be very personal. Others are *lean* in that they score low on these factors. As Exhibit 11-6 illustrates, face-to-face conversation scores highest in **channel richness** because it transmits the most information per communication episode—multiple information cues (words, postures, facial expressions, gestures, intonations), immediate feedback (both verbal and nonverbal), and



Source: Based on R. H. Lengel and R. L. Daft, "The Selection of Communication Media as an Executive Skill," *Academy of Management Executive* (August 1988), pp. 225–232; and R. L. Daft and R. H. Lengel, "Organizational Information Requirements, Media Richness, and Structural Design," *Managerial Science* (May 1996), pp. 554–572. Reproduced from R. L. Daft and R. A. Noe, *Organizational Behavior* (Fort Worth, TX: Harcourt, 2001), p. 311.

the personal touch of being present. Impersonal written media such as formal reports and bulletins rate lowest in richness.

The choice of channel depends on whether the message is routine. Routine messages tend to be straightforward and have minimal ambiguity; channels low in richness can carry them efficiently. Nonroutine communications are likely to be complicated and have the potential for misunderstanding. Managers can communicate them effectively only by selecting rich channels.

When tough times hit Manpower Business Solutions during the recent economic contraction, the company elected to communicate with employees daily in a variety of media to ensure that everyone remained informed.⁴⁴ Employees were given updates about the company's plans for dealing with economic problems, including advance warning before layoffs. The company believes its strategy of using rich communication channels for nonroutine information has paid off by reducing employee anxiety and increasing engagement with the organization.

Persuasive Communications

- 7 Differentiate between automatic and controlled processing of persuasive messages.

We've discussed a number of methods for communication up to this point. Now we turn our attention to one of the functions of communication and the features that might make messages more or less persuasive to an audience.

Automatic and Controlled Processing

To understand the process of communication, it is useful to consider two relatively different ways that we process information.⁴⁵ Think about the last time you bought a can of soda. Did you carefully research brands and engage in your own double-blind taste test to see which types you actually prefer? Or did you reach for the can that had the most appealing advertising images? If we're honest, we'll admit glitzy ads and catchy slogans do indeed have an influence on our choices as consumers. We often rely on **automatic processing**, a relatively superficial consideration of evidence and information making use of heuristics like those we discussed in Chapter 6. Automatic processing takes little time and low effort, so it makes sense to use it for processing persuasive messages related to topics you don't care much about. The disadvantage is that it lets us be easily fooled by a variety of tricks, like a cute jingle or glamorous photo.

Now consider the last time you chose a place to live. For this more important decision, you probably did do some independent research among experts who know something about the area, gathered information about prices from a variety of sources, and considered the costs and benefits of renting versus buying. Here, you're relying on more effortful **controlled processing**, a detailed consideration of evidence and information relying on facts, figures, and logic. Controlled processing requires effort and energy, but it's harder to fool

channel richness The amount of information that can be transmitted during a communication episode.

automatic processing A relatively superficial consideration of evidence and information making use of heuristics.

controlled processing A detailed consideration of evidence and information relying on facts, figures, and logic.

someone who has taken the time and effort to engage in it. So what makes someone engage in either shallow or deep processing? There are a few rules of thumb for determining what types of processing an audience will use.

Interest Level

One of the best predictors of whether people will use an automatic or controlled process for reacting to a persuasive message is their level of interest in it.⁴⁶ Interest levels reflect the impact a decision is going to have on your life. When people are very interested in the outcome of a decision, they're more likely to process information carefully. That's probably why people look for so much more information when deciding about something important (like where to live) than something relatively unimportant (like which soda to drink).

Prior Knowledge

People who are very well informed about a subject area are also more likely to use controlled processing strategies. They have already thought through various arguments for or against a specific course of action, and therefore they won't readily change their position unless very good, thoughtful reasons are provided. On the other hand, people who are poorly informed about a topic can change their minds more readily, even in the face of fairly superficial arguments presented without a great deal of evidence. In other words, a better informed audience is likely to be much harder to persuade.

Personality

Are you the type of person who always likes to read at least five reviews of a movie before deciding whether to see it? Do you carefully consider several movies before making a choice? Perhaps you even research recent films by the same stars and director. If so, you are probably high in *need for cognition*, a personality trait of individuals who are most likely to be persuaded by evidence and facts.⁴⁷ Those who are lower in need for cognition are more likely to use automatic processing strategies, relying on intuition and emotion to guide their evaluation of persuasive messages.

Message Characteristics

Another factor that influences whether people use an automatic or controlled processing strategy is the characteristics of the message itself. Messages provided through relatively lean communication channels, with little opportunity for users to interact with the content of the message, tend to encourage automatic processing. For example, most television advertisements go by too fast for really deliberative thought; we automatically process these. Conversely, messages provided through richer communication channels, like a long magazine article, tend to encourage more deliberative processing.

The most important implication of all this research is to match your persuasive message to the type of processing your audience is likely to use. When the audience is not especially interested in a persuasive message topic, when they are poorly informed, when they are low in need for cognition, and when information is transmitted through relatively lean channels, they'll be more likely to use automatic processing. In these cases, use messages that are more emotion-laden and associate positive images with your preferred outcome. On the other hand, when the audience is interested in a topic, when they are high in need for cognition, or when the information is transmitted through rich channels, then it is a better idea to focus on rational arguments and evidence to make your case.

Barriers to Effective Communication

8 Identify common barriers to effective communication.

A number of barriers can retard or distort effective communication. In this section, we highlight the most important.

Filtering

Filtering refers to a sender's purposely manipulating information so the receiver will see it more favorably. A manager who tells his boss what he feels the boss wants to hear is filtering information.

The more vertical levels in the organization's hierarchy, the more opportunities there are for filtering. But some filtering will occur wherever there are status differences. Factors such as fear of conveying bad news and the desire to please the boss often lead employees to tell their superiors what they think they want to hear, thus distorting upward communications.

Selective Perception

We have mentioned selective perception before in this book. It appears again here because the receivers in the communication process selectively see and hear based on their needs, motivations, experience, background, and other personal characteristics. Receivers also project their interests and expectations into communications as they decode them. An employment interviewer who expects a female job applicant to put her family ahead of her career is likely to see that in all female applicants, regardless of whether they actually feel that way. As we said in Chapter 6, we don't see reality; we interpret what we see and call it reality.

Information Overload

Individuals have a finite capacity for processing data. When the information we have to work with exceeds our processing capacity, the result is information overload. We've seen that dealing with it has become a huge challenge for individuals and for organizations. It's a challenge you can manage—to some degree—by following the steps outlined earlier in this chapter.

What happens when individuals have more information than they can sort and use? They tend to select, ignore, pass over, or forget. Or they may put off further processing until the overload situation ends. In any case, lost information and less effective communication results, making it all the more important to deal well with overload.

Emotions

You may interpret the same message differently when you're angry or distraught than when you're happy. For example, individuals in positive moods are more confident about their opinions after reading a persuasive message, so well-crafted arguments have stronger impacts on their opinions.⁴⁸ People in negative moods are more likely to scrutinize messages in greater detail, whereas those in positive moods tend to accept communications at face value.⁴⁹ Extreme

filtering A sender's manipulation of information so that it will be seen more favorably by the receiver.

Managers of Hochtief, Germany's largest construction firm, relied on controlled processing when addressing employees during a supervisory board meeting at company headquarters in Essen, Germany, shown here. In response to a takeover bid by the Spanish construction firm Actividades de Construcción & Servicios (ACS), Hochtief management focused on rational evidence and arguments in presenting its defense against the takeover bid and its plans to fend off the bid. Employees' level of interest in the takeover attempt is high, because they fear that an ACS takeover would result in a major downsizing of Hochtief's workforce and would put their jobs at risk.



Source: Bernd Thissen/dpa/picture-alliance/Newscom.

emotions such as jubilation or depression are most likely to hinder effective communication. In such instances, we are most prone to disregard our rational and objective thinking processes and substitute emotional judgments.

Language

Even when we're communicating in the same language, words mean different things to different people. Age and context are two of the biggest factors that influence such differences.

When Michael Schiller, a business consultant, was talking with his 15-year-old daughter about where she was going with her friends, he told her, "You need to recognize your KPIs and measure against them." Schiller said that in response, his daughter "looked at him like he was from outer space." (For the record, KPI stands for key performance indicators.) Those new to corporate lingo may find acronyms such as *KPI*, words such as *deliverables* (verifiable outcomes of a project), and phrases such as *get the low-hanging fruit* (deal with the easiest parts first) bewildering, in the same way parents may be mystified by teen slang.⁵⁰

In short, our use of language is far from uniform. If we knew how each of us modified the language, we could minimize communication difficulties, but we usually don't know. Senders tend to assume the words and terms they use mean the same to the receiver as to them. This assumption is often incorrect.

Silence

It's easy to ignore silence or lack of communication, precisely because it is defined by the absence of information. However, research suggests silence and withholding communication are both common and problematic.⁵¹ One survey found that more than 85 percent of managers reported remaining silent about at least one issue of significant concern.⁵² Employee silence means managers lack information about ongoing operational problems. And silence regarding discrimination, harassment, corruption, and misconduct means top management cannot take action to eliminate this behavior. Finally, employees who are silent about important issues may also experience psychological stress.

Silence is less likely where minority opinions are treated with respect, workgroup identification is high, and high procedural justice prevails.⁵³ Practically, this means managers must make sure they behave in a supportive manner when employees voice divergent opinions or concerns, and they must take these under advisement. One act of ignoring or belittling an employee for expressing concerns may well lead the employee to withhold important future communication.

Communication Apprehension

An estimated 5 to 20 percent of the population suffers debilitating **communication apprehension**, or social anxiety.⁵⁴ These people experience undue tension and anxiety in oral communication, written communication, or both.⁵⁵ They may find it extremely difficult to talk with others face-to-face or may become extremely anxious when they have to use the phone, relying on memos or e-mails when a phone call would be faster and more appropriate.

Studies show oral-communication apprehensives avoid situations, such as teaching, for which oral communication is a dominant requirement.⁵⁶ But almost all jobs require *some* oral communication. Of greater concern is evidence that high oral-communication apprehensives distort the communication demands of their jobs in order to minimize the need for communication. So be aware that some people severely limit their oral communication and rationalize their actions by telling themselves communicating isn't necessary for them to do their job effectively.

Lying

The final barrier to effective communication is outright misrepresentation of information, or lying. People differ in their definition of what constitutes a lie. For example, is deliberately withholding information about a mistake you made a lie, or do you have to actively deny your role in the mistake to pass the threshold of deceit? While the definition of a lie will continue to befuddle both ethicists and social scientists, there is no denying the prevalence of lying. In one diary study, the average person reported telling one to two lies per day, with some individuals telling considerably more.⁵⁷ Compounded across a large organization, this is an enormous amount of deception happening every single day! Evidence also shows that people are more comfortable lying over the phone than face-to-face and more comfortable lying in e-mails than when they have to write with pen and paper.⁵⁸

Can you detect liars? Despite a great deal of investigation, research generally suggests most people are not very good at detecting deception in others.⁵⁹ The problem is, there are no nonverbal or verbal cues unique to lying—averting your gaze, pausing, and shifting your posture can also be signals of nervousness, shyness, or doubt. Moreover, most people who lie take a number of steps to guard against being detected, so they might deliberately look a person in the eye when lying because they know that direct eye contact is (incorrectly) assumed to be a sign of truthfulness. Finally, many lies are embedded in truths; liars usually give a somewhat true account with just enough details changed to avoid detection.

In sum, the frequency of lying and the difficulty in detecting liars makes this an especially strong barrier to effective communication in organizations.

communication apprehension *Undue tension and anxiety about oral communication, written communication, or both.*

Myth or Science?

“We Know What Makes Good Liars Good”

This statement is true, though we still have more to learn about the characteristics of proficient liars.

As we have noted in this chapter, it is not easy to detect whether liars are telling the truth. We have reviewed some of the reasons for this, but recent research has uncovered an obvious but only recently tested explanation for why it's hard to catch a liar: some people are just good at lying, and we're beginning to understand why.

What causes people to be good liars? A major review of the literature identified six features of good liars:

1. Their natural behavior is disarming—they smile, make eye contact,

mimic the gestures of their target, and avoid “ums” and “ehs.”

2. They do their homework—they have thought up plausible cover stories before they are demanded.
3. They don't let their emotions get in the way—good liars are unusually calm and composed when lying.
4. They are good-looking—good liars are physically attractive; we are more likely to trust stories told by attractive people.
5. They have good insights into others' thought processes.
6. They tend to believe their own lies—this has been established by studies that ask people to lie and

later find many of them believe their original lies to be true.

A sad truth of organizational behavior is that people are better liars than we think, and we are worse at unveiling them than we realize.

Sources: A. Vrij, P. A. Granhag, and S. Porter, “Pitfalls and Opportunities in Nonverbal and Verbal Lie Detection,” *Psychological Science in the Public Interest* 11, no. 3 (2010), pp. 89–121; E. F. Loftus, “Catching Liars,” *Psychological Science in the Public Interest* 11, no. 3 (2010), pp. 87–88; and A. Vrij, P. A. Granhag, and S. Mann, “Good Liars,” Unpublished manuscript, University of Portsmouth, 2011, www.port.ac.uk/departments/academic/psychology/staff/downloads/filetodownload,89132,en.pdf.

Global Implications

- 9 Show how to overcome the potential problems in cross-cultural communication.

Effective communication is difficult under the best of conditions. Cross-cultural factors clearly create the potential for increased communication problems. A gesture that is well understood and acceptable in one culture can be meaningless or lewd in another. Only 18 percent of companies have documented strategies for communicating with employees across cultures, and only 31 percent require that corporate messages be customized for consumption in other cultures. Procter & Gamble seems to be an exception; more than half the company's employees don't speak English as their first language, so the company focuses on simple messages to make sure everyone knows what's important.⁶⁰

Cultural Barriers

Researchers have identified a number of problems related to language difficulties in cross-cultural communications.⁶¹

First are *barriers caused by semantics*. Words mean different things to different people, particularly people from different national cultures. Some words don't translate between cultures. The Finnish word *sisu* means something akin to “guts” or “dogged persistence” but is essentially untranslatable into English. The new capitalists in Russia may have difficulty communicating with British or Canadian counterparts because English terms such as *efficiency*, *free market*, and *regulation* have no direct Russian equivalents.

Second are *barriers caused by word connotations*. Words imply different things in different languages. Negotiations between U.S. and Japanese executives can be difficult because the Japanese word *hai* translates as “yes,” but its connotation is “Yes, I'm listening” rather than “Yes, I agree.”

Third are *barriers caused by tone differences*. In some cultures, language is formal; in others, it's informal. In some cultures, the tone changes depending on the context: People speak differently at home, in social situations, and at work. Using a personal, informal style when a more formal style is expected can be embarrassing.

Fourth are *differences in tolerance for conflict and methods for resolving conflicts*. Individuals from individualist cultures tend to be more comfortable with direct conflicts and will make the source of their disagreements overt. Collectivists are more likely to acknowledge conflict only implicitly and avoid emotionally charged disputes. They may attribute conflicts to the situation more than to the individuals and therefore may not require explicit apologies to repair relationships, whereas individualists prefer explicit statements accepting responsibility for conflicts and public apologies to restore relationships.

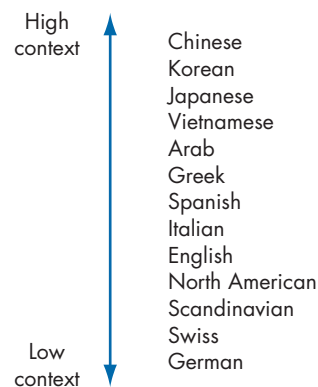
Cultural Context

Cultures tend to differ in the degree to which context influences the meaning individuals take from communication.⁶² In **high-context cultures** such as China, Korea, Japan, and Vietnam, people rely heavily on nonverbal and subtle situational cues in communicating with others, and a person's official status, place in society, and reputation carry considerable weight. What is *not* said may be more significant than what *is* said. In contrast, people from Europe and North America reflect their **low-context cultures**. They rely essentially on spoken and written words to convey meaning; body language and formal titles are secondary (see Exhibit 11-7).

These contextual differences actually mean quite a lot in terms of communication. Communication in high-context cultures implies considerably more trust by both parties. What may appear to be casual and insignificant conversation in fact reflects the desire to build a relationship and create trust. Oral agreements imply strong commitments in high-context cultures. And who you are—your age, seniority, rank in the organization—is highly valued and heavily influences your credibility. But in low-context cultures, enforceable contracts tend to be in writing, precisely worded, and highly legalistic. Similarly, low-context cultures value directness. Managers are expected to be explicit and precise in conveying intended meaning. It's quite different in high-context cultures, in which managers tend to “make suggestions” rather than give orders.

Exhibit 11-7

High- versus Low-Context Cultures



high-context cultures Cultures that rely heavily on nonverbal and subtle situational cues in communication.

low-context cultures Cultures that rely heavily on words to convey meaning in communication.

How Direct Should You Be?

Those who have traveled or done business internationally are often advised to be careful about how directly they communicate with people from different cultures. The popular advice suggests that U.S. citizens prefer upbeat, positive communication; the English prefer formal communication; central Europeans are more interested in direct communication even if information is negative; and East Asians prefer to minimize disagreements and emphasize shared perspectives. Although there is more advice than research on this particular issue, some preliminary work does suggest some reliable differences in how cultures value direct and indirect communication.

One study examined cultural differences in values, beliefs, and personality data to see whether any

consistent patterns in communication could be found. A group of East Asian countries, including China, Taiwan, Singapore, and Japan, were marked by a bias for low levels of both agreement *and* disagreement in communication, preferring moderate discussions with respondents not taking strong sides on an issue. Conversely, countries like Morocco, Iraq, Israel, and Saudi Arabia prefer high levels of both agreement and disagreement in their communications; in these countries, the preferred communication style meant directly taking a stand on issues whether positive or negative. “Dissent” cultures like Germany, the United Kingdom, Sweden, and Greece favored high levels of disagreement in communication with relatively low levels of agreement. Nigeria, India, and Vietnam were found to be high in

agreement and low in disagreement in communication.

The results of studies of this nature should always be considered carefully in light of the large differences we also find within cultures. Some individuals from India may well value negative opinions and active disagreement from others, whereas some Germans might prefer to focus on areas of shared values. However, some patterning of responses across cultures does indicate a real difference in preferences for communication styles.

Sources: P. B. Smith, “Communication Styles as Dimensions of National Culture,” *Journal of Cross-Cultural Psychology* 42, no. 2 (2011), pp. 216–233; and M. G. Kittler, D. Rygl, and A. Mackinnon, “Beyond Culture or Beyond Control? Reviewing the Use of Hall’s High-/Low-Context Concept,” *International Journal of Cross Cultural Management* 11, no. 1 (2011), pp. 63–82.

A Cultural Guide

When communicating with people from a different culture, what can you do to reduce misinterpretations? Begin by trying to assess the cultural context. You’re likely to have fewer difficulties if it’s similar to yours. The following rules can be helpful.⁶³

- 1. Assume differences until similarity is proven.** Most of us assume others are more similar to us than they actually are. You are less likely to err if you assume they are different from you until proven otherwise.
- 2. Emphasize description rather than interpretation or evaluation.** Interpreting or evaluating what someone has said or done draws more on your own culture and background than on the observed situation. So delay judgment until you’ve had sufficient time to observe and interpret the situation from the differing perspectives of all concerned.
- 3. Practice empathy.** Before sending a message, put yourself in the recipient’s shoes. What are his or her values, experiences, and frames of reference? What do you know about his or her education, upbringing, and background that can give you added insight? Try to see the other person as he or she really is.
- 4. Treat your interpretations as a working hypothesis.** Once you’ve developed an explanation for a new situation or think you empathize with someone from a foreign culture, treat your interpretation as a hypothesis that needs further testing rather than as a certainty. Carefully assess the feedback recipients provide you, to see whether it confirms your hypothesis. For important decisions or communiqués, check with other foreign and home-country colleagues to make sure your interpretations are on target.

Social Networking Is Good Business

POINT

Facebook has passed a half a billion users for a reason. It's an inspired idea that serves many useful purposes for organizations and employees alike. Other social networking and media sites like Twitter are not far behind.

Employers can learn a lot about prospective hires by examining their Facebook (or other social networking) page. UPS recently ramped up its use of social networking to recruit. "Our reason for using social media is because that's where we think the applicants are," says a UPS manager in charge of recruitment. Applicants likewise can learn a lot about an organization by analyzing its online presence.

Facebook and other social networks are also great ways for employees to communicate with one another, particularly when they work in geographically dispersed locales and do an increasing amount of their work remotely. Banning or discouraging employees from using social media needlessly places each employee in a communications silo. One social media expert said the Millennial generation "is horrified at how unconnected people in many organizations are." Many firms, like UPS, are embracing social networking, though. IBM developed its own social networking software—called w3—to link its 400,000 employees across the world. IBM manager John Rooney says the software "contributes to the integration of our company on a global basis. It's seen as part of our ability to succeed."

In some companies, teams create Facebook groups around their projects to foster teamwork and open the lines of communication. Pushed to its full potential, social networking can even change a company's culture given its open, democratic, and transparent nature. "You better believe it can democratize a company," said one workplace expert. Isn't that what we want?"

COUNTERPOINT

There's no doubt social networking has exploded. There is significant doubt, however, that this explosion is beneficial to employees and to organizations. Although there are many dangers in social networking, let's focus on three.

First, companies can get into legal hot water by looking into applicants' social networking profiles. Equal Employment Opportunity laws require companies to hire without respect to race, sex, age, religion, national origin, or disability. Yet you can learn all these things from someone's profile. And that's not the only legal minefield. Recently, when a Chicago-area employee was reprimanded for posting her frustrations with her boss on her Facebook page, the National Labor Relations Board ruled against the company.

Second, social networks are risky for employees and applicants too. They were originally established to connect friends—and that remains their primary purpose. When employers snoop into an employee or applicant's Facebook page, fairly or not, they won't judge the information and its informality as dialogue among friends. Rather, they'll use it to draw the wrong conclusions. As one employment expert says, "While employers shouldn't use affiliations with social networks or your personal posts as reasons not to hire you, why take the risk?"

Finally, and perhaps most important, today nearly all of us suffer from communication overload, and social networking only adds to it. "There are so many things coming at you," says 29-year-old manager Jose Huitron. "Sometimes it can be so overwhelming," says George Washington University student Ben Yarmis. Scores of research studies show that the growth in social networking has limited people's attention spans and increased distractions. Says one neuroscientist who has studied the effect of social networking on how the mind works: "We are exposing our brains to an environment and asking them to do things we weren't necessarily evolved to do. We know already there are consequences."

Sources: J. A. Segal, "Dancing on the Edge of a Volcano," *HR Magazine* (April 2011), pp. 83–86; T. L. Griffith, "Tapping Into Social-Media Smarts," *The Wall Street Journal* (April 25, 2011), p. R6; L. Petrecca, "More Grads Use Social Media to Job Hunt," *USA Today* (April 5, 2011), p. B1; J. Swartz, "Communications Overload," *USA Today* (February 2, 2011), pp. 1B–2B; S. Ladika, "Socially Evolved," *Workforce Management* (September 2010), pp. 18–22; M. Richtel, "Hooked on Gadgets, and Paying a Mental Price," *The New York Times* (June 6, 2010), pp. A1, A12, A13; and A. Clark, "Watch What You're Posting: Your Boss May Be Watching," *Gainesville Sun* (February 19, 2011), pp. 1B, 5B.



How Good Are My Listening Skills?

In the Self-Assessment Library (available on CD or online), take assessment II.A.2 (How Good Are My Listening Skills?).

MyManagementLab

Now that you have finished this chapter, go back to www.mymanagementlab.com to continue practicing and applying the concepts you've learned.

Summary and Implications for Managers

You've probably discovered the link between communication and employee satisfaction in this chapter: the less uncertainty, the greater the satisfaction. Distortions, ambiguities, and incongruities between verbal and nonverbal messages all increase uncertainty and reduce satisfaction.⁶⁴

- The less distortion, the more employees will receive goals, feedback, and other management messages as intended.⁶⁵ This, in turn, should reduce ambiguities and clarify the group's task.
- Extensive use of vertical, lateral, and informal channels also increases communication flow, reduces uncertainty, and improves group performance and satisfaction.
- Perfect communication is unattainable. Yet a positive relationship exists between effective communication and worker productivity.⁶⁶ Choosing the correct channel, being an effective listener, and using feedback can make for more effective communication.
- Whatever the sender's expectations, the message as decoded in the receiver's mind represents his or her reality. And this reality will determine performance, along with the individual's level of motivation and degree of satisfaction.
- Because we gather so much meaning from the way a message is communicated, the potential for misunderstanding in electronic communication is great despite its advantages.
- We sometimes process messages relatively automatically, while at other times we use a more effortful, controlled process. Make sure you use communication strategies appropriate to your audience and the type of message you're sending.
- Finally, by keeping in mind communication barriers such as gender and culture, we can overcome them and increase our communication effectiveness.

QUESTIONS FOR REVIEW

- 1 What are the primary functions of the communication process in organizations?
- 2 What are the key parts of the communication process, and how do you distinguish formal and informal communication?
- 3 What are the differences among downward, upward, and lateral communication?
- 4 What are the unique challenges to oral, written, and nonverbal communication?
- 5 What are the advantages and challenges of electronic communication?
- 6 What are the main forms of electronic communication? What are their unique benefits and challenges?

7 What is the difference between automatic and controlled processing of persuasive messages?

8 What are some common barriers to effective communication?

9 What unique problems underlie cross-cultural communication?

EXPERIENTIAL EXERCISE An Absence of Nonverbal Communication

This exercise will help you to see the value of nonverbal communication to interpersonal relations.

1. The class is to split up into pairs (party A and party B).
2. Party A is to select a topic from the following list:
 - a. Managing in the Middle East is significantly different from managing in North America.
 - b. Employee turnover in an organization can be functional.
 - c. Some conflict in an organization is good.
 - d. Whistle-blowers do more harm than good for an organization.
 - e. An employer has a responsibility to provide every employee with an interesting and challenging job.
 - f. Everyone should register to vote.
 - g. Organizations should require all employees to undergo regular drug tests.
 - h. Individuals who have majored in business or economics make better employees than those who have majored in history or English.
 - i. The place where you get your college degree is more important in determining your career success than what you learn while you're there.
3. Party B is to choose a position on this topic (for example, arguing *against* the view "Some conflict in an organization is good"). Party A now must automatically take the opposite position.
4. The two parties have 10 minutes in which to debate their topic. The catch is that the individuals can only communicate verbally. They may *not* use gestures, facial movements, body movements, or any other nonverbal communication. It may help for each party to sit on their hands to remind them of their restrictions and to maintain an expressionless look.
5. After the debate is over, form groups of six to eight and spend 15 minutes discussing the following:
 - a. How effective was communication during these debates?
 - b. What barriers to communication existed?
 - c. What purposes does nonverbal communication serve?
 - d. Relate the lessons learned in this exercise to problems that might occur when communicating on the telephone or through e-mail.
 - j. It's unethical for a manager to purposely distort communications to get a favorable outcome.

ETHICAL DILEMMA Pitfalls of E-Mail

While e-mail may be a very useful—even indispensable—form of communication in organizations, it certainly has its limits and dangers. Indeed, e-mail can get you into trouble with more people, more quickly, than almost any other form of communication.

Ask Bill Cochran. Cochran, 44, is a manager at Richmond Group, a Dallas-based advertising agency. As Richmond was gearing up to produce a Superbowl ad for one its clients—Bridgestone—Cochran's boss sent an e-mail to 200 people describing the internal competition to determine which ad idea would be presented. Cochran chose the occasion to give a pep talk to his team. Using "locker room talk," he composed an e-mail criticizing the other Richmond teams, naming employees he thought would provide them real competition—and those who wouldn't.

What Cochran did next—hit the Send key—seemed so innocuous. But it was a keystroke he would soon wish he could undo. Shortly after he sent the e-mail, a co-worker, Wendy Mayes, wrote to him: "Oh God . . . Bill. You just hit REPLY ALL!"

Questions

1. After realizing what he had done, how should Cochran have responded to this situation?
2. After the incident, Mayes says of Cochran: "His name soon became synonymous with 'idiotic behavior' such as 'don't pull a Cochran.'" Is it unethical to participate in such ribbing?
3. Kaspar Rorsted, CEO of Henkil, a consumer and industrial products company based in Germany, says that copying others on e-mails is overused. "It's

a waste of time,” he said. “If they want to write me, they can write me. People often copy me to cover

their back.” Do you agree? How can you decide when copying others is necessary vs. “a waste of time”?

Sources: E. Bernstein, “Reply All: The Button Everyone Loves to Hate,” *The Wall Street Journal* (March 8, 2011), pp. D1, D4; and A. Bryant, “No Need to Hit The ‘Send’ Key. Just Talk to Me,” *The New York Times* (August 29, 2010), p. 2.

CASE INCIDENT 1 Using Social Media to Your Advantage

As you know, social media have transformed the way we interact. The transparent, rapid-fire communication they make possible means people can spread information about companies more rapidly than ever.

Do organizations understand yet how to use social media effectively? Perhaps not. As recently as 2010, only 19 of the top 50 chief executives in the world had Facebook accounts, only 6 had LinkedIn pages, and only 2 regularly used Twitter or blogs to communicate. Many executives are wary of these new technologies because they cannot always control the outcomes of their communications. However, whether they are directly involved with social media or not, companies should recognize that these messages are out there, so it behooves them to make their voices heard. And social media can be an important way to learn about emerging trends. André Schneider, chief operating officer of the World Economic Forum, uses feedback from LinkedIn discussion groups and Facebook friends to discover emerging trends and issues worldwide. Padmasree Warrior, chief technology officer of Cisco, has used social media to refine her presentations before a “test” audience.

The first step in developing a social media strategy is establishing a brand for your communications—define what you want your social media presence to express. Experts recommend that companies begin their social media strategy by leveraging their internal corporate networks to test their strategy in a medium that’s easier to control. Most companies already have the technology to use social media through their corporate Web sites. Begin by using these platforms for communicating with employees and facilitating social networks for general information sharing.

As social networking expert Soumitra Dutta from Insead notes, “My advice is to build your audience slowly and be selective about your contacts.”

Despite the potential advantages, companies also need to be aware of significant drawbacks to social media. First, it’s very difficult to control social media communications. Microsoft found this out when the professional blogger it hired spent more time promoting himself than getting positive information out about the company. Second, important intellectual capital might leak out. Companies need to establish very clear policies and procedures to ensure that sensitive information about ongoing corporate strategies is not disseminated via social media. Finally, managers should maintain motivation and interest beyond their initial forays into social media. A site that’s rarely updated can send a very negative message about the organization’s level of engagement with the world.

Questions

1. Do you think organizations need to have a social media presence today? Are the drawbacks sufficient to make you think it’s better for them to avoid certain media?
2. What features would you look for in a social media outlet? What types of information would you avoid making part of your social media strategy?
3. Which social media sources do you think are most useful for organizations to send communications to external stakeholders, like stockholders or customers? Are different social media more appropriate for communicating with employees?
4. What do you think is the future direction of social media? How might emerging technologies change them?

Sources: S. Dutta, “What’s Your Personal Social Media Strategy,” *Harvard Business Review* (November 2010), pp. 127–130; and G. Connors, “10 Social Media Commandments for Employers,” *Workforce Management Online* (February 2010), www.workforce.com.

CASE INCIDENT 2 Should Companies That Fire Shoot First?

In the recessions in the early 1990s and after the 2001 terrorist attacks, layoffs were fairly private affairs. News often leaked out to local and national media outlets, but companies did their best to keep it as quiet as possible. Given the growth of the Internet in general, and of social networking sites in particular, that’s no longer possible.

When Starbucks laid off employees in 2008 and 2009, the Web site StarbucksGossip.com received a barrage of posts from disgruntled employees. One 10-year employee wrote, “This company is going to lose every great partner that it has. I am sick and tired of being blamed for not meeting my budget when the economy is in a recession.

I used to be proud of my company . . . now I am embarrassed and feel physically ill every time I have to go to work.”

Some companies are taking a proactive approach. When Tesla Motors laid off employees, its CEO Elon Musk posted a blog entry about it just before announcing the layoffs internally. “We had to say something to prevent articles being written that were not accurate,” he said.

“Today, whatever you say inside a company will end up in a blog,” says Rusy Rueff, a former executive at PepsiCo. “So, you have a choice as a company—you can either be proactive and say, ‘Here’s what’s going on,’ or you can allow someone else to write the story for you.”

Illustrating the perils of *ignoring* the blogosphere, when newspaper giant Gannett announced it was laying off 10 percent of its employees, it posted no blog entries and made no statement. Jim Hopkins, a 20-year veteran who left the company just before the layoffs, writes the unofficial Gannett Blog. “I try to give the unvarnished truth. I don’t think the company offers the same level of candor

to employees,” he said. Gannett spokeswoman Tara Connell replied, “We attempt to make those personal communications happen as quickly as possible.”

Says blog expert Andy Sernovitz, “There are hold-out companies that still wish there was traditional P.R. control of the message, but that day is long over.”

Questions

1. Do you think Tesla CEO Elon Musk did the right thing when he blogged about impending layoffs just before announcing them to employees? Why or why not?
2. Do you think employees have a responsibility to be careful when they blog about their company? Why or why not?
3. Do you think employees who blog about their companies have an ethical responsibility to disclose their identities?
4. How can a company develop a policy for handling communication of sensitive issues inside, and outside, the company?

Sources: Based on C. C. Miller, “In Era of Blog Sniping, Companies Shoot First,” *The New York Times* (November 5, 2008), pp. B1, B11; M. Allison, “More Layoffs Expected at Starbucks,” *Seattle Times* (January 24, 2009), seattletimes.nwsource.com; and C. Hirschman, “Giving Voice to Employee Concerns,” *HR Magazine* (August 2008), pp. 51–53.

ENDNOTES

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LEARNING OBJECTIVES

After studying this chapter, you should be able to:

- 1 Define *leadership* and contrast leadership and management.
- 2 Summarize the conclusions of trait theories of leadership.
- 3 Identify the central tenets and main limitations of behavioral theories.
- 4 Assess contingency theories of leadership by their level of support.
- 5 Compare and contrast *charismatic* and *transformational leadership*.
- 6 Define *authentic leadership* and show why effective leaders exemplify ethics and trust.
- 7 Demonstrate the role mentoring plays in our understanding of leadership.
- 8 Address challenges to the effectiveness of leadership.

MyManagementLab

Access a host of interactive learning aids to help strengthen your understanding of the chapter concepts at www.mymanagementlab.com.

MAKING GOOGLE'S LEADERS

In its 14-year history, Google has established a strong culture around some simple principles: Hire smart people. Leave them alone. Allow the engineers and programmers to do their job. If they are stuck, they can turn to their boss, whose technical expertise put him or her into that position in the first place.

In the past few years, however, Google has been studying its leader selection and development programs. The results of that study, called Project Oxygen, challenge some of Google's founding principles.

Project Oxygen analyzed more than 10,000 observations about managers across more than 100 variables. Michelle Donovan and Prasad Setty were closely involved in it, as was Google's Vice President for People Operations, Laszlo Bock. "We want to understand what works at Google rather than what worked in any other organization" says Setty.

But there was a more strategic reason. "The starting point was that our best managers have teams that perform better, are retained better, are happier—they do everything better," says Bock. "So the biggest controllable factor that we could see was the quality of the manager, and how they sort of made things happen."

Project Oxygen uncovered eight competencies that separated effective from ineffective leaders. That technical competence was one of those eight wasn't surprising to Google. That it finished dead last on the list, however, was.

What finished first? The top three leadership competencies were:

1. **Be a good coach.** Provide specific, constructive feedback; have regular one-on-ones.
2. **Empower your team and don't micromanage.** Balance giving freedom with being available for advice.
3. **Express interest in team members' success and personal well-being.** Get to know your employees as people; make new members feel welcome.

What is Google doing with its list? It is using it for both leadership selection and development. Already some Google managers feel the training has helped them become better leaders. To make their case, Project Oxygen's team found an analytical approach invaluable. "The thing that moves or nudges Google is facts; they like information," says Donovan.

Sources: A. Bryant, "Google's Quest to Build a Better Boss," *The New York Times* (March 13, 2011), p. BU1–BU6; E. A. Cevallos, "Project Oxygen: Building Better Bosses," *BIZ-THINK* (April 13, 2011), downloaded from <http://biz-think.blogspot.com/2011/04/project-oxygen-building-better-bosses.html> on July 26, 2011; and R. L. Brandt, "Google Project Oxygen: Rules for Good Management," *Entrepreneur Watch* (March 12, 2011), downloaded July 26, 2011, from <http://richardbrandt.blogs.com/entrepreneurwatch/2011/03/google-project-oxygen-rules-for-good-management.html>.

Leadership

12

*I am more afraid of an army of 100 sheep
led by a lion than an army of 100 lions
led by a sheep. —Talleyrand*



Photo: Michelle Donovan (left), Prasad Setty (right), at the Google HR offices. Source: Peter Dasilva/The New York Times/Redux Pictures.

As the Google example shows, leadership styles differ considerably. So which styles, and which people, are most effective? These are some of the questions we'll tackle in this chapter. To assess yourself on a specific set of qualities that we'll discuss shortly, take the following self-assessment.

In this chapter, we look at what makes an effective leader and what differentiates leaders from nonleaders. First, we present trait theories, which dominated the study of leadership until the late 1940s. Then we discuss behavioral theories, popular until the late 1960s. Next, we introduce contingency and interactive theories. Finally, we discuss the most contemporary approaches: charismatic, transformational, and authentic leadership. Most of the research discussed in this chapter was conducted in English-speaking countries. We know very little about how culture might influence the validity of the theories, particularly in Eastern cultures. However, analysis of the Global Leadership and Organizational Behavior Effectiveness (GLOBE) research project has produced some useful preliminary insights that we discuss throughout.¹ But first, let's clarify what we mean by *leadership*.



What's My Leadership Style?

In the Self-Assessment Library (available on CD and online) take assessment II.B.1 (What's My Leadership Style?) and answer the following questions.

1. How did you score on the two scales?
2. Do you think a leader can be both task oriented and people oriented? Do you think there are situations in which a leader has to make a choice between the two styles?
3. Do you think your leadership style will change over time? Why or why not?

What Is Leadership?

- 1 Define *leadership* and contrast leadership and management.

We define **leadership** as the ability to influence a group toward the achievement of a vision or set of goals. The source of this influence may be formal, such as that provided by managerial rank in an organization. But not all leaders are managers, nor, for that matter, are all managers leaders. Just because an organization provides its managers with certain formal rights is no assurance they will lead effectively. Nonsanctioned leadership—the ability to influence that arises outside the formal structure of the organization—is often as important or more important than formal influence. In other words, leaders can emerge from within a group as well as by formal appointment.

Organizations need strong leadership *and* strong management for optimal effectiveness. We need leaders today to challenge the status quo, create visions of the future, and inspire organizational members to want to achieve the visions. We also need managers to formulate detailed plans, create efficient organizational structures, and oversee day-to-day operations.

Trait Theories

2 Summarize the conclusions of trait theories of leadership.

Throughout history, strong leaders—Buddha, Napoleon, Mao, Churchill, Roosevelt, Reagan—have been described in terms of their traits. **Trait theories of leadership** thus focus on personal qualities and characteristics. We recognize leaders like South Africa's Nelson Mandela, Virgin Group CEO Richard Branson, Apple co-founder Steve Jobs, and American Express chairman Ken Chenault as *charismatic*, *enthusiastic*, and *courageous*. The search for personality, social, physical, or intellectual attributes that differentiate leaders from non-leaders goes back to the earliest stages of leadership research.

Early research efforts to isolate leadership traits resulted in a number of dead ends. A review in the late 1960s of 20 different studies identified nearly 80 leadership traits, but only 5 were common to 4 or more of the investigations.² By the 1990s, after numerous studies and analyses, about the best we could say was that most leaders “are not like other people,” but the particular traits that characterized them varied a great deal from review to review.³ It was a pretty confusing state of affairs.

A breakthrough, of sorts, came when researchers began organizing traits around the Big Five personality framework (see Chapter 5).⁴ Most of the dozens of traits in various leadership reviews fit under one of the Big Five (ambition and energy are part of extraversion, for instance), giving strong support to traits as predictors of leadership.

The personal qualities and traits of Indra Nooyi make her a great leader. Nooyi is CEO and board chairman of PepsiCo, the second largest food and beverage firm in the world. She is described as fun-loving, sociable, agreeable, conscientious, emotionally stable, and open to experiences. Nooyi's personality traits have contributed to her job performance and career success. She joined PepsiCo in 1994 as head of corporate strategy and was promoted to president and chief financial officer before moving into the firm's top management position. Nooyi has been named one of the most powerful women in business and one of the most powerful women in the world.



Source: PRNewsFoto/PepsiCo, Ray Hand.

leadership The ability to influence a group toward the achievement of a vision or set of goals.

trait theories of leadership Theories that consider personal qualities and characteristics that differentiate leaders from nonleaders.

A comprehensive review of the leadership literature, when organized around the Big Five, has found extraversion to be the most important trait of effective leaders,⁵ but it is more strongly related to the way leaders emerge than to their effectiveness. Sociable and dominant people are more likely to assert themselves in group situations, but leaders need to make sure they're not too assertive—one study found leaders who scored very high on assertiveness were less effective than those who were moderately high.⁶

Unlike agreeableness and emotional stability, conscientiousness and openness to experience also showed strong relationships to leadership, though not quite as strong as extraversion. Overall, the trait approach does have something to offer. Leaders who like being around people and are able to assert themselves (extraverted), who are disciplined and able to keep commitments they make (conscientious), and who are creative and flexible (open) do have an apparent advantage when it comes to leadership, suggesting good leaders do have key traits in common.

One reason is that conscientiousness and extraversion are positively related to leaders' self-efficacy, which explained most of the variance in subordinates' ratings of leader performance.⁷ People are more likely to follow someone who is confident she's going in the right direction.

Another trait that may indicate effective leadership is emotional intelligence (EI), discussed in Chapter 4. Advocates of EI argue that without it, a person can have outstanding training, a highly analytical mind, a compelling vision, and an endless supply of terrific ideas but still not make a great leader. This may be especially true as individuals move up in an organization.⁸ Why is EI so critical to effective leadership? A core component of EI is empathy. Empathetic leaders can sense others' needs, listen to what followers say (and don't say), and read the reactions of others. A leader who effectively displays and manages emotions will find it easier to influence the feelings of followers, by both expressing genuine sympathy and enthusiasm for good performance and by using irritation for those who fail to perform.⁹

The link between EI and leadership effectiveness may be worth investigating in greater detail.¹⁰ Some recent research has demonstrated that people high in EI are more likely to emerge as leaders, even after taking cognitive ability and personality into account, which helps to answer some of the most significant criticisms of this research.¹¹

Based on the latest findings, we offer two conclusions. First, contrary to what we believed 20 years ago and thanks to the Big Five, we can say that traits can predict leadership. Second, traits do a better job predicting the emergence of leaders and the appearance of leadership than actually distinguishing between *effective* and *ineffective* leaders.¹² The fact that an individual exhibits the traits and that others consider him or her a leader does not necessarily mean the leader is successful at getting the group to achieve its goals.

Behavioral Theories

- 3 Identify the central tenets and main limitations of behavioral theories.

The failures of early trait studies led researchers in the late 1940s through the 1960s to wonder whether there was something unique in the way effective leaders *behave*. Trait research provides a basis for *selecting* the right people for leadership. In contrast, **behavioral theories of leadership** implied we could *train* people to be leaders.

Morgan Smith is an employee-oriented leader. As owner and managing partner of Boneheads Restaurant in Lake Forest, California, Smith (left) takes a personal interest in the needs of his employees. Described as generous, kind, and cheerful, he shows respect for his employees and invests a great deal of time in helping them at work and assisting them in their personal lives such as donating food for their weddings. Smith's goal for his employees is for them to reach their full potential. During bi-weekly one-on-one meetings with employees, Smith serves as their leader, trainer, role model, and advisor. He also provides quarterly training for employees and includes them in reviewing the restaurant's profit and loss statement.



Source: 044/ZUMA Press/Newscom.

The most comprehensive theories resulted from the Ohio State Studies in the late 1940s,¹³ which sought to identify independent dimensions of leader behavior. Beginning with more than a thousand dimensions, the studies narrowed the list to two that substantially accounted for most of the leadership behavior described by employees: *initiating structure* and *consideration*.

Initiating structure is the extent to which a leader is likely to define and structure his or her role and those of employees in the search for goal attainment. It includes behavior that attempts to organize work, work relationships, and goals. A leader high in initiating structure is someone who “assigns group members to particular tasks,” “expects workers to maintain definite standards of performance,” and “emphasizes the meeting of deadlines.”

Consideration is the extent to which a person's job relationships are characterized by mutual trust, respect for employees' ideas, and regard for their feelings. A leader high in consideration helps employees with personal problems, is friendly and approachable, treats all employees as equals, and expresses appreciation and support. In a recent survey, when asked to indicate what most motivated them at work, 66 percent of employees mentioned appreciation.¹⁴

Leadership studies at the University of Michigan's Survey Research Center had similar objectives: to locate behavioral characteristics of leaders that appeared related to performance effectiveness. The Michigan group also came up with two behavioral dimensions: the **employee-oriented leader** emphasized

behavioral theories of leadership

Theories proposing that specific behaviors differentiate leaders from nonleaders.

initiating structure The extent to which a leader is likely to define and structure his or her role and those of subordinates in the search for goal attainment.

consideration The extent to which a leader is likely to have job relationships characterized by mutual trust, respect for subordinates' ideas, and regard for their feelings.

employee-oriented leader A leader who emphasizes interpersonal relations, takes a personal interest in the needs of employees, and accepts individual differences among members.

interpersonal relationships by taking a personal interest in the needs of employees and accepting individual differences among them, and the **production-oriented leader** emphasized the technical or task aspects of the job, focusing on accomplishing the group's tasks. These dimensions are closely related to the Ohio State dimensions. Employee-oriented leadership is similar to consideration, and production-oriented leadership is similar to initiating structure. In fact, most leadership researchers use the terms synonymously.¹⁵

At one time, the results of testing behavioral theories were thought to be disappointing. However, a more recent review of 160 studies found the followers of leaders high in consideration were more satisfied with their jobs, were more motivated, and had more respect for their leader. Initiating structure was more strongly related to higher levels of group and organization productivity and more positive performance evaluations.

Some research from the GLOBE study suggests there are international differences in preference for initiating structure and consideration.¹⁶ Based on the values of Brazilian employees, a U.S. manager leading a team in Brazil would need to be team oriented, participative, and humane. Leaders high in consideration would succeed best in this culture. As one Brazilian manager said in the GLOBE study, "We do not prefer leaders who take self-governing decisions and act alone without engaging the group. That's part of who we are." Compared to U.S. employees, the French have a more bureaucratic view of leaders and are less likely to expect them to be humane and considerate. A leader high in initiating structure (relatively task-oriented) will do best and can make decisions in a relatively autocratic manner. A manager who scores high on consideration (people oriented) may find that style backfiring in France. According to the GLOBE study, Chinese culture emphasizes being polite, considerate, and unselfish, but it also has a high performance orientation. Thus, consideration and initiating structure may both be important.

Summary of Trait Theories and Behavioral Theories

Leaders who have certain traits and who display consideration and structuring behaviors do appear to be more effective. Perhaps you're wondering whether conscientious leaders (trait) are more likely to be structuring (behavior) and extraverted leaders (trait) to be considerate (behavior). Unfortunately, we can't be sure there is a connection. Future research is needed to integrate these approaches.

Some leaders may have the right traits or display the right behaviors and still fail. As important as traits and behaviors are in identifying effective or ineffective leaders, they do not guarantee success. The context matters, too.

Contingency Theories

4 Assess contingency theories of leadership by their level of support.

Some tough-minded leaders seem to gain a lot of admirers when they take over struggling companies and help lead them out of the doldrums. Home Depot and Chrysler didn't hire former CEO Bob Nardelli for his winning personality. However, such leaders also seem to be quickly dismissed when the situation stabilizes.

The rise and fall of leaders like Bob Nardelli illustrate that predicting leadership success is more complex than isolating a few traits or behaviors. In their cases, what worked in very bad times and in very good times didn't seem to translate into long-term success. When researchers looked at situational

influences, it appeared that under condition *a*, leadership style *x* would be appropriate, whereas style *y* was more suitable for condition *b*, and style *z* for condition *c*. But what *were* conditions *a*, *b*, *c*? We next consider three approaches to isolating situational variables: the Fiedler model, situational theory, path-goal theory, and the leader-participation model.

The Fiedler Model

Fred Fiedler developed the first comprehensive contingency model for leadership.¹⁷ The **Fiedler contingency model** proposes that effective group performance depends on the proper match between the leader's style and the degree to which the situation gives the leader control.

Identifying Leadership Style Fiedler believes a key factor in leadership success is the individual's basic leadership style. He created the **least preferred co-worker (LPC) questionnaire** to identify that style by measuring whether a person is task or relationship oriented. The LPC questionnaire asks respondents to think of all the co-workers they have ever had and describe the one they *least enjoyed* working with by rating that person on a scale of 1 to 8 for each of 16 sets of contrasting adjectives (such as pleasant–unpleasant, efficient–inefficient, open–guarded, supportive–hostile). If you describe the person you are least able to work with in favorable terms (a high LPC score), Fiedler would label you *relationship oriented*. If you see your least-preferred co-worker in unfavorable terms (a low LPC score), you are primarily interested in productivity and are *task oriented*. About 16 percent of respondents score in the middle range¹⁸ and thus fall outside the theory's predictions. The rest of our discussion relates to the 84 percent who score in either the high or low range of the LPC questionnaire.

Fiedler assumes an individual's leadership style is fixed. This means if a situation requires a task-oriented leader and the person in the leadership position is relationship oriented, either the situation has to be modified or the leader has to be replaced to achieve optimal effectiveness.



What's My LPC Score?

In the Self-Assessment Library (available on CD and online) take assessment IV.E.5 (What's My LPC Score?).

Defining the Situation After assessing an individual's basic leadership style through the LPC questionnaire, we match the leader with the situation. Fiedler has identified three contingency or situational dimensions:

1. **Leader–member relations** is the degree of confidence, trust, and respect members have in their leader.

production-oriented leader *A leader who emphasizes technical or task aspects of the job.*

Fiedler contingency model *The theory that effective groups depend on a proper match between a leader's style of interacting with subordinates and the degree to which the situation gives control and influence to the leader.*

least preferred co-worker (LPC) questionnaire *An instrument that purports to measure whether a person is task or relationship oriented.*

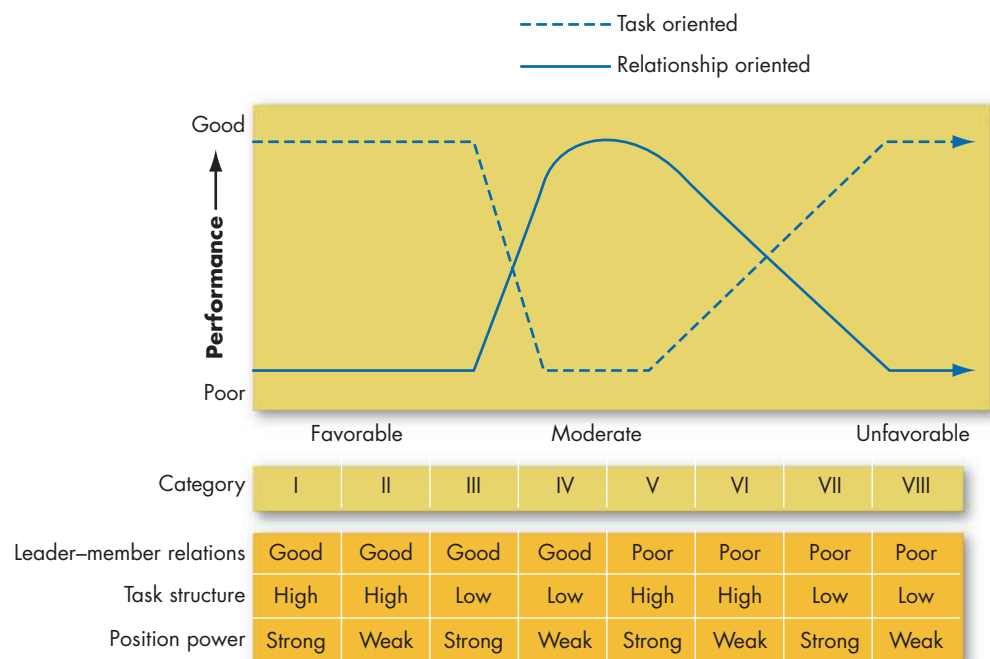
leader–member relations *The degree of confidence, trust, and respect subordinates have in their leader.*

2. **Task structure** is the degree to which the job assignments are procedurized (that is, structured or unstructured).
3. **Position power** is the degree of influence a leader has over power variables such as hiring, firing, discipline, promotions, and salary increases.

The next step is to evaluate the situation in terms of these three variables. Fiedler states that the better the leader–member relations, the more highly structured the job, and the stronger the position power, the more control the leader has. A very favorable situation (in which the leader has a great deal of control) might include a payroll manager who is well respected and whose employees have confidence in her (good leader–member relations); activities that are clear and specific—such as wage computation, check writing, and report filing (high task structure); and provision of considerable freedom to reward and punish employees (strong position power). An unfavorable situation might be that of the disliked chairperson of a volunteer United Way fundraising team. In this job, the leader has very little control.

Matching Leaders and Situations Combining the three contingency dimensions yields eight possible situations in which leaders can find themselves (Exhibit 12-1). The Fiedler model proposes matching an individual's LPC score and these eight situations to achieve maximum leadership effectiveness.¹⁹ Fiedler concluded that task-oriented leaders perform better in situations very favorable to them and very unfavorable. So, when faced with a category I, II, III, VII, or VIII situation, task-oriented leaders perform better. Relationship-oriented leaders, however, perform better in moderately favorable situations—categories IV, V, and VI. In recent years, Fiedler has condensed these eight situations down to three.²⁰ He now says task-oriented leaders perform best in

Exhibit 12-1 Findings from the Fiedler Model



situations of high and low control, while relationship-oriented leaders perform best in moderate control situations.

How would you apply Fiedler's findings? You would match leaders—in terms of their LPC scores—with the type of situation—in terms of leader–member relationships, task structure, and position power—for which they were best suited. But remember that Fiedler views an individual's leadership style as fixed. Therefore, there are only two ways to improve leader effectiveness.

First, you can change the leader to fit the situation—as a baseball manager puts a right- or left-handed pitcher into the game depending on the hitter. If a group situation rates highly unfavorable but is currently led by a relationship-oriented manager, the group's performance could be improved under a manager who is task-oriented. The second alternative is to change the situation to fit the leader by restructuring tasks or increasing or decreasing the leader's power to control factors such as salary increases, promotions, and disciplinary actions.

Evaluation Studies testing the overall validity of the Fiedler model find considerable evidence to support substantial parts of it.²¹ If we use only three categories rather than the original eight, ample evidence supports Fiedler's conclusions.²² But the logic underlying the LPC questionnaire is not well understood, and respondents' scores are not stable.²³ The contingency variables are also complex and difficult for practitioners to assess.²⁴

Other Contingency Theories

Although LPC theory is the most widely researched contingency theory, three others deserve mention.

When Yahoo's growth and revenues slowed for several years, the company hired Carol Bartz as its new chief executive. Known as a task-oriented leader, Bartz previously led a successful turnaround at software maker Autodesk where, under her leadership, the company's revenues grew from \$300 million to more than \$1.5 billion. But after two and a half years at Yahoo, Bartz was fired as CEO for failing to revive the company's revenues and stock price. According to Fiedler's contingency model, Bartz's task-oriented style was not effective in improving Yahoo's performance. Observers noted that Bartz failed to provide the visionary leadership and focused strategic direction and execution needed to position the company for growth.



Source: Paul Sakuma/AP Images.

task structure *The degree to which job assignments are procedurized.*

position power *Influence derived from one's formal structural position in the organization; includes power to hire, fire, discipline, promote, and give salary increases.*

Situational Leadership Theory Situational leadership theory (SLT) focuses on the followers. It says successful leadership depends on selecting the right leadership style contingent on the followers' *readiness*, or the extent to which they are willing and able to accomplish a specific task. A leader should choose one of four behaviors depending on follower readiness.

If followers are *unable* and *unwilling* to do a task, the leader needs to give clear and specific directions; if they are *unable* and *willing*, the leader needs to display high task orientation to compensate for followers' lack of ability and high relationship orientation to get them to "buy into" the leader's desires. If followers are *able* and *unwilling*, the leader needs to use a supportive and participative style; if they are both *able* and *willing*, the leader doesn't need to do much.

SLT has intuitive appeal. It acknowledges the importance of followers and builds on the logic that leaders can compensate for their limited ability and motivation. Yet research efforts to test and support the theory have generally been disappointing.²⁵ Why? Possible explanations include internal ambiguities and inconsistencies in the model itself as well as problems with research methodology in tests. So, despite its intuitive appeal and wide popularity, any endorsement must be cautious for now.

MyManagementLab

For an interactive application of this topic, check out this chapter's simulation activity at www.mymanagementlab.com.

Path-Goal Theory Developed by Robert House, **path-goal theory** extracts elements from the Ohio State leadership research on initiating structure and consideration and the expectancy theory of motivation.²⁶ It says it's the leader's job to provide followers with the information, support, or other resources necessary to achieve their goals. (The term *path-goal* implies effective leaders clarify followers' paths to their work goals and make the journey easier by reducing roadblocks.)

According to path-goal theory, whether a leader should be directive or supportive or should demonstrate some other behavior depends on complex analysis of the situation. It predicts the following:

- Directive leadership yields greater satisfaction when tasks are ambiguous or stressful than when they are highly structured and well laid out.
- Supportive leadership results in high performance and satisfaction when employees are performing structured tasks.
- Directive leadership is likely to be perceived as redundant among employees with high ability or considerable experience.

Testing path-goal theory has not been easy. A review of the evidence found mixed support for the proposition that removing obstacles is a component of effective leadership. Another review found the lack of support "shocking and disappointing."²⁷ Others argue that adequate tests of the theory have yet to be conducted.²⁸ Thus, the jury is still out. Because path-goal theory is so complex to test, that may remain the case for some time.

In a study of 162 workers in a document-processing organization, researchers found workers' conscientiousness was related to higher levels of performance only when supervisors set goals and defined roles, responsibilities, and priorities.²⁹ Other research has found that goal-focused leadership can lead to higher levels of emotional exhaustion for subordinates who are low in conscientiousness and emotional stability.³⁰ These studies demonstrate that leaders who set goals enable conscientious followers to achieve higher performance and may cause stress for workers who are low in conscientiousness.

Leader-Participation Model The final contingency theory we cover argues that *the way* the leader makes decisions is as important as *what* she or he decides.

Victor Vroom and Phillip Yetton’s **leader-participation model** relates leadership behavior and participation in decision making.³¹ Like path–goal theory, it says leader behavior must adjust to reflect the task structure. The model is normative—it provides a decision tree of seven contingencies and five leadership styles for determining the form and amount of participation in decision making.

Research testing both the original and revised leader-participation models has not been encouraging, although the revised model rates higher in effectiveness.³² Criticism focuses on the model’s complexity and the variables it omits.³³ Although Vroom and Jago have developed a computer program to guide managers through all the decision branches in the revised model, it’s not very realistic to expect practicing managers to consider 12 contingency variables, eight problem types, and five leadership styles to select the decision process for a problem.

As one leadership scholar noted, “Leaders do not exist in a vacuum”; leadership is a symbiotic relationship between leaders and followers.³⁴ But the theories we’ve covered to this point assume leaders use a fairly homogeneous style with everyone in their work unit. Think about your experiences in groups. Did leaders often act very differently toward different people? Our next theory considers differences in the relationships leaders form with different followers.

Leader–Member Exchange (LMX) Theory

Think of a leader you know. Did this leader have favorites who made up his or her ingroup? If you answered “yes,” you’re acknowledging the foundation of leader–member exchange theory.³⁵ **Leader–member exchange (LMX) theory** argues that, because of time pressures, leaders establish a special relationship with a small group of their followers. These individuals make up the ingroup—they are trusted, get a disproportionate amount of the leader’s attention, and are more likely to receive special privileges. Other followers fall into the toutgroup.

The theory proposes that early in the history of the interaction between a leader and a given follower, the leader implicitly categorizes the follower as an “in” or an “out” and that relationship is relatively stable over time. Leaders induce LMX by rewarding those employees with whom they want a closer linkage and punishing those with whom they do not.³⁶ But for the LMX relationship to remain intact, the leader and the follower must invest in the relationship.

Just how the leader chooses who falls into each category is unclear, but there is evidence ingroup members have demographic, attitude, and personality characteristics similar to those of their leader or a higher level of competence

situational leadership theory (SLT) A contingency theory that focuses on followers’ readiness.

path–goal theory A theory that states that it is the leader’s job to assist followers in attaining their goals and to provide the necessary direction and/or support to ensure that their goals are compatible with the overall objectives of the group or organization.

leader-participation model A leadership theory that provides a set of rules to determine the form and amount of participative decision making in different situations.

leader–member exchange (LMX) theory A theory that supports leaders’ creation of in-groups and out-groups; subordinates with in-group status will have higher performance ratings, less turnover, and greater job satisfaction.

Cross-Cultural Leadership Styles

While a great deal has been said about international differences in leadership styles and their effectiveness, another issue probably matters more for most organizations: How can we develop leaders who are effective across cultural boundaries? Is it possible to create a truly global leadership style that will extend across cultures? Some recent forays into the field of cross-cultural leadership highlight possibilities for how global organizations might proceed.

Some of the leadership styles we have described in this chapter do seem to generalize across cultures. For example, research suggests charismatic leadership is effective in a variety of national contexts. In many cultures, terms like *visionary*, *symbolizer*, and *self-sacrificer* appear as descriptors of

effective leaders, and positive leader-member exchanges also are associated with high performance across a variety of cultures. Culturally intelligent leaders are flexible and adaptable, tailoring their leadership styles to the specific and changing needs of the global workforce.

Researchers agree that learning to be a global leader requires gaining active experience in dealing with multiple cultures simultaneously. These experiences give leaders a chance to observe how different leadership styles work with different groups of people and build confidence in working across cultural boundaries. Leadership development programs can also use 360-degree feedback from supervisors, colleagues, and subordinates to help leaders recognize when their

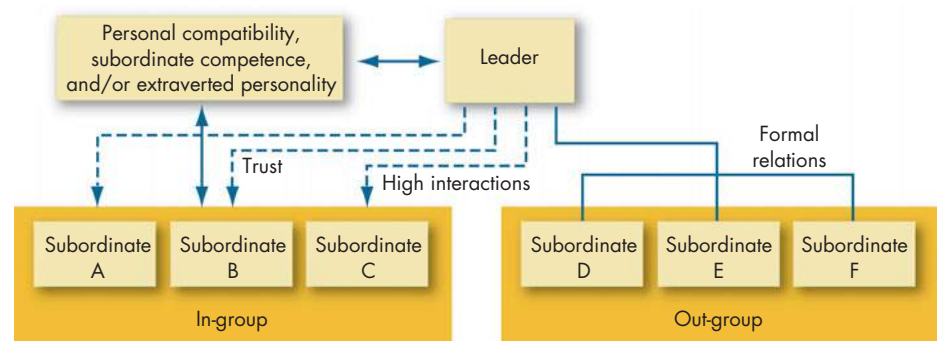
behavior is not effective with certain populations of employees. Companies like PepsiCo and Ford have their most effective global leaders provide seminars to emerging leaders so they can describe practices that have been especially effective.

Sources: K. Ng, L. Van Dyne, and S. Ang, "From Experience to Experiential Learning: Cultural Intelligence as a Learning Capacity for Global Leader Development," *Academy of Management Learning and Education* 9, no. 4 (2009), pp. 511–526; C. B. Gibson and D. M. McDaniel, "Moving Beyond Conventional Wisdom: Advancements in Cross-Cultural Theories of Leadership, Conflict, and Teams," *Perspectives on Psychological Science* 5, no. 4 (2010), pp. 450–462; and D. Simmonds and O. Tsui, "Effective Design of a Global Leadership Programme," *Human Resource Development International* 13, no. 5 (2010), pp. 519–540.

than outgroup members³⁷ (see Exhibit 12-2). Leaders and followers of the same gender tend to have closer (higher LMX) relationships than those of different genders.³⁸ Even though the leader does the choosing, the follower's characteristics drive the categorizing decision.

Research to test LMX theory has been generally supportive, with substantive evidence that leaders do differentiate among followers; these disparities are far from random; and followers with ingroup status will have higher performance ratings, engage in more helping or "citizenship" behaviors at work, and report greater satisfaction with their superior.³⁹ One study conducted in both Portugal

Exhibit 12-2 Leader–Member Exchange Theory



and the United States found that leader–member exchange was associated especially strongly with followers’ commitment to the organization when the leaders were seen as embodying the values and identity of the organization.⁴⁰ These positive findings for ingroup members shouldn’t be surprising, given our knowledge of self-fulfilling prophecy (see Chapter 6). Leaders invest their resources with those they expect to perform best. And believing ingroup members are the most competent, leaders treat them as such and unwittingly fulfill their prophecy. Conversely, a study in Turkey demonstrated that when leaders differentiated strongly among their followers in terms of their relationships (some followers had very positive leader–member exchange, others very poor), employees responded with more negative work attitudes and higher levels of withdrawal behavior.⁴¹ Leader–follower relationships may be stronger when followers have a more active role in shaping their own job performance. Research on 287 software developers and 164 supervisors showed leader–member relationships have a stronger impact on employee performance and attitudes when employees have higher levels of autonomy and a more internal locus of control.⁴²

Charismatic Leadership and Transformational Leadership

- 5 Compare and contrast *charismatic* and *transformational leadership*.

In this section, we present two contemporary leadership theories—charismatic leadership and transformational leadership—with a common theme: they view leaders as individuals who inspire followers through their words, ideas, and behaviors.

Charismatic Leadership

John F. Kennedy, Martin Luther King Jr., Ronald Reagan, Bill Clinton, Mary Kay Ash (founder of Mary Kay Cosmetics), and Steve Jobs (co-founder of Apple Computer) are frequently cited as charismatic leaders. What do they have in common?

What Is Charismatic Leadership? Max Weber, a sociologist, defined *charisma* (from the Greek for “gift”) more than a century ago as “a certain quality of an individual personality, by virtue of which he or she is set apart from ordinary people and treated as endowed with supernatural, superhuman, or at least specifically exceptional powers or qualities. These are not accessible to the ordinary person and are regarded as of divine origin or as exemplary, and on the basis of them the individual concerned is treated as a leader.”⁴³ Weber argued that charismatic leadership was one of several ideal types of authority.

The first researcher to consider charismatic leadership in terms of OB was Robert House. According to House’s **charismatic leadership theory**, followers attribute heroic or extraordinary leadership abilities when they observe certain behaviors.⁴⁴ A number of studies have attempted to identify the characteristics of charismatic leaders: they have a vision, they are willing to take personal

charismatic leadership theory A leadership theory that states that followers make attributions of heroic or extraordinary leadership abilities when they observe certain behaviors.

Exhibit 12-3 Key Characteristics of a Charismatic Leader

1. *Vision and articulation.* Has a vision—expressed as an idealized goal—that proposes a future better than the status quo; and is able to clarify the importance of the vision in terms that are understandable to others.
2. *Personal risk.* Willing to take on high personal risk, incur high costs, and engage in self-sacrifice to achieve the vision.
3. *Sensitivity to follower needs.* Perceptive of others' abilities and responsive to their needs and feelings.
4. *Unconventional behavior.* Engages in behaviors that are perceived as novel and counter to norms.

Source: Based on J. A. Conger and R. N. Kanungo, *Charismatic Leadership in Organizations* (Thousand Oaks, CA: Sage, 1998), p. 94.

risks to achieve that vision, they are sensitive to follower needs, and they exhibit extraordinary behaviors⁴⁵ (see Exhibit 12-3).

Are Charismatic Leaders Born or Made? Are charismatic leaders born with their qualities? Or can people actually learn to be charismatic leaders? Yes, and yes.

Individuals *are* born with traits that make them charismatic. In fact, studies of identical twins have found they score similarly on charismatic leadership measures, even if they were raised in different households and had never met. Personality is also related to charismatic leadership; charismatic leaders are likely to be extraverted, self-confident, and achievement oriented.⁴⁶ Consider Presidents Barack Obama and Ronald Reagan: like them or not, they are often compared because both possess the qualities of charismatic leaders.

Most experts believe individuals can be trained to exhibit charismatic behaviors.⁴⁷ After all, just because we inherit certain tendencies doesn't mean we can't learn to change. One set of authors proposes a three-step process.⁴⁸ First, develop an aura of charisma by maintaining an optimistic view; using passion as a catalyst for generating enthusiasm; and communicating with the whole body, not just with words. Second, draw others in by creating a bond that inspires them to follow. Third, bring out the potential in followers by tapping into their emotions.

The approach seems to work, according to researchers who have asked undergraduate business students to “play” charismatic.⁴⁹ The students were taught to articulate an overarching goal, communicate high performance expectations, exhibit confidence in the ability of followers to meet these expectations, and empathize with the needs of their followers; they learned to project a powerful, confident, and dynamic presence; and they practiced using a captivating and engaging voice. They were also trained to evoke charismatic nonverbal characteristics: they alternated between pacing and sitting on the edges of their desks, leaned toward the subjects, maintained direct eye contact, and had relaxed postures and animated facial expressions. Their followers had higher task performance, task adjustment, and adjustment to the leader and the group than did followers of noncharismatic leaders.

How Charismatic Leaders Influence Followers How do charismatic leaders actually influence followers? Evidence suggests a four-step process.⁵⁰ It begins with articulating an appealing **vision**, a long-term strategy for attaining a goal by linking the present with a better future for the organization. Desirable visions fit the times and circumstances and reflect the uniqueness of the organization. Steve Jobs championed the iPod at Apple, noting, “It’s as Apple as anything

Apple has ever done.” People in the organization must also believe the vision is challenging yet attainable.

Second, a vision is incomplete without an accompanying **vision statement**, a formal articulation of an organization’s vision or mission. Charismatic leaders may use vision statements to imprint on followers an overarching goal and purpose. They build followers’ self-esteem and confidence with high performance expectations and belief that followers can attain them. Next, through words and actions the leader conveys a new set of values and sets an example for followers to imitate. One study of Israeli bank employees showed charismatic leaders were more effective because their employees personally identified with them. Charismatic leaders also set a tone of cooperation and mutual support. A study of 115 government employees found they had a stronger sense of personal belonging at work when they had charismatic leaders, increasing their willingness to engage in helping and compliance-oriented behavior.⁵¹

Finally, the charismatic leader engages in emotion-inducing and often unconventional behavior to demonstrate courage and conviction about the vision. Followers “catch” the emotions their leader is conveying.⁵²

Does Effective Charismatic Leadership Depend on the Situation? Research shows impressive correlations between charismatic leadership and high performance and satisfaction among followers.⁵³ People working for charismatic leaders are motivated to exert extra effort and, because they like and respect their leader, express greater satisfaction. Organizations with charismatic CEOs are also more profitable, and charismatic college professors enjoy higher course evaluations.⁵⁴ However, charisma appears most successful when the follower’s task has an ideological component or the environment includes a high degree of stress and uncertainty.⁵⁵ Even in laboratory studies, when people are psychologically aroused, they are more likely to respond to charismatic leaders.⁵⁶ This may explain why, when charismatic leaders surface, it’s likely to be in politics or religion, or during wartime, or when a business is in its infancy or facing a life-threatening crisis. Franklin D. Roosevelt offered a vision to get the United States out of the Great Depression in the 1930s. In 1997, when Apple Computer was floundering and lacking direction, the board persuaded charismatic co-founder Steve Jobs to return as interim CEO and return the company to its innovative roots.

Another situational factor apparently limiting charisma is level in the organization. Top executives create vision; it’s more difficult to utilize a person’s charismatic leadership qualities in lower-level management jobs or to align his or her vision with the larger goals of the organization.

Finally, people are especially receptive to charismatic leadership when they sense a crisis, when they are under stress, or when they fear for their lives. Charismatic leaders are able to reduce stress for their employees, perhaps because they help make work seem more meaningful and interesting.⁵⁷ And some peoples’ personalities are especially susceptible to charismatic leadership.⁵⁸ Consider self-esteem. An individual who lacks self-esteem and questions his or her self-worth is more likely to absorb a leader’s direction rather than establish his or her own way of leading or thinking.

The Dark Side of Charismatic Leadership Charismatic business leaders like AIG’s Hank Greenberg, GE’s Jack Welch, Tyco’s Dennis Kozlowski, Southwest Airlines’ Herb Kelleher, Disney’s Michael Eisner, and HP’s Carly Fiorina became

vision A long-term strategy for attaining a goal or goals.

vision statement A formal articulation of an organization’s vision or mission.

celebrities on the order of David Beckham and Madonna. Every company wanted a charismatic CEO, and to attract their boards of directors gave them unprecedented autonomy and resources—the use of private jets and multimillion-dollar penthouses, interest-free loans to buy beach homes and artwork, security staffs, and similar benefits befitting royalty. One study showed charismatic CEOs were able to leverage higher salaries even when their performance was mediocre.⁵⁹

Unfortunately, charismatic leaders who are larger than life don't necessarily act in the best interests of their organizations.⁶⁰ Many have allowed their personal goals to override the goals of the organization. The results at companies such as Enron, Tyco, WorldCom, and HealthSouth were leaders who recklessly used organizational resources for their personal benefit and executives who violated laws and ethical boundaries to inflate stock prices and allow leaders to cash in millions of dollars in stock options. It's little wonder research has shown that individuals who are narcissistic are also higher in some behaviors associated with charismatic leadership.⁶¹

It's not that charismatic leadership isn't effective; overall, it is. But a charismatic leader isn't always the answer. Success depends, to some extent, on the situation and on the leader's vision. Some charismatic leaders—Hitler, for example—are all too successful at convincing their followers to pursue a vision that can be disastrous.



How Charismatic Am I?

In the Self-Assessment Library (available on CD and online), take assessment II.B.2 (How Charismatic Am I?).

Transformational Leadership

A stream of research has focused on differentiating transformational from transactional leaders.⁶² The Ohio State studies, Fiedler's model, and path-goal theory describe **transactional leaders**, who guide their followers toward established goals by clarifying role and task requirements. **Transformational leaders** inspire followers to transcend their self-interests for the good of the organization and can have an extraordinary effect on their followers. Andrea Jung at Avon, Richard Branson of the Virgin Group, and Jim McNerney of Boeing are all transformational leaders. They pay attention to the concerns and needs of individual followers; they change followers' awareness of issues by helping them look at old problems in new ways; and they excite and inspire followers to put out extra effort to achieve group goals. Exhibit 12-4 briefly identifies and defines the characteristics that differentiate these two types of leaders.

Transactional and transformational leadership complement each other; they aren't opposing approaches to getting things done.⁶³ Transformational leadership *builds on* transactional leadership and produces levels of follower effort and performance beyond what transactional leadership alone can do. But the reverse isn't true. So if you are a good transactional leader but do not have transformational qualities, you'll likely only be a mediocre leader. The best leaders are transactional *and* transformational.

Full Range of Leadership Model Exhibit 12-5 shows the full range of leadership model. Laissez-faire is the most passive and therefore least effective of leader behaviors.⁶⁴ Management by exception—active or passive—is slightly better, but it's still considered ineffective. Management-by-exception leaders tend to be available only when there is a problem, which is often too late. Contingent reward leadership can be an effective style of leadership but will not get employees to go above and beyond the call of duty.

Exhibit 12-4**Characteristics of Transactional and Transformational Leaders****Transactional Leader**

Contingent Reward: Contracts exchange of rewards for effort, promises rewards for good performance, recognizes accomplishments.

Management by Exception (active): Watches and searches for deviations from rules and standards, takes correct action.

Management by Exception (passive): Intervenes only if standards are not met.

Laissez-Faire: Abdicates responsibilities, avoids making decisions.

Transformational Leader

Idealized Influence: Provides vision and sense of mission, instills pride, gains respect and trust.

Inspirational Motivation: Communicates high expectations, uses symbols to focus efforts, expresses important purposes in simple ways.

Intellectual Stimulation: Promotes intelligence, rationality, and careful problem solving.

Individualized Consideration: Gives personal attention, treats each employee individually, coaches, advises.

Source: Based on A. H. Eagly, M. C. Johannesen-Schmidt, and M. L. Van Engen, "Transformational, Transactional, and Laissez-faire Leadership Styles: A Meta-Analysis Comparing Women and Men," *Psychological Bulletin* 129, no. 4 (2003), pp. 569–591; and T. A. Judge and J. E. Bono, "Five Factor Model of Personality and Transformational Leadership," *Journal of Applied Psychology* 85, no. 5 (2000), pp. 751–765.

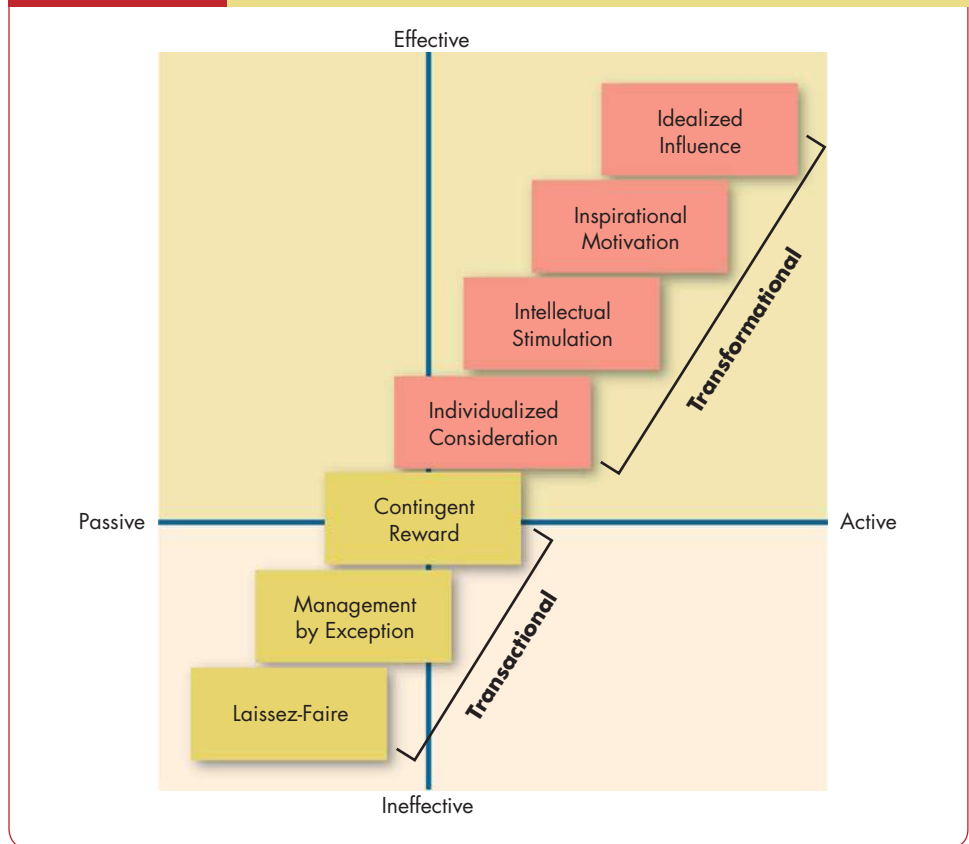
Only with the four remaining styles—all aspects of transformational leadership—are leaders able to motivate followers to perform above expectations and transcend their self-interest for the sake of the organization. Individualized consideration, intellectual stimulation, inspirational motivation, and idealized influence all result in extra effort from workers, higher productivity, higher morale and satisfaction, higher organizational effectiveness, lower turnover, lower absenteeism, and greater organizational adaptability. Based on this model, leaders are generally most effective when they regularly use each of the four transformational behaviors.

How Transformational Leadership Works Transformational leaders are more effective because they are more creative, but also because they encourage those who follow them to be creative, too.⁶⁵ Companies with transformational leaders have greater decentralization of responsibility, managers have more propensity to take risks, and compensation plans are geared toward long-term results—all of which facilitate corporate entrepreneurship.⁶⁶ One study of information technology workers in China found empowering leadership behavior led to feelings of positive personal control among workers, which increased their creativity at work.⁶⁷

Companies with transformational leaders also show greater agreement among top managers about the organization's goals, which yields superior organizational performance.⁶⁸ The Israeli military has seen similar results, showing

transactional leaders Leaders who guide or motivate their followers in the direction of established goals by clarifying role and task requirements.

transformational leaders Leaders who inspire followers to transcend their own self-interests and who are capable of having a profound and extraordinary effect on followers.

Exhibit 12-5 Full Range of Leadership Model

that transformational leaders improve performance by building consensus among group members.⁶⁹ Transformational leaders are able to increase follower self-efficacy, giving the group a “can do” spirit.⁷⁰ Followers are more likely to pursue ambitious goals, agree on the strategic goals of the organization, and believe the goals they are pursuing are personally important.⁷¹

Just as vision helps explain how charismatic leadership works, it also explains part of the effect of transformational leadership. One study found vision was even more important than a charismatic (effusive, dynamic, lively) communication style in explaining the success of entrepreneurial firms.⁷² Finally, transformational leadership engenders commitment on the part of followers and instills greater trust in the leader.⁷³

Evaluation of Transformational Leadership Transformational leadership has been impressively supported at diverse job levels and occupations (school principals, teachers, marine commanders, ministers, presidents of MBA associations, military cadets, union shop stewards, sales reps). One study of R&D firms found teams whose project leaders scored high on transformational leadership produced better-quality products as judged 1 year later and higher profits 5 years later.⁷⁴ Another study looking at employee creativity and transformational leadership more directly found employees with transformational leaders had more confidence in their ability to be creative at work and higher levels of creative performance.⁷⁵ A review of 117 studies testing transformational leadership found it was related to higher levels of individual follower performance, team performance, and organizational performance.⁷⁶

Transformational leadership isn't equally effective in all situations. It has a greater impact on the bottom line in smaller, privately held firms than in more complex organizations.⁷⁷ The personal nature of transformational leadership may be most effective when leaders can directly interact with the workforce and make decisions than when they report to an external board of directors or deal with a complex bureaucratic structure. Another study showed transformational leaders were more effective in improving group potency in teams higher in power distance and collectivism.⁷⁸ Other recent research using a sample of employees both in China and the United States found that transformational leadership had a more positive relationship with perceived procedural justice among individuals who were lower in power-distance orientation, which in turn related to a stronger transformational leadership-citizenship behavior relationship among those higher in power distance.⁷⁹ Transformational leaders also obtain higher levels of trust, which reduces stress for followers.⁸⁰ In short, transformational leadership works through a number of different processes.

One study examined how different types of transformational leadership can be effective depending on whether work is evaluated at the team or the individual level.⁸¹ Individual-focused transformational leadership is behavior that empowers individual followers to develop, enhance their abilities, and increase self-efficacy. Team-focused transformational leadership emphasizes group goals, shared values and beliefs, and unified efforts. Evidence from a sample of 203 team members and 60 leaders in a business unit found individual transformational leadership associated with higher individual-level performance, whereas team-focused transformational leadership drew higher group-level performance.

Transformational leadership theory is not perfect. Contingent reward leadership may not characterize transactional leaders only. And contrary to the full range of leadership model, the four I's in transformational leadership are not always superior in effectiveness to transactional leadership (contingent reward leadership sometimes works as well as transformational leadership).

In summary, transformational leadership is more strongly correlated than transactional leadership with lower turnover rates, higher productivity, lower employee stress and burnout, and higher employee satisfaction.⁸² Like charisma, it can be learned. One study of Canadian bank managers found branches managed by those who underwent transformational leadership training performed significantly better than branches whose managers did not receive training. Other studies show similar results.⁸³

The GLOBE study—of 18,000 leaders from 825 organizations in 62 countries—links a number of elements of transformational leadership with effective leadership, regardless of country.⁸⁴ This conclusion is very important because it disputes the contingency view that leadership style needs to adapt to cultural differences.

What elements of transformational leadership appear universal? Vision, foresight, providing encouragement, trustworthiness, dynamism, positiveness, and proactiveness top the list. The GLOBE team concluded that “effective business leaders in any country are expected by their subordinates to provide a powerful and proactive vision to guide the company into the future, strong motivational skills to stimulate all employees to fulfill the vision, and excellent planning skills to assist in implementing the vision.”⁸⁵

A vision is important in any culture, then, but the way it is formed and communicated may need to vary by culture. A GE executive who used his U.S. leadership style in Japan recalls, “Nothing happened. I quickly realized that I had to adapt my approach, to act more as a consultant to my colleagues and to adopt a team-based motivational decision-making process rather than the more vocal style which tends to be common in the West. In Japan the silence of a leader means far more than a thousand words uttered by somebody else.”⁸⁶

Authentic Leadership: Ethics and Trust

- 6** Define *authentic leadership* and show why effective leaders exemplify ethics and trust.

Although theories have increased our understanding of effective leadership, they do not explicitly deal with the role of ethics and trust, which some argue is essential to complete the picture. Here, we consider these two concepts under the rubric of authentic leadership.⁸⁷

What Is Authentic Leadership?

Mike Ullman, JCPenney CEO, argues that leaders have to be selfless, listen well, and be honest. Campbell Soup's CEO Douglas R. Conant is decidedly understated. When asked to reflect on the strong performance of Campbell Soup, he says, "We're hitting our stride a little bit more (than our peers)." He regularly admits mistakes and often says, "I can do better." Ullman and Conant appear to be good exemplars of authentic leadership.⁸⁸

Authentic leaders know who they are, know what they believe in and value, and act on those values and beliefs openly and candidly. Their followers consider them ethical people. The primary quality produced by authentic leadership, therefore, is trust. Authentic leaders share information, encourage open communication, and stick to their ideals. The result: people come to have faith in them.

Because the concept is new, there has been little research on authentic leadership. However, it's a promising way to think about ethics and trust in leadership because it focuses on the moral aspects of being a leader. Transformational or charismatic leaders can have a vision and communicate it persuasively, but sometimes the vision is wrong (as in the case of Hitler), or the leader is more concerned with his or her own needs or pleasures, as were Dennis Kozlowski (ex-CEO of Tyco), Jeff Skilling (ex-CEO of Enron), and Raj Rajaratnam (founder of the Galleon Group).⁸⁹



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Am I an Ethical Leader?

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Ethics and Leadership

Only recently have researchers begun to consider the ethical implications in leadership.⁹⁰ Why now? One reason may be the growing interest in ethics throughout the field of management. Another may be the discovery that many past leaders—such as Martin Luther King Jr., John F. Kennedy, and Thomas Jefferson—suffered ethical shortcomings. Some companies, like Boeing, are tying executive compensation to ethics to reinforce the idea that, in CEO Jim McNerney's words, "there's no compromise between doing things the right way and performance."⁹¹

Ethics and leadership intersect at a number of junctures. We can think of transformational leaders as fostering moral virtue when they try to change the attitudes and behaviors of followers.⁹² Charisma, too, has an ethical component. Unethical leaders use their charisma to enhance power over followers, directed toward self-serving ends. Ethical leaders use it in a socially constructive way to serve others.⁹³ Leaders who treat their followers with fairness, especially by providing honest, frequent, and accurate information, are seen as more effective.⁹⁴ Leaders rated highly ethical tend to have followers who engage in

more organizational citizenship behaviors and who are more willing to bring problems to the leaders' attention.⁹⁵ Because top executives set the moral tone for an organization, they need to set high ethical standards, demonstrate them through their own behavior, and encourage and reward integrity in others while avoiding abuses of power such as giving themselves large raises and bonuses while seeking to cut costs by laying off longtime employees.

Leadership is not value-free. In assessing its effectiveness, we need to address the *means* a leader uses in trying to achieve goals, as well as the content of those goals. Scholars have tried to integrate ethical and charismatic leadership by advancing the idea of **socialized charismatic leadership**—leadership that conveys other-centered (not self-centered) values by leaders who model ethical conduct.⁹⁶ Socialized charismatic leaders are able to bring employee values in line with their own values through their words and actions.⁹⁷

Servant Leadership

Scholars have recently considered ethical leadership from a new angle by examining **servant leadership**.⁹⁸ Servant leaders go beyond their own self-interest and focus on opportunities to help followers grow and develop. They don't use power to achieve ends; they emphasize persuasion. Characteristic behaviors include listening, empathizing, persuading, accepting stewardship, and actively developing followers' potential. Because servant leadership focuses on serving the needs of others, research has focused on its outcomes for the well-being of followers.

What are the effects of servant leadership? One study of 123 supervisors found it resulted in higher levels of commitment to the supervisor, self-efficacy, and perceptions of justice, which all were related to organizational citizenship behavior.⁹⁹ This relationship between servant leadership and follower OCB appears to be stronger when followers are focused on being dutiful and responsible.¹⁰⁰ Second, servant leadership increases team potency (a belief that one's team has above-average skills and abilities), which in turn leads to higher levels of group performance.¹⁰¹ Third, a study with a nationally representative sample of 250 workers found higher levels of citizenship associated with a focus on growth and advancement, which in turn was associated with higher levels of creative performance.¹⁰²

Servant leadership may be more prevalent and more effective in certain cultures.¹⁰³ When asked to draw images of leaders, U.S. subjects tend to draw them in front of the group, giving orders to followers. Singaporeans tend to draw leaders at the back of the group, acting more to gather a group's opinions together and then unify them from the rear. This suggests the East Asian prototype is more like a servant leader, which might mean servant leadership is more effective in these cultures.

Trust and Leadership

Trust is a psychological state that exists when you agree to make yourself vulnerable to another because you have positive expectations about how things are going to turn out.¹⁰⁴ Even though you aren't completely in control of the

authentic leaders Leaders who know who they are, know what they believe in and value, and act on those values and beliefs openly and candidly. Their followers would consider them to be ethical people.

socialized charismatic leadership A leadership concept that states that leaders convey values that are other centered versus self centered and who role-model ethical conduct.

servant leadership A leadership style marked by going beyond the leader's own self-interest and instead focusing on opportunities to help followers grow and develop.
trust A positive expectation that another will not act opportunistically.

Do Leaders Have a Responsibility to Protect Followers?

Leaders are expected to monitor performance and assign work tasks. But do they also have a responsibility to protect their followers as well? Should they “take the heat” so employees can be more productive? Former research and development head at 3M William Coyne felt one of his most significant contributions as a manager of creative employees was to prevent them from being bombarded with questions and suggestions from higher-ups. Especially in creative fields, leaders need to make the environment safe for employees to express their ideas, even if it means generating conflict with upper levels in the organization. Leaders may also need to protect up-and-coming employees from longer-tenured employees who see them as a threat.

Important components of servant leadership include putting subordinates first, helping them grow, and empowering them. We might thus expect servant leaders to protect their followers from negative pressures in the organization. Studies also show

that higher levels of servant leadership are associated with more citizenship behavior, higher performance, and greater creativity in work groups. As our review of the literature shows, acting to protect workers has a demonstrated impact on effective performance in the real world.

Still, shielding workers may not be in the organization’s best interest all the time. Close personal relationships with subordinates can make it difficult to provide negative feedback when it’s needed. A leader might be coddling a poor performer rather than protecting him or her from excess scrutiny. Thus, leaders need to take care when exercising their protecting role and be objective about what function it is serving.

So what should leaders do to effectively protect workers without falling into the trap of protecting the incompetent? Here are a few suggestions:

1. Try to identify barriers to effective performance in the work environment and protect employees from

these unnecessary sources of political infighting, distraction, and delay.

2. Assess employee contributions realistically. Try to separate your feelings about an employee from your desire to protect him or her from outside scrutiny.
3. Sometimes the best thing to do is let an employee handle problems independently and wait for him or her to ask for help. This can be surprisingly hard for many leaders who are used to seeing themselves in a proactive role.

Sources: Based on R. I. Sutton, “The Boss as Human Shield,” *Harvard Business Review* (September, 2010), pp. 106–109; J. Hu and R. C. Liden, “Antecedents of Team Potency and Team Effectiveness: An Examination of Goal and Process Clarity and Servant Leadership,” *Journal of Applied Psychology*, Online first publication (February 14, 2011), doi: 10.1037/a0022465; and F. O. Walumbwa, C. A. Hartnell, and A. Oke, “Servant Leadership, Procedural Justice Climate, Service Climate, Employee Attitudes, and Organizational Citizenship Behavior: A Cross-Level Investigation,” *Journal of Applied Psychology* 95, no. 3 (2010), pp. 517–529.

situation, you are willing to take a chance that the other person will come through for you.

Trust is a primary attribute associated with leadership; breaking it can have serious adverse effects on a group’s performance.¹⁰⁵ As one author noted, “Part of the leader’s task has been, and continues to be, working with people to find and solve problems, but whether leaders gain access to the knowledge and creative thinking they need to solve problems depends on how much people trust them. Trust and trust-worthiness modulate the leader’s access to knowledge and cooperation.”¹⁰⁶

Followers who trust a leader are confident their rights and interests will not be abused.¹⁰⁷ Transformational leaders create support for their ideas in part by arguing that their direction will be in everyone’s best interests. People are unlikely to look up to or follow someone they perceive as dishonest or likely to take advantage of them. Thus, as you might expect, transformational leaders do generate higher levels of trust from their followers, which in turn is related

to higher levels of team confidence and, ultimately, higher levels of team performance.¹⁰⁸

In a simple contractual exchange of goods and services, your employer is legally bound to pay you for fulfilling your job description. But today's rapid reorganizations, diffusion of responsibility, and collaborative team-based work style mean employment relationships are not stable long-term contracts with explicit terms. Rather, they are more fundamentally based on trusting relationships than ever before. You have to trust that if you show your supervisor a creative project you've been working on, she won't steal the credit behind your back. You have to trust that extra work you've been doing will be recognized in your performance appraisal. In contemporary organizations, where less work is closely documented and specified, voluntary employee contribution based on trust is absolutely necessary. And only a trusted leader will be able to encourage employees to reach beyond themselves to a transformational goal.

How Is Trust Developed?

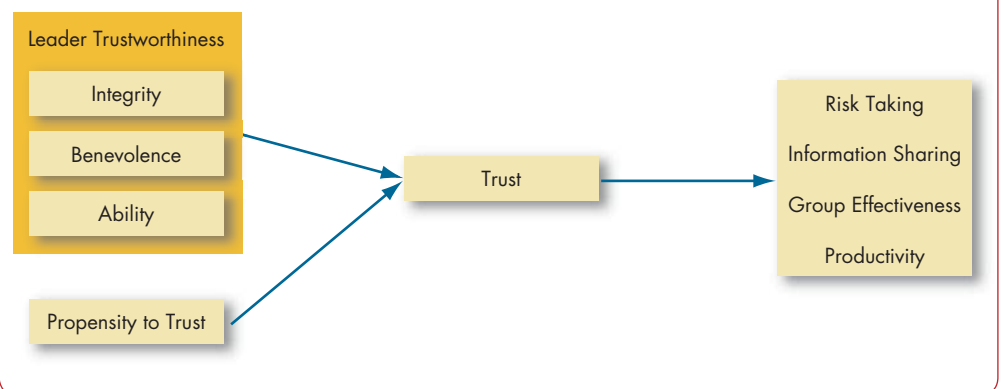
Trust isn't just about the leader; the characteristics of followers also influence its development. What key characteristics lead us to believe a leader is trustworthy? Evidence has identified three: integrity, benevolence, and ability (see Exhibit 12-6).¹⁰⁹

Integrity refers to honesty and truthfulness. It seems the most critical characteristic in assessing another's trustworthiness.¹¹⁰ When 570 white-collar employees were given a list of 28 attributes related to leadership, they rated honesty the most important by far.¹¹¹ Integrity also means having consistency between what you do and say. "Nothing is noticed more quickly . . . than a discrepancy between what executives preach and what they expect their associates to practice."¹¹²

Benevolence means the trusted person has your interests at heart, even if yours aren't necessarily in line with theirs. Caring and supportive behavior is part of the emotional bond between leaders and followers.

Ability encompasses an individual's technical and interpersonal knowledge and skills. Even a highly principled person with the best intentions in the world won't be trusted to accomplish a positive outcome for you if you don't have faith in his or her ability to get the job done. Does the person know what he or she is talking about? You're unlikely to listen to or depend on someone whose abilities you don't respect.

Exhibit 12-6 The Nature of Trust



Trust as a Process

Trust propensity refers to how likely a particular employee is to trust a leader. Some people are simply more likely to believe others can be trusted.¹¹³ Those who carefully document every promise or conversation with their supervisors aren't very high in trust propensity, and they probably aren't going to take a leader's word for anything. Those who think most people are basically honest and forthright will be much more likely to seek out evidence that their leaders have behaved in a trustworthy manner. Trust propensity is closely linked to the personality trait of agreeableness, while people with lower self-esteem are less likely to trust others.¹¹⁴

Time is the final ingredient in the recipe for trust. We come to trust people based on observing their behavior over a period of time.¹¹⁵ Leaders need to demonstrate they have integrity, benevolence, and ability in situations where trust is important—say, where they could behave opportunistically or let employees down but don't. Trust can also be won in the ability domain simply by demonstrating competence.

Leaders who break the psychological contract with workers, demonstrating they aren't trustworthy, will find employees are less satisfied and less committed, have a higher intent toward turnover, engage in less citizenship behavior, and have lower task performance.¹¹⁶ Leaders who betray trust are especially likely to be evaluated negatively by followers if there is already a low level of leader-member exchange.¹¹⁷ Once it is violated, trust can be regained, but only in certain situations that depend on the type of violation.¹¹⁸ If the cause is lack of ability, it's usually best to apologize and recognize you should have done better. When lack of integrity is the problem, though, apologies don't do much good. Regardless of the violation, simply saying nothing or refusing to confirm or deny guilt is never an effective strategy for regaining trust. Trust can be restored when we observe a consistent pattern of trustworthy behavior by the transgressor. However, if the transgressor used deception, trust never fully returns, not even after apologies, promises, or a consistent pattern of trustworthy actions.¹¹⁹

What Are the Consequences of Trust?

Trust between supervisors and employees has a number of important advantages. Here are just a few that research has shown:

- **Trust encourages taking risks.** Whenever employees decide to deviate from the usual way of doing things, or to take their supervisors' word on a new direction, they are taking a risk. In both cases, a trusting relationship can facilitate that leap.
- **Trust facilitates information sharing.** One big reason employees fail to express concerns at work is that they don't feel psychologically safe revealing their views. When managers demonstrate they will give employees' ideas a fair hearing and actively make changes, employees are more willing to speak out.¹²⁰
- **Trusting groups are more effective.** When a leader sets a trusting tone in a group, members are more willing to help each other and exert extra effort, which further increases trust. Conversely, members of mistrusting groups tend to be suspicious of each other, constantly guard against exploitation, and restrict communication with others in the group. These actions tend to undermine and eventually destroy the group.
- **Trust enhances productivity.** The bottom-line interest of companies also appears positively influenced by trust. Employees who trust their supervisors tend to receive higher performance ratings.¹²¹ People respond to mistrust by concealing information and secretly pursuing their own interests.

Leading for the Future: Mentoring

- 7** Demonstrate the role mentoring plays in our understanding of leadership.

Leaders often take responsibility for developing future leaders. Let's consider what makes mentoring valuable as well as its potential pitfalls.

Mentoring

A **mentor** is a senior employee who sponsors and supports a less-experienced employee, a protégé. Successful mentors are good teachers. They present ideas clearly, listen well, and empathize with protégés' problems. Mentoring relationships serve both career functions and psychosocial functions (see Exhibit 12-7).¹²²

Traditional informal mentoring relationships develop when leaders identify a less experienced, lower-level employee who appears to have potential for future development.¹²³ The protégé will often be tested with a particularly challenging assignment. If he or she performs acceptably, the mentor will develop the relationship, informally showing the protégé how the organization *really* works outside its formal structures and procedures.

Why would a leader want to be a mentor?¹²⁴ Many feel they have something to share with the younger generation and want to provide a legacy. Mentoring also provides unfiltered access to the attitudes of lower-ranking employees, and protégés can be an excellent source of early warning signals that identify potential organizational problems.

Are all employees in an organization equally likely to participate in a mentoring relationship? Unfortunately, no.¹²⁵ In the United States, upper managers in most organizations have traditionally been white males, and because mentors tend to select protégés similar to themselves in background, education, gender,

Exhibit 12-7

Career and Psychological Functions of the Mentoring Relationship

Career Functions

- Lobbying to get the protégé challenging and visible assignments
- Coaching the protégé to help develop his or her skills and achieve work objectives
- Providing exposure to influential individuals within the organization
- Protecting the protégé from possible risks to his or her reputation
- Sponsoring the protégé by nominating him or her for potential advances or promotions
- Acting as a sounding board for ideas the protégé might be hesitant to share with a direct supervisor

Psychosocial Functions

- Counseling the protégé to bolster his or her self-confidence
- Sharing personal experiences with the protégé
- Providing friendship and acceptance
- Acting as a role model

mentor A senior employee who sponsors and supports a less-experienced employee, called a protégé.

“Power Helps Leaders Perform Better”

Somewhat surprisingly, this statement appears to be partly true.

All leaders, of course, have some power (we'll consider power in the next chapter). But how do differences in power between leaders affect how they do their jobs? Most of us probably think that when leaders obtain *more* power, they relax and “rest on their laurels”—or worse, they abuse it.

Several recent studies, however, suggest that this is not quite the case. Power actually can help a leader do his or her job more effectively. In a series of experiments, researchers found that when individuals were given power as

leaders, they performed more effectively. Why? Power gives leaders a greater sense of responsibility toward their group—as a result, powerful leaders were more likely to exert effort and make sacrifices than those with less power. If you're powerless (or *think* you're powerless), after all, why bother?

Interestingly, though, the research also suggested that if leaders happen to see a task as beneath them, they will disregard it. Thus, if leaders are given more power, it's important that they don't use it to dismiss as trivial the duties that truly matter.

Of course, we don't really know whether these experimental results generalize to more realistic settings, or whether power has long-term corrupting effects. But the findings do suggest that giving leaders more power is not always a bad idea.

Source: C. N. DeWall, R. F. Baumeister, N. L. Mead, and K. D. Vohs, “How Leaders Self-Regulate Their Task Performance: Evidence That Power Promotes Diligence, Depletion, and Disdain,” *Journal of Personality and Social Psychology* 100, no. 1 (2010), pp. 47–65.

race, ethnicity, and religion, minorities and women are less likely to be chosen. “People naturally move to mentor and can more easily communicate with those with whom they most closely identify.”¹²⁶ Senior male managers may also select male protégés to minimize problems such as sexual attraction or gossip.

Many organizations have created formal programs to ensure mentoring relationships are equally available to minorities and women.¹²⁷ Although begun with the best intentions, these formal relationships are not as effective as informal ones.¹²⁸

Poor planning and design may often be the reason. Mentor commitment is critical to a program's effectiveness; mentors must see the relationship as beneficial to themselves and the protégé. The protégé, too, must feel he or she has input into the relationship; someone who feels it's foisted on him or her will just go through the motions.¹²⁹ Formal mentoring programs are also most likely to succeed if they appropriately match the work style, needs, and skills of protégé and mentor.¹³⁰

You might assume mentoring is valuable for objective outcomes like compensation and job performance, but research suggests the gains are primarily psychological. One review concluded, “Though mentoring may not be properly labeled an utterly useless concept to careers, neither can it be argued to be as important as the main effects of other influences on career success such as ability and personality.”¹³¹ It may *feel* nice to have a mentor, but it doesn't appear that having a good mentor, or any mentor, is critical to your career. Mentors may be effective not because of the functions they provide, but because of the resources they can obtain: a mentor connected to a powerful network can build relationships that will help the protégé advance. Most evidence suggests that network ties, whether built through a mentor or not, are a significant predictor of career success.¹³² If a mentor is not well connected or not a very strong performer, the best mentoring advice in the world will not be very beneficial.

Challenges to the Leadership Construct

8 Address challenges to the effectiveness of leadership.

“In the 1500s, people ascribed all events they didn’t understand to God. Why did the crops fail? God. Why did someone die? God. Now our all-purpose explanation is leadership.”¹³³ But much of an organization’s success or failure is due to factors outside the influence of leadership. Sometimes it’s just a matter of being in the right or wrong place at a given time. In this section, we present two perspectives and one technological change that challenge accepted beliefs about the value of leadership.

Leadership as an Attribution

As you may remember from Chapter 6, attribution theory examines how people try to make sense of cause-and-effect relationships. The **attribution theory of leadership** says leadership is merely an attribution people make about other individuals.¹³⁴ Thus we attribute to leaders intelligence, outgoing personality, strong verbal skills, aggressiveness, understanding, and industriousness.¹³⁵ At the organizational level, we tend to see leaders, rightly or wrongly, as responsible for extremely negative or extremely positive performance.¹³⁶

One longitudinal study of 128 major U.S. corporations found that whereas perceptions of CEO charisma did not lead to objective company performance, company performance did lead to perceptions of charisma.¹³⁷ Employee perceptions of their leaders’ behaviors are significant predictors of whether they blame the leader for failure, regardless of how the leader assesses him- or

Elements of transformational leadership such as vision and foresight appear to be universal. In China, for example, Wang Jianzhou is the CEO of China Mobile, the world’s largest mobile phone operator with more than 600 million subscribers. With vision and foresight, Jianzhou is expanding mobile service throughout China’s vast rural areas and plans to expand in emerging markets such as Africa, Asia, and Latin America. Proactive and positive, Jianzhou’s leadership draws from his extensive knowledge of and more than 30 years of experience in the telecommunications industry. Jianzhou is shown here during the launch of the firm’s OPhone operating system platform.



Source: Bao fan / Imaginichina/AP Images.

attribution theory of leadership A leadership theory that says that leadership is merely an attribution that people make about other individuals.

herself.¹³⁸ A study of more than 3,000 employees from western Europe, the United States, and the Middle East found people who tended to “romanticize” leadership in general were more likely to believe their own leaders were transformational.¹³⁹

When Merrill Lynch began to lose billions in 2008 as a result of its investments in mortgage securities, it wasn’t long before CEO Stan O’Neal lost his job. He appeared before the House Oversight and Government Reform Committee of the U.S. Congress for what one committee member termed “a public flogging.” Some called him a “criminal,” and still others suggested Merrill’s losses represented “attempted destruction.”¹⁴⁰

Whether O’Neal was responsible for the losses at Merrill or deserved his nine-figure severance package are difficult questions to answer. However, it is not difficult to argue that he probably changed very little between 2004 when *Fortune* described him as a “turnaround genius” and 2009 when he was fired. What did change was the performance of the organization he led. It’s not necessarily wrong to terminate a CEO for failing or flagging financial performance. However, O’Neal’s story illustrates the power of the attribution approach to leadership: hero and genius when things are going well, villain when they aren’t.

We also make demographic assumptions about leaders. Respondents in a study assumed a leader described with no identifying racial information was white at a rate beyond the base rate of white employees in a company. In scenarios where identical leadership situations are described but the leaders’ race is manipulated, white leaders are rated as more effective than leaders of other racial groups.¹⁴¹ One large-scale summary study (a meta-analysis) found that many individuals hold stereotypes of men as having more leader characteristics than women, although as you might expect, this tendency to equate leadership with masculinity has decreased over time.¹⁴² Other data suggest women’s perceived success as transformational leaders may be based on demographic characteristics. Teams prefer male leaders when aggressively competing against other teams, but they prefer female leaders when the competition is within teams and calls for improving positive relationships within the group.¹⁴³

Attribution theory suggests what’s important is projecting the *appearance* of being a leader rather than focusing on *actual accomplishments*. Leader-wannabes who can shape the perception that they’re smart, personable, verbally adept, aggressive, hardworking, and consistent in their style can increase the probability their bosses, colleagues, and employees will view them as effective leaders.

Substitutes for and Neutralizers of Leadership

One theory of leadership suggests that in many situations leaders’ actions are irrelevant.¹⁴⁴ Experience and training are among the **substitutes** that can replace the need for a leader’s support or ability to create structure. Organizational characteristics such as explicit formalized goals, rigid rules and procedures, and cohesive work groups can also replace formal leadership, while indifference to organizational rewards can neutralize its effects. **Neutralizers** make it impossible for leader behavior to make any difference to follower outcomes (see Exhibit 12-8).

This observation shouldn’t be too surprising. After all, we’ve introduced a number of variables—such as attitudes, personality, ability, and group norms—that affect employee performance and satisfaction. It’s simplistic to think employees are guided to goal accomplishments solely by the actions of their leader. Leadership is simply another independent variable in our overall OB model.

Sometimes the difference between substitutes and neutralizers is fuzzy. If I’m working on a task that’s intrinsically enjoyable, theory predicts leadership

Exhibit 12-8**Substitutes for and Neutralizers of Leadership**

Defining Characteristics	Relationship-Oriented Leadership	Task-Oriented Leadership
Individual		
Experience/training	No effect on	Substitutes for
Professionalism	Substitutes for	Substitutes for
Indifference to rewards	Neutralizes	Neutralizes
Job		
Highly structured task	No effect on	Substitutes for
Provides its own feedback	No effect on	Substitutes for
Intrinsically satisfying	Substitutes for	No effect on
Organization		
Explicit formalized goals	No effect on	Substitutes for
Rigid rules and procedures	No effect on	Substitutes for
Cohesive work groups	Substitutes for	Substitutes for

Source: Based on S. Kerr and J. M. Jermier, "Substitutes for Leadership: Their Meaning and Measurement," *Organizational Behavior and Human Performance* (December 1978), p. 378.

will be less important because the task itself provides enough motivation. But does that mean intrinsically enjoyable tasks neutralize leadership effects, or substitute for them, or both? Another problem is that while substitutes for leadership (such as employee characteristics, the nature of the task, and so forth) matter to performance, that doesn't necessarily mean leadership doesn't.¹⁴⁵

Online Leadership

How do you lead people who are physically separated from you and with whom you communicate electronically? This question needs attention from OB researchers.¹⁴⁶ Today's managers and employees are increasingly linked by networks rather than geographic proximity.

We propose that online leaders have to think carefully about what actions they want their digital messages to initiate. They confront unique challenges, the greatest of which appears to be developing and maintaining trust. **Identification-based trust**, based on a mutual understanding of each other's intentions and appreciation of the other's wants and desires, is particularly difficult to achieve without face-to-face interaction.¹⁴⁷ And online negotiations can also be hindered because parties express lower levels of trust.¹⁴⁸

We tentatively conclude that good leadership skills will soon include the abilities to communicate support, trust, and inspiration through keyboarded words and accurately read emotions in others' messages. In electronic communication, writing skills are likely to become an extension of interpersonal skills.

substitutes Attributes, such as experience and training, that can replace the need for a leader's support or ability to create structure.

neutralizers Attributes that make it impossible for leader behavior to make any difference to follower outcomes.

identification-based trust Trust based on a mutual understanding of each other's intentions and appreciation of each other's wants and desires.

Finding and Creating Effective Leaders

Source: Carlos Osorio/AP Images.



Richard Wagoner was fired as CEO and chairman of General Motors.

His leadership was faulted for playing a part in the automaker's bankruptcy, with critics saying that he did not force much-needed radical change in reducing debt, cutting costs, and investing in fuel-efficient cars. Wagoner, however, inherited a messy situation and accomplished much in fixing GM during his 9 years as CEO. He cut GM's U.S. workforce from 177,000 to 92,000, closed factories, saved billions of dollars by globalizing engineering, manufacturing, and design, and led a resurgence in quality and performance. But the attribution approach to leadership would suggest a reverse causality: that GM's failures caused people to question his leadership, and not the other way around.

How can organizations find or create effective leaders? Let's try to answer that question.

Selecting Leaders

The entire process organizations go through to fill management positions is essentially an exercise in trying to identify effective leaders. You might begin by reviewing the knowledge, skills, and abilities needed to do the job effectively. Personality tests can identify traits associated with leadership—extraversion, conscientiousness, and openness to experience. High self-monitors are better at reading situations and adjusting their behavior accordingly. Candidates with high emotional intelligence should have an advantage, especially in situations requiring transformational leadership.¹⁴⁹ Experience is a poor predictor of leader effectiveness, but situation-specific experience is relevant.

Because nothing lasts forever, the most important event an organization needs to plan for is a change in leadership. Recently, Apple's board of directors has been very concerned with identifying a successor to Steve Jobs. Other organizations seem to spend no time on leadership succession and are surprised when their picks turn out poorly. University of Kentucky chose its men's basketball coach, Billy Gillispie, within 2 weeks of the departure of Tubby Smith. Yet within 2 years Gillispie had been fired, causing observers to wonder whether Kentucky had done its homework in leadership succession.

Training Leaders

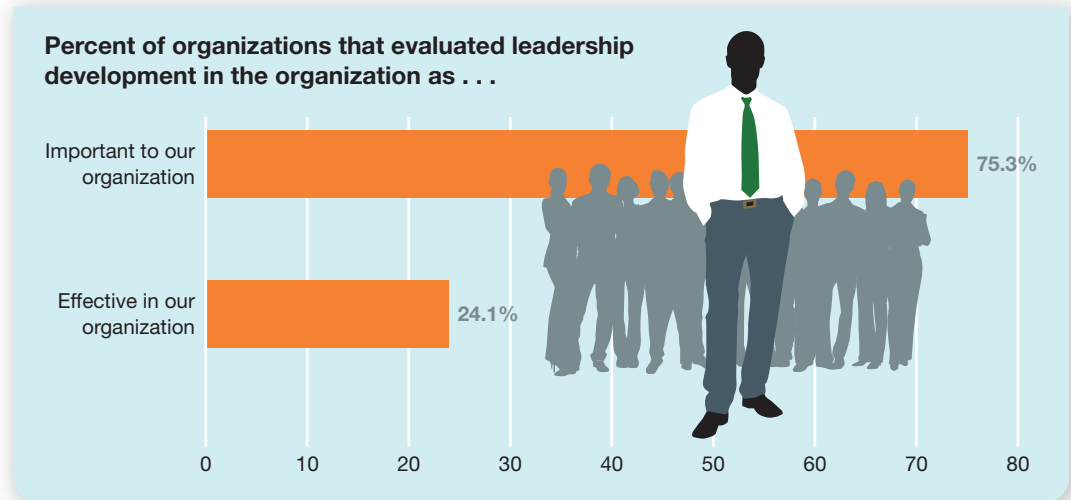
Organizations spend billions of dollars on leadership training and development.¹⁵⁰ These efforts take many forms—from \$50,000 executive leadership programs offered by universities such as Harvard to sailing experiences offered by the Outward Bound program. Business schools, including some elite programs such as those at Dartmouth, MIT, and Stanford, are placing renewed emphasis on leadership development. Some companies, too, place a lot of emphasis on leadership development. Goldman Sachs is well known for developing leaders; *BusinessWeek* called it the "Leadership Factory."¹⁵¹

How can managers get maximum effect from their leadership-training budgets?¹⁵² First, let's recognize the obvious. Leadership training of any kind is likely to be more successful with high self-monitors. Such individuals have the flexibility to change their behavior.

Second, what can organizations teach that might be related to higher leader effectiveness? Probably not "vision creation" but, likely, implementation skills. We can train people to develop "an understanding about content themes critical to effective visions."¹⁵³ We can also teach skills such as trust building and mentoring. And leaders can be taught situational-analysis skills. They can learn how to evaluate situations, modify them to better fit their style, and assess which leader behaviors might be most effective in given situations. BHP Billiton, Best Buy, Nokia, and Adobe have hired coaches to help top executives one on one to improve their interpersonal skills and act less autocratically.¹⁵⁴

Behavioral training through modeling exercises can increase an individual's ability to exhibit charismatic leadership qualities. Recall the researchers who scripted undergraduate business students to "play" charismatic.¹⁵⁵ Finally, leaders can be trained in transformational leadership skills that have bottom-line results, whether in the financial performance of Canadian banks or the effectiveness of soldiers in the Israeli Defense Forces.¹⁵⁶

OB Poll The Leadership Gap



Source: G. Kranz, "Special Report: Leadership Development," *Workforce Management* (May 2011), pp. 28–32; and P. J. Kiger, "The Leadership Formula," *Workforce Management* (May 2010), pp. 25–31.

MyManagementLab

Now that you have finished this chapter, go back to www.mymanagementlab.com to continue practicing and applying the concepts you've learned.

Summary and Implications for Managers

- 9 Assess whether charismatic and transformational leadership generalize across cultures.

Leadership plays a central part in understanding group behavior, because it's the leader who usually directs us toward our goals. Knowing what makes a good leader should thus be valuable in improving group performance.

- The early search for a set of universal leadership traits failed. However, recent efforts using the Big Five personality framework show strong and consistent relationships between leadership and extraversion, conscientiousness, and openness to experience.
- The behavioral approach's major contribution was narrowing leadership into task-oriented (initiating structure) and people-oriented (consideration) styles. By considering the situation in which the leader operates, contingency theories promised to improve on the behavioral approach, but only LPC theory has fared well in leadership research.
- Research on charismatic and transformational leadership has made major contributions to our understanding of leadership effectiveness. Organizations want managers who can exhibit transformational leadership qualities and who have vision and the charisma to carry it out.
- Effective managers must develop trusting relationships with followers because, as organizations have become less stable and predictable, strong bonds of trust are replacing bureaucratic rules in defining expectations and relationships.
- Tests and interviews help identify people with leadership qualities. Managers should also consider investing in leadership training such as formal courses, workshops, rotating job responsibilities, coaching, and mentoring.

Heroes Are Made, Not Born

POINT

From Apple CEO Steve Jobs and Microsoft CEO Bill Gates to US Air Pilot Sully Sullenberger and Walmart founder Sam Walton, we often ascribe heroic qualities to our leaders. They are courageous in the face of great risk. They persevered when few would. They take action when most sit by. Heroes are exceptional people who display exceptional behavior.

But some social psychologists question this conventional wisdom. They note that heroism can be found in many spheres of life, including in the behavior of whistleblowers, explorers, religious leaders, scientists, Good Samaritans, and those who beat the odds. At some time in our lives, we all show acts of heroism when the situation allows us to do so. If we want to see more heroic behavior, we need to create more situations that produce it.

Stanford psychologist Phil Zimbardo goes even further to argue that our romantic, inborn, trait-based view of heroic behavior is misplaced:

"The banality of evil is matched by the banality of heroism. Neither is the consequence of dispositional tendencies. . . . Both emerge in particular situations at particular times, when situational forces play a compelling role in moving individuals across the line from inaction to action."

People exhibit brave behavior every day. The workers who risked their lives to contain Japan's earthquake-ravaged nuclear reactors are a great example. Thus, we err when we think leaders are uniquely positioned to behave heroically. We all can be heroes in the right situation.

COUNTERPOINT

Of course heroes are not like everyone else. That's what makes them heroes.

A generation of evidence from behavioral genetics reveals that "everything is genetic," meaning we have yet to discover an important human behavior that does not have genetic origins. Though we're not aware of any such study with respect to heroism, it would be surprising if courageous behavior were not at least partly genetic.

It's foolish to think courageous people aren't exceptional because of who they are. Just as we know there is an entrepreneurial personality and a leader personality, there is a heroic personality. Research suggests, for example, that people who score high on conscientiousness are more likely to engage in courageous behavior.

Not all leaders are heroes, but many have exhibited courageous behavior. When Richard Branson launches his latest attempt to set the world record for an around-the-world balloon flight or sloop sailing, he is the same leader who also exhibits courageous behavior as CEO of Virgin Group. Virgin Group now includes more than 400 companies, including Virgin Galactic, a space tourism company, and Virgin Fuels, whose goal is to revolutionize the industry by providing sustainable fuels for automobiles and aircraft. Same leader, same heroic behavior—in work and in life.

Are we really to believe that Richard Branson and other courageous leaders are just like everyone else?

Sources: Z. E. Franco, K. Blau, and P. G. Zimbardo, "Heroism: A Conceptual Analysis and Differentiation Between Heroic Action and Altruism," *Review of General Psychology* 15, no. 2 (2011), pp. 99–113; O. Dorell, "At Nuke Plant, Heroes Emerge," *USA Today* (March 25, 2011), pp. 1A, 2A; L. J. Walker, J. A. Frimer, and W. L. Dunlop, "Varieties of Moral Personality: Beyond the Banality of Heroism," *Journal of Personality* 78, no. 3 (2010), pp. 907–942; and J. Lehrer, "Are Heroes Born, or Can They Be Made?" *The Wall Street Journal* (December 11, 2010), p. C12.

QUESTIONS FOR REVIEW

- 1 Are leadership and management different from one another? If so, how?
- 2 What is the difference between trait and behavioral theories? Are the theories valid?
- 3 What are the main limitations of behavioral theories of leadership?
- 4 What is Fiedler's contingency model? Has it been supported in research?
- 5 How do charismatic and transformational leadership compare and contrast? Are they valid?
- 6 What is authentic leadership? Why do ethics and trust matter to leadership?
- 7 How is mentoring valuable to leadership? What are the keys to effective mentoring?
- 8 How can organizations select and develop effective leaders?

EXPERIENTIAL EXERCISE What Is a Leader?

1. Working on your own, write down 12 adjectives that describe an effective business leader.
2. Break into groups of four or five. Appoint a note-taker and spokesperson. Compare your lists of adjectives, making a new list of those common across two or more persons' lists. (Count synonyms—steadfast and unwavering, for example—as the same.)
3. Each spokesperson should present the group's list to the class.
4. Are there many similarities among the lists? What does this tell you about the nature of leadership?

ETHICAL DILEMMA Undercover Leaders

As you saw in one of the Chapter 1 cases, the television show *Undercover Boss* features a leader working undercover in his or her own company to find out how the organization really works. In Chapter 1, we considered the show as an example of management by walking around (MBWA). Here, we consider the ethical leadership lessons it might offer.

Executives from DirecTV, Hooters, 7-Eleven, NASCAR, Chiquita, and Choice Hotels have been featured on the show. Typically, the executive works undercover for a week. Then the employees with whom and under whom the leader has worked are summoned to company headquarters and rewarded, or punished, for their actions.

In one episode, Waste Management's president Larry O'Donnell, sporting gray stubble and work clothes, works the back of a trash truck. Later, he sorts recyclables from a fast-moving conveyor belt. Under the barking orders of a supervisor, he even cleans a long line of portable toilets.

Some criticize the show for its faux realism. The CEOs know they are on camera, so every word and facial expression is for the cameras. Many employees know they

are on camera too. One critic commented, "Because the series' very existence requires cooperation from the executives that it purports to make suffer for their sins, it has to raise them higher, in the end, than it found them at the start."

Realistic or not, the series continues to be popular. After all, haven't you sometimes wondered what it would be like to do someone else's job?

The idea has moved beyond television too. Recently, the Australian government created a program that places CEOs undercover in their own workplaces. One CEO, Phil Smith of clothing retailer Fletcher Jones, said in tears of the experience, "I learnt a lot from this that I wouldn't have found out any other way."

Questions

1. Do you think it is ethical for a leader to go undercover in his or her organization? Why or why not?

2. Do you think leaders who work undercover are really changed as a result of their experiences?
3. Would you support a government program that gave companies incentives to send leaders undercover?

Sources: K. Jones, "CEOs Go Undercover Over Workplace Safety," *SafetyAtWorkBlog* (February 5, 2011), downloaded June 10, 2011, from <http://safetyatworkblog.wordpress.com/>; W. Kern, "The Fakery of CEOs Undercover," *Bloomberg Businessweek* (February 15, 2010), pp. 78–79.

CASE INCIDENT 1 Leadership Mettle Forged in Battle

In 2008, facing a serious shortage of leadership-ready employees at the store management level, Walmart decided to recruit from the U.S. military. The company sent recruiters to military job fairs and hired 150 junior military officers, pairing them with store mentors to learn on the job. The result: Walmart claims that it's been able to bring in world-class leaders who were ready to take over once they had learned the retail business that Walmart could easily teach them. Other organizations that have heavily recruited from the military in recent years include GE, Home Depot, Lowe's, State Farm Insurance, Merck, and Bank of America.

It's not really surprising to see companies turn to the military for leadership potential. A long tradition of books and seminars advises leaders to think like military leaders ranging from Sun Tzu to Norman Schwarzkopf. And military veterans do have a variety of valuable skills learned through experience. General David Petraeus notes, "Tell me anywhere in the business world where a 22- or 23-year-old is responsible for 35 or 40 other individuals on missions that involve life and death... They're under enormous scrutiny, on top of everything else. These are pretty formative experiences. It's a bit of a crucible-like experience that they go through." Military leaders are also used to having to make due in less than

optimal conditions, negotiate across cultures, and operate under extreme stress.

However, they do have to relearn some lessons from the service. Some may not be used to leading someone like an eccentric computer programmer who works strange hours and dresses like a slob, but who brings more to the company's bottom line than a conventional employee would. Indeed, in some companies like Google, there is nothing like the chain of command military leaders are used to. Still, most forecasts suggest there will be an ample supply of battle-tested military leaders ready to report for corporate duty in the near future, and many companies are eager to have them.

Questions

1. Do you think leaders in military contexts exhibit the same qualities as organizational leaders? Why or why not?
2. In what ways not mentioned in the case would military leadership lessons *not* apply in the private sector? What might military leaders have to re-learn to work in business?
3. Are specific types of work or situations more likely to benefit from the presence of "battle-tested" leaders? List a few examples.

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CASE INCIDENT 2 Leadership Factories

Companies differ markedly in their ability to produce future leaders, as several recent analyses of the 1,187 largest publicly traded U.S. companies revealed. Among the CEOs in one study, a remarkable total of 26 once worked at General Electric (GE).

However, as the following table shows, on a per-employee basis, that ability earns GE only tenth place in

terms of the likelihood of a current or former employee becoming CEO of a large company. Top on the list is management consulting firm McKinsey & Company. Amazingly, if we extrapolate into the future from the current stock of McKinsey alums who are CEOs, of every 1,060 McKinsey employees, one will become CEO of a *Fortune* 1000 company.

Company	Size (employees)	CEOs Produced	Odds
McKinsey & Co.	17,000	16	1,060:1
Baxter International	48,500	11	4,410:1
Motorola	60,000	7	8,570:1
Intel	82,500	8	10,310:1
Procter & Gamble (P&G)	127,000	12	10,580:1
General Electric (GE)	287,000	26	11,040:1
Ernst & Young	144,000	12	12,000:1

Some companies did not fare nearly as well, such as Citigroup (odds: 30,180:1), AT&T (odds: 23,220:1) and Johnson & Johnson (odds: 15,275:1).

While some might dismiss the results, not surprisingly, the companies at the top of the list do not. “We are a leadership engine and a talent machine,” said retiring Procter & Gamble CEO A. G. Lafley.

Questions

1. Management consulting firms did very well on a per-employee basis, partly because they are mostly made up of managers (as opposed to blue-collar or
2. Do you think so-called leadership factories are also better places for nonleaders to work? Why or why not?
3. Assume you had job offers from two companies that differed only in how often they produced CEOs. Would this difference affect your decision?
4. Do these data support the value of leader selection and leader development? Why or why not?

Source: Based on D. McCarthy, “The 2008 Best Companies for Leaders,” *Great Leadership* (February 17, 2009), www.greatleadershipbydan.com/2009/02/2008-best-companies-for-leaders.html; D. Jones, “Some Firms’ Fertile Soil Grows Crop of Future CEOs,” *USA Today* (January 9, 2008), pp. 1B, 2B; and P. O’Connell, “How Companies Develop Great Leaders,” *Bloomberg Businessweek* (February 16, 2010), www.businessweek.com.

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LEARNING OBJECTIVES

After studying this chapter, you should be able to:

- 1 Define *power* and contrast leadership and power.
- 2 Contrast the five bases of power.
- 3 Explain the role of dependence in power relationships.
- 4 Identify nine power or influence tactics and their contingencies.
- 5 Show the connection between sexual harassment and the abuse of power.
- 6 Identify the causes and consequences of political behavior.
- 7 Apply impression management techniques.
- 8 Determine whether a political action is ethical.

MyManagementLab

Access a host of interactive learning aids to help strengthen your understanding of the chapter concepts at www.mymanagementlab.com.

APPEARANCES CAN BE DECEIVING

He led one of the world's most trusted and prestigious consulting firms, McKinsey & Company. As a philanthropist, he raised tens of millions of dollars for health care, education, and AIDS. He was often mentioned as a business executive-to-philanthropist role model in the same breath as Warren Buffett and Bill Gates. He collaborated with some of the world's most famous leaders, including Gates, former President Bill Clinton, and leading CEOs.

He served on the boards of directors of some of the world's most respected companies, including Goldman Sachs, Procter & Gamble, and American Airlines, often as chair. He was advisor to many of the world's leading business schools, including Harvard Business School, Tsinghua University, IIT, MIT Sloan School of Management, Wharton's Lauder Institute, and Northwestern's Kellogg School of Management. When President Obama hosted the Indian Prime minister at a state dinner, he was at the White House.

People described him as "humble" and "egoless." His colleagues at McKinsey admired him for the value he placed on family. He described himself as a "servant leader." *Bloomberg Businessweek* noted that he was "that rare businessman whose integrity was beyond reproach."

Yet this man—Rajat Gupta—appears to have led a double life.

When the FBI and SEC were investigating Galleon Group founder and CEO Raj Rajaratnam (convicted in 2011 on 14 charges of fraud and insider trading), they uncovered a "flurry" of phone conversations between Rajaratnam and Gupta. In wiretapped calls, Gupta appears to have alerted Rajaratnam to an upcoming \$5 billion investment in Goldman by Berkshire Hathaway. On another occasion, 23 seconds after hanging up on a Goldman conference call, Gupta called Rajaratnam with news that Goldman would report a quarterly loss. All the while, Gupta was investing in and profiting from Galleon's profits on these and other trades. Rajaratnam also "loaned" Gupta millions so he could increase his investments in Galleon.

When these facts became public in 2010 and 2011, the companies with whom Gupta had a relationship—from McKinsey to Goldman Sachs to Procter & Gamble—quietly ended their associations with him. By mid-2011, not a single company or university still listed Gupta as an advisor.

As of this writing, Gupta has not yet been convicted of insider trading. Even if he is acquitted, however, the damage has been done. A CEO who once was as powerful, networked, and admired as any whose names aren't Gates, Buffett, or Jobs, Gupta is now a pariah and his power is gone.

Power and Politics

*Power is not revealed by striking hard
or often, but by striking true.*

—Honoré de Balzac

Photo: Rajat Gupta Source: Eric Piermont/AFP/Getty Images/Newscom.



Why did a man with such power decide to risk it all? Only Gupta knows for certain.

Source: S. Andrews, "How Gupta Came Undone," *Bloomberg Businessweek* (May 19, 2011), pp. 56–63; M. Gordon and L. Neumeister, "Ex-Goldman Sachs Director Rajat Gupta Charged with Insider Trading," *Washington Post* (March 1, 2011), downloaded June 18, 2011 from www.washingtonpost.com/; W. Pavlo, "Goldman's Boardroom Meetings—Less Proprietary Than Computer Code?" *Forbes* (March 17, 2011), downloaded June 21, 2011, from <http://blogs.forbes.com/>.

In both research and practice, *power* and *politics* have been described as the last dirty words. It is easier for most of us to talk about sex or money than about power or political behavior. People who have power deny it, people who want it try not to look like they're seeking it, and those who are good at getting it are secretive about how they do so.¹ To see whether you think your work environment is political, take the accompanying self-assessment.

A major theme of this chapter is that power and political behavior are natural processes in any group or organization. Given that, you need to know how power is acquired and exercised if you are to fully understand organizational behavior. Although you may have heard that "Power corrupts, and absolute power corrupts absolutely," power is not always bad. As one author noted, most medicines can kill if taken in the wrong amount, and thousands die each year in automobile accidents, but we don't abandon chemicals or cars because of the dangers associated with them. Rather, we consider danger an incentive to get training and information that will help us to use these forces productively.² The same applies to power. It's a reality of organizational life, and it's not going to go away. By learning how power works in organizations, you'll be better able to use your knowledge to become a more effective manager.



SELF-ASSESSMENT LIBRARY

Is My Workplace Political?

In the Self-Assessment Library (available on CD and online), take assessment IV.F.1 (Is My Workplace Political?). If you don't currently have a job, answer for your most recent job. Then answer the following questions.

1. How does your score relate to those of your classmates? Do you think your score is accurate? Why or why not?
2. Do you think a political workplace is a bad thing? If yes, why? If no, why not?
3. What factors cause your workplace to be political?

A Definition of Power

- 1 Define *power* and contrast leadership and power.

Power refers to a capacity that *A* has to influence the behavior of *B* so *B* acts in accordance with *A*'s wishes.³

Someone can thus have power but not use it; it is a capacity or potential. Probably the most important aspect of power is that it is a function of **dependence**. The greater *B*'s dependence on *A*, the greater *A*'s power in the relationship. Dependence, in turn, is based on alternatives that *B* perceives and

the importance *B* places on the alternative(s) *A* controls. A person can have power over you only if he or she controls something you desire. If you want a college degree and have to pass a certain course to get it, and your current instructor is the only faculty member in the college who teaches that course, he or she has power over you. Your alternatives are highly limited, and you place a high degree of importance on obtaining a passing grade. Similarly, if you're attending college on funds totally provided by your parents, you probably recognize the power they hold over you. You're dependent on them for financial support. But once you're out of school, have a job, and are making a good income, your parents' power is reduced significantly. Who among us, though, has not known or heard of a rich relative who is able to control a large number of family members merely through the implicit or explicit threat of "writing them out of the will"?

One study even suggests that powerful people might be better liars because they are more confident in their status. Researchers gave one group of research subjects bigger offices and more authority, while another group received smaller offices and less authority. Then half the subjects in each condition were told to steal a \$100 bill and convince an interviewer they hadn't taken it. If they were able to fool the interviewer, they could keep the money. In the interviews, those in positions of power showed fewer signs of dishonesty and stress like shoulder shrugs and stuttering when lying—perhaps because they felt less dependent on others. Recall that this simulation involved only hypothetical, experimentally manipulated power, so imagine the effects when real power is on the line.⁴

One study investigated how people respond to the poor performance of a subordinate dependent on them in a work context.⁵ To study this, a laboratory mockup of a performance review was developed, and participants acted the part of either powerful or unpowerful managers. The result? Powerful managers were more likely to respond to poor performers by either directly confronting them or frankly encouraging them to get training to improve. Less powerful managers enacted strategies not to confront the poor performer, like compensating for poor performance or avoiding the individual altogether. In other words, they were less likely to actively engage in a potential conflict with the subordinate, possibly because they would be more vulnerable if the subordinate wanted to "get revenge" for the negative feedback.

Contrasting Leadership and Power

A careful comparison of our description of power with our description of leadership in Chapter 12 reveals the concepts are closely intertwined. Leaders use power as a means of attaining group goals.

How are the two terms different? Power does not require goal compatibility, merely dependence. Leadership, on the other hand, requires some congruence between the goals of the leader and those being led. A second difference relates to the direction of influence. Leadership focuses on the downward influence on followers. It minimizes the importance of lateral and upward influence patterns. Power does not. In still another difference, leadership research, for the most

power *A capacity that A has to influence the behavior of B so that B acts in accordance with A's wishes.*

dependence *B's relationship to A when A possesses something that B requires.*

part, emphasizes style. It seeks answers to questions such as these: How supportive should a leader be? How much decision making should be shared with followers? In contrast, the research on power focuses on tactics for gaining compliance. It goes beyond the individual as the exerciser of power, because groups as well as individuals can use power to control other individuals or groups.

Bases of Power

2 Contrast the five bases of power.

Where does power come from? What gives an individual or a group influence over others? We answer by dividing the bases or sources of power into two general groupings—formal and personal—and then breaking each of these down into more specific categories.⁶

Formal Power

Formal power is based on an individual's position in an organization. It can come from the ability to coerce or reward, or from formal authority.

Coercive Power The **coercive power** base depends on fear of the negative results from failing to comply. It rests on the application, or the threat of application, of physical sanctions such as the infliction of pain, frustration through restriction of movement, or the controlling by force of basic physiological or safety needs.

At the organizational level, *A* has coercive power over *B* if *A* can dismiss, suspend, or demote *B*, assuming *B* values his or her job. If *A* can assign *B* work activities *B* finds unpleasant, or treat *B* in a manner *B* finds embarrassing, *A* possesses coercive power over *B*. Coercive power can also come from withholding key information. People in an organization who have data or knowledge others need can make those others dependent on them.

Reward Power The opposite of coercive power is **reward power**, with which people comply because it produces positive benefits; someone who can distribute rewards others view as valuable will have power over them. These rewards can be either financial—such as controlling pay rates, raises, and bonuses—or nonfinancial, including recognition, promotions, interesting work assignments, friendly colleagues, and preferred work shifts or sales territories.⁷

Legitimate Power In formal groups and organizations, probably the most common access to one or more of the power bases is through **legitimate power**. It represents the formal authority to control and use organizational resources based on structural position in the organization.

Legitimate power is broader than the power to coerce and reward. Specifically, it includes members' acceptance of the authority of a position. We associate power so closely with the concept of hierarchy that just drawing longer lines in an organization chart leads people to infer the leaders are especially powerful, and when a powerful executive is described, people tend to put the person at a higher position when drawing an organization chart.⁸ When school principals, bank presidents, or army captains speak (assuming their directives are viewed as within the authority of their positions), teachers, tellers, and first lieutenants listen and usually comply.

Personal Power

Many of the most competent and productive chip designers at Intel have power, but they aren't managers and have no formal power. What they have is **personal power**, which comes from an individual's unique characteristics. There are two bases of personal power: expertise and the respect and admiration of others.

Expert Power Expert power is influence wielded as a result of expertise, special skill, or knowledge. As jobs become more specialized, we become increasingly dependent on experts to achieve goals. It is generally acknowledged that physicians have expertise and hence expert power: Most of us follow our doctor's advice. Computer specialists, tax accountants, economists, industrial psychologists, and other specialists wield power as a result of their expertise.

Referent Power Referent power is based on identification with a person who has desirable resources or personal traits. If I like, respect, and admire you, you can exercise power over me because I want to please you.

Referent power develops out of admiration of another and a desire to be like that person. It helps explain, for instance, why celebrities are paid millions of dollars to endorse products in commercials. Marketing research shows people such as LeBron James and Tom Brady have the power to influence your choice of athletic shoes and credit cards. With a little practice, you and I could probably deliver as smooth a sales pitch as these celebrities, but the buying public doesn't identify with you and me. Some people who are not in formal leadership positions nonetheless have referent power and exert influence over others because of their charismatic dynamism, likability, and emotional effects on us.

Nike CEO Mark Parker has expert power. Since joining Nike in 1979 as a footwear designer, Parker has been involved in many of Nike's most significant design innovations.

His primary responsibilities and leadership positions at Nike have been in product research, design, and development. Nike depends on Parker's expertise in leading the company's innovation initiatives and in setting corporate strategy to achieve the growth of its global business portfolio that includes Converse, Nike Golf, and Cole Haan. Parker is shown here introducing Nike's Considered Design during a news conference about the company's latest products that combine sustainability and innovation.



Source: Mark Lennihan/AP Images.

coercive power A power base that is dependent on fear of the negative results from failing to comply.

reward power Compliance achieved based on the ability to distribute rewards that others view as valuable.

legitimate power The power a person receives as a result of his or her position in the formal hierarchy of an organization.

personal power Influence derived from an individual's characteristics.

expert power Influence based on special skills or knowledge.

referent power Influence based on identification with a person who has desirable resources or personal traits.

Which Bases of Power Are Most Effective?

Of the three bases of formal power (coercive, reward, legitimate) and two bases of personal power (expert, referent), which is most important to have? Research suggests pretty clearly that the personal sources of power are most effective. Both expert and referent power are positively related to employees' satisfaction with supervision, their organizational commitment, and their performance, whereas reward and legitimate power seem to be unrelated to these outcomes. One source of formal power—coercive power—actually can backfire in that it is negatively related to employee satisfaction and commitment.⁹

Consider Steve Stoute's company, Translation, which matches pop-star spokespersons with corporations that want to promote their brands. Stoute has paired Gwen Stefani with HP, Justin Timberlake with McDonald's, Beyoncé Knowles with Tommy Hilfiger, and Jay-Z with Reebok. Stoute's business seems to be all about referent power. His firm's work aims to use the credibility of these artists and performers to reach youth culture.¹⁰ In other words, people buy products associated with cool figures because they wish to identify with and emulate them.

Power and Perceived Justice

Individuals in positions of power tend to be blamed for their failures and credited for their successes to a greater degree than those who have less power. In the same way, studies suggest that leaders and managers in positions of power pay greater costs for unfairness and reap greater benefits for fairness.¹¹ Specifically, authorities are given greatest trust when they have a lot of power and their organizations are seen as operating fairly, and the least trust when they have a lot of power and their organizations are seen as operating unfairly. Thus, it appears that people think powerful leaders should have the discretion to shape organizational policies and change unfair rules, and if they fail to do so, they will be seen especially negatively.

Dependence: The Key to Power

The most important aspect of power is that it is a function of dependence. In this section, we show how understanding dependence helps us understand power itself.

The General Dependence Postulate

Let's begin with a general postulate: *the greater B's dependence on A, the more power A has over B*. When you possess anything others require that you alone control, you make them dependent on you, and therefore you gain power over them.¹² If something is plentiful, possessing it will not increase your power. But as the old saying goes, "In the land of the blind, the one-eyed man is king!" Conversely, the more you can expand your own options, the less power you place in the hands of others. This explains why most organizations develop multiple suppliers rather than give their business to only one. It also explains why so many aspire to financial independence. Independence reduces the power others can wield who can limit our access to opportunities and resources.

What Creates Dependence?

Dependence increases when the resource you control is important, scarce, and nonsubstitutable.¹³

Importance If nobody wants what you have, it's not going to create dependence. Because organizations, for instance, actively seek to avoid uncertainty,¹⁴ we should expect that individuals or groups that can absorb uncertainty will be perceived as controlling an important resource. A study of industrial organizations found their marketing departments were consistently rated the most powerful.¹⁵ The researcher concluded that the most critical uncertainty facing these firms was selling their products, suggesting that engineers, as a group, would be more powerful at technology company Matsushita than at consumer products giant Procter & Gamble. These inferences appear to be generally valid. Matsushita, which is heavily technologically oriented, depends heavily on its engineers to maintain its products' technical advantages and quality, and so they are a powerful group. At Procter & Gamble, marketing is the name of the game, and marketers are the most powerful occupational group.

Scarcity Ferruccio Lamborghini, who created the exotic supercars that still carry his name, understood the importance of scarcity and used it to his advantage during World War II. Lamborghini was in Rhodes with the Italian army. His superiors were impressed with his mechanical skills, as he demonstrated an almost uncanny ability to repair tanks and cars no one else could fix. After the war, he admitted his ability was largely due to his having been the first person on the island to receive the repair manuals, which he memorized and then destroyed so as to become indispensable.¹⁶

We see the scarcity-dependence relationship in the power of occupational categories. Where the supply of labor is low relative to demand, workers can negotiate compensation and benefits packages far more attractive than can

Mary Pochobradsky (center) is in a position of power at Procter & Gamble. She is the North American marketing director for P&G's fabric enhancing products that include the Downy brand, one of 24 company brands that each generate more than \$1 billion in sales a year. Mary is shown here announcing a new marketing campaign for the 50-year-old Downy brand that includes TV ads, social networks, and a live window display at Macy's retail store featuring comedian Mike Birbiglia. At consumer product firms like P&G, marketers are the most powerful occupational group because they control the important resource of selling products.



Source: AP Photo/Al Behrman.

those in occupations with an abundance of candidates. College administrators have no problem today finding English instructors. The market for network systems analysts, in contrast, is comparatively tight, with demand high and supply limited. The bargaining power of computer-engineering faculty allows them to negotiate higher salaries, lighter teaching loads, and other benefits.

Nonsubstitutability The fewer viable substitutes for a resource, the more power control over that resource provides. At universities with strong pressures on the faculty to publish, the more recognition the faculty member receives through publication, the more mobile he or she is, because other universities want faculty who are highly published and visible. Although tenure can alter this relationship by restricting the department head's alternatives, faculty members with few or no publications have the least mobility and are subject to the greatest influence from their superiors.

Power Tactics

3 Explain the role of dependence in power relationships.

What **power tactics** do people use to translate power bases into specific action? What options do they have for influencing their bosses, co-workers, or employees? In this section, we review popular tactical options and the conditions that may make one more effective than another.

Research has identified nine distinct influence tactics:¹⁷

- **Legitimacy.** Relying on your authority position or saying a request accords with organizational policies or rules.
- **Rational persuasion.** Presenting logical arguments and factual evidence to demonstrate a request is reasonable.
- **Inspirational appeals.** Developing emotional commitment by appealing to a target's values, needs, hopes, and aspirations.
- **Consultation.** Increasing the target's support by involving him or her in deciding how you will accomplish your plan.
- **Exchange.** Rewarding the target with benefits or favors in exchange for following a request.
- **Personal appeals.** Asking for compliance based on friendship or loyalty.
- **Ingratiation.** Using flattery, praise, or friendly behavior prior to making a request.
- **Pressure.** Using warnings, repeated demands, and threats.
- **Coalitions.** Enlisting the aid or support of others to persuade the target to agree.

Some tactics are more effective than others. Rational persuasion, inspirational appeals, and consultation tend to be the most effective, especially when the audience is highly interested in the outcomes of a decision process. Pressure tends to backfire and is typically the least effective of the nine tactics.¹⁸ You can also increase your chance of success by using two or more tactics together or sequentially, as long as your choices are compatible.¹⁹ Using both ingratiation and legitimacy can lessen negative reactions to your appearing to dictate outcomes, but only when the audience does not really care about the outcome of a decision process or the policy is routine.²⁰

Let's consider the most effective way of getting a raise. You can start with rational persuasion: figure out how your pay compares to that of peers, or land

a competing job offer, or show objective results that testify to your performance. Kitty Dunning, a vice president at Don Jagoda Associates, landed a 16 percent raise when she e-mailed her boss numbers showing she had increased sales.²¹ You can also make good use of salary calculators such as Salary.com to compare your pay with comparable others.

But the effectiveness of some influence tactics depends on the direction of influence.²² As Exhibit 13-1 shows, rational persuasion is the only tactic effective across organizational levels. Inspirational appeals work best as a downward-influencing tactic with subordinates. When pressure works, it's generally downward only. Personal appeals and coalitions are most effective as lateral influence. Other factors that affect the effectiveness of influence include the sequencing of tactics, a person's skill in using the tactic, and the organizational culture.

You're more likely to be effective if you begin with "softer" tactics that rely on personal power, such as personal and inspirational appeals, rational persuasion, and consultation. If these fail, you can move to "harder" tactics, such as exchange, coalitions, and pressure, which emphasize formal power and incur greater costs and risks.²³ Interestingly, a single soft tactic is more effective than a single hard tactic, and combining two soft tactics or a soft tactic and rational persuasion is more effective than any single tactic or combination of hard tactics.²⁴ The effectiveness of tactics depends on the audience.²⁵ People especially likely to comply with soft power tactics tend to be more reflective and intrinsically motivated; they have high self-esteem and greater desire for control. Those likely to comply with hard power tactics are more action-oriented and extrinsically motivated and are more focused on getting along with others than on getting their own way.

People in different countries prefer different power tactics.²⁶ Those from individualistic countries tend to see power in personalized terms and as a legitimate means of advancing their personal ends, whereas those in collectivistic countries see power in social terms and as a legitimate means of helping others.²⁷ A study comparing managers in the United States and China found that U.S. managers prefer rational appeal, whereas Chinese managers preferred coalition tactics.²⁸ These differences tend to be consistent with the values in these two countries. Reason is consistent with the U.S. preference for direct confrontation and rational persuasion to influence others and resolve differences, while coalition tactics align with the Chinese preference for meeting

Exhibit 13-1 Preferred Power Tactics by Influence Direction

Upward Influence	Downward Influence	Lateral Influence
Rational persuasion	Rational persuasion	Rational persuasion
	Inspirational appeals	Consultation
	Pressure	Ingratiation
	Consultation	Exchange
	Ingratiation	Legitimacy
	Exchange	Personal appeals
	Legitimacy	Coalitions

power tactics Ways in which individuals translate power bases into specific actions.

Power Distance and Innovation

Throughout this book, you may have noticed a lot of international research into the differences between individualistic and collectivistic countries. Differences in power distance between countries are also likely to affect organizational behavior. *Power distance* is the extent to which people with low levels of power in society accept and expect that power will be distributed unequally. Cultures high in power distance tend to have greater differentiation between leaders and followers in organizations, and less power sharing between employees and upper management.

How does power distance affect the development and implementation of new ideas in organizations? One study that looked at data from 212 Chinese

firms found control mechanisms and strict rules in higher power-distance organizations to be associated with lower levels of information exchange and experimentation. This implies fewer opportunities for creation of new knowledge when power distance is great.

Power distance might also restrict the implementation of new workplace practices. A study across 16 European countries with different levels of power distance showed that innovative work practices like job rotation, autonomous teams, job autonomy, and upward communication were less common in countries with higher power distance. Similar results were obtained in a study of 743 workers in Turkey. This tendency toward less empowerment in high power distance cultures

probably reflects the stronger preferences among workers and managers alike for hierarchical social relationships. However, it may come with a price, because power sharing and autonomy-enhancing practices are most likely to lead to greater innovation.

Source: Based on A. Ollo-López, A. Bayo-Moriones, and M. Larrazza-Kintana, "The Impact of Country Level Factors on the Use of New Work Practices," *Journal of World Business* 46, no. 3 (2011), pp. 394–403; D. Wang, Z. Su, and D. Yang, "Organizational Culture and Knowledge Creation Capability," *Journal of Knowledge Management* 15, no. 3 (2011), pp. 363–373; and N. D. Cakar and A. Ertürk, "Comparing Innovation Capability of Small and Medium-Sized Enterprises: Examining the Effects of Organizational Culture and Empowerment," *Journal of Small Business Management* 48, no. 3 (2010), pp. 325–359.

difficult or controversial requests with indirect approaches. Research also has shown that individuals in Western, individualistic cultures tend to engage in more self-enhancement behaviors (such as self-promotion) than individuals in more collectivistic Eastern cultures.²⁹

People differ in their **political skill**, or their ability to influence others to enhance their own objectives. The politically skilled are more effective users of all the influence tactics. Political skill also appears more effective when the stakes are high—such as when the individual is accountable for important organizational outcomes. Finally, the politically skilled are able to exert their influence without others detecting it, a key element in being effective (it's damaging to be labeled political).³⁰ However, these individuals also appear most able to use their political skills in environments marked by low levels of procedural and distributive justice. When an organization is run with open and fairly applied rules, free of favoritism or biases, political skill is actually negatively related to job performance ratings.³¹

Finally, we know cultures within organizations differ markedly—some are warm, relaxed, and supportive; others are formal and conservative. Some encourage participation and consultation, some encourage reason, and still others rely on pressure. People who fit the culture of the organization tend to obtain more influence.³² Specifically, extraverts tend to be more influential in team-oriented organizations, and highly conscientious people are more influential in organizations that value working alone on technical tasks. People who fit the culture are influential because they can perform especially well in the domains deemed most important for success. In other words, they are influential because they are competent. Thus, the organization itself will influence which subset of power tactics is viewed as acceptable for use.

Sexual Harassment: Unequal Power in the Workplace

- 4 Identify nine power or influence tactics and their contingencies.



Source: Bill Greblatt/UPI/Newscom.

A federal jury awarded this young woman a \$95 million judgment in a sexual harassment lawsuit against her employer Aaron's Rents. She reported that her supervisor, the store's general manager, sexually harassed her with hostile and abusive behavior that included lewd propositions and unwanted physical sexual contact. She alleged that she called a company harassment hotline but that an investigator never contacted her and that she was denied a promotion for complaining about her boss's behavior. In their verdicts, the jurors found the supervisor guilty of assault and battery and the company liable for negligent supervision, sexual harassment, and intentional infliction of emotional distress.

Sexual harassment is wrong. It can also be costly to employers. Just ask executives at Walmart, the World Bank, and the United Nations.³³ Mitsubishi paid \$34 million to settle a sexual harassment case. And a former UPS manager won an \$80 million suit against UPS on her claims it fostered a hostile work environment when it failed to listen to her complaints of sexual harassment. Of course, it's not only big organizations that run into trouble: A jury awarded Janet Bianco, a nurse at New York's Flushing Hospital, \$15 million for harassment she suffered at the hands of Dr. Matthew Miller. After the verdict, Bianco said, "I think that people take it lightly when you say sexual harassment. They don't understand how it affects your life, not only in your job, but in your home, with your friends."³⁴

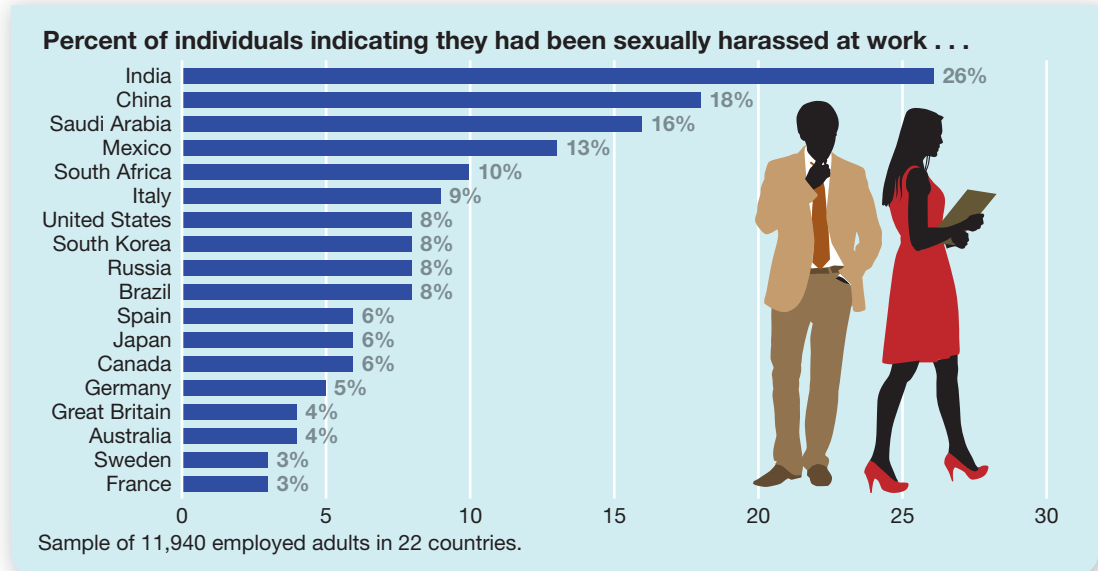
In addition to the legal dangers to sexual harassment, obviously it can have a negative impact on the work environment, too. Sexual harassment negatively affects job attitudes and leads those who feel harassed to withdraw from the organization. In many cases, reporting sexual harassment doesn't improve the situation because the organization responds in a negative or unhelpful way. When organizational leaders make honest efforts to stop the harassment, the outcomes are much more positive.³⁵

Sexual harassment is defined as any unwanted activity of a sexual nature that affects an individual's employment and creates a hostile work environment. The U.S. Supreme Court helped to clarify this definition by adding a key test for determining whether sexual harassment has occurred—when comments or behavior in a work environment "would reasonably be perceived, and [are] perceived, as hostile or abusive."³⁶ But disagreement continues about what *specifically* constitutes sexual harassment. Organizations have generally made progress toward limiting overt forms of sexual harassment. This includes unwanted physical touching, recurring requests for dates when it is made clear the person isn't interested, and coercive threats that a person will lose his or her job for refusing a sexual proposition. Problems today are likely to surface around more subtle forms of sexual harassment—unwanted looks or comments, off-color jokes, sexual artifacts like pinups posted in the workplace, or misinterpretations of where the line between being friendly ends and harassment begins.

A recent review concluded that 58 percent of women report having experienced potentially harassing behaviors, and 24 percent report having experienced sexual harassment at work.³⁷ Other research suggests that despite increased media attention and training, perceptions of sexual harassment levels have been fairly stable since the 1990s.³⁸ One problem with reporting is that sexual harassment is, to some degree, in the eye of the beholder. Women are more likely than men to see a given behavior or set of behaviors as constituting sexual harassment. Men are less likely to see harassment in such behaviors as kissing someone, asking for a date, or making sex-stereotyped jokes. As the authors of one study note, "Although progress has been made at defining sexual harassment, it is still unclear as to whose perspective should be taken."³⁹ Witnesses offering sexual harassment testimony also find that victims who took

political skill *The ability to influence others in such a way as to enhance one's objectives.*

sexual harassment *Any unwanted activity of a sexual nature that affects an individual's employment and creates a hostile work environment.*

OB Poll**Reports of Sexual Harassment Differ by Country**

Note: Sample of 11,940 employed adults in 22 countries.

Source: J. Wright, "Physical Assault and Sexual Harassment in the Workplace" *Ipsos Global @dvisory* (August 12, 2010), downloaded June 20, 2011, from www.ipsos-na.com/.

either an aggressive or a passive tone in making their complaints were seen as less plausible than victims who took a more neutral tone.⁴⁰ This research suggests that people may not be able to be entirely objective when listening to sexual harassment complaints, taking the tone of the victim into account when making judgments rather than simply relying on the facts of the case at hand. The best approach is to be careful—refrain from any behavior that may be taken as harassing, even if that was not the intent. Realize that what you see as an innocent joke or hug may be seen as harassment by the other party.

Most studies confirm that the concept of power is central to understanding sexual harassment.⁴¹ This seems true whether the harassment comes from a supervisor, a co-worker, or an employee. And sexual harassment is more likely to occur when there are large power differentials. The supervisor–employee dyad best characterizes an unequal power relationship, where formal power gives the supervisor the capacity to reward and coerce. Because employees want favorable performance reviews, salary increases, and the like, supervisors control resources most employees consider important and scarce. Thus, sexual harassment by the boss typically creates the greatest difficulty for those being harassed. If there are no witnesses, it is the victim's word against the harasser's. Has this boss harassed others, and, if so, will they come forward or fear retaliation? Male respondents in one study in Switzerland who were high in hostile sexism reported higher intentions to sexually harass in organizations that had low levels of justice, suggesting that failure to have consistent policies and procedures for all employees might actually increase levels of sexual harassment.⁴²

Women in positions of power in an organization can be subjected to sexual harassment from males who occupy less powerful positions, although this situation doesn't get nearly as much attention as harassment by a supervisor. The employee devalues the woman in power by highlighting traditional gender stereotypes that reflect negatively on her (such as helplessness, passivity, or lack of career commitment), usually in an attempt to gain power over her or minimize power differentials. Increasingly, too, there are cases of women in positions of power harassing male employees.

An Ethical Choice

Should All Sexual Behavior Be Prohibited at Work?

The difficulty in monitoring and defining sexual harassment at work has led some organizations to go beyond discouraging overt sexually harassing behaviors. Companies ranging from Walmart to Staples to Xerox have disciplined employees for workplace romances and upheld policies that ban hierarchical romantic relationships, such as between a supervisor and subordinate. The idea is that such relationships are so fraught with potential for abuse of power that they cannot possibly be consensual for extended periods of time. Surveys by the Society of Human Resource Management suggest that concerns about both potential sexual harassment and lowered productivity have motivated prohibitions on workplace romances. However, ethicists and legal scholars have thrown some “no romance” policies into question on the grounds they are patronizing or invade employee privacy.

What does organizational behavior research have to say about *consensual* sexual behavior at work? One study of more than 1,000 respondents found 40 percent were exposed to sexual behavior in some form in the past year. Counter to the idea that all sexual behavior at work is negative, some female and many male respondents reported enjoying the experience. However, exposure to sexual behavior at work was negatively related to performance and psychological well-being. People may report enjoying it, but it might be hurting their productivity and well-being anyway.

When thinking about a sexual harassment policy for your own organization that might prohibit all workplace romances, consider the following questions:

1. Are there potential problems in monitoring and enforcing such a comprehensive policy on all employees?
2. Does the organization have the right to actively determine what types of behaviors consenting employees engage in outside the work environment?
3. Can the policy be written in a less restrictive manner, such as by prohibiting employees who work together closely from having workplace romances? In this way, the organization might be able to transfer employees who are in a relationship so they don't work directly with one another, and thus they can be retained in the organization and their personal privacy respected.

Source: Based on J. L. Berdahl and K. Aquino, “Sexual Behavior at Work: Fun or Folly?” *Journal of Applied Psychology* 94, no. 1 (2009), pp. 34–47; and C. Boyd, “The Debate over the Prohibition of Romance in the Workplace,” *Journal of Business Ethics* 97, no. 2 (2010), pp. 325–338.

A recent review of the literature shows the damage caused by sexual harassment. As you would expect, victims report lower job satisfaction and diminished organizational commitment as a result. Sexual harassment undermines their mental and physical health, as well as lowering productivity in the group in which they work. The authors of this study conclude that sexual harassment “is significantly and substantively associated with a host of harms.”⁴³

Sexual harassment can wreak havoc on an organization, not to mention on the victims themselves, but it can be avoided. The manager's role is critical. Here are some ways managers can protect themselves and their employees from sexual harassment:

1. Make sure an active policy defines what constitutes sexual harassment, informs employees they can be fired for sexually harassing another employee, and establishes procedures for making complaints.
2. Reassure employees they will not encounter retaliation if they file a complaint.
3. Investigate every complaint, and inform the legal and human resource departments.
4. Make sure offenders are disciplined or terminated.
5. Set up in-house seminars to raise employee awareness of sexual harassment issues.

The bottom line is that managers have a responsibility to protect their employees from a hostile work environment, but they also need to protect themselves. Managers may be unaware that one of their employees is being sexually harassed. But being unaware does not protect them or their organization. If investigators believe a manager could have known about the harassment, both the manager and the company can be held liable.

Politics: Power in Action

5 Show the connection between sexual harassment and the abuse of power.

When people get together in groups, power will be exerted. People want to carve out a niche from which to exert influence, earn rewards, and advance their careers. When employees in organizations convert their power into action, we describe them as being engaged in politics. Those with good political skills have the ability to use their bases of power effectively.⁴⁴

Definition of Organizational Politics

There is no shortage of definitions of *organizational politics*. Essentially, this type of politics focuses on the use of power to affect decision making in an organization, or on self-serving and organizationally unsanctioned behaviors.⁴⁵ For our purposes, **political behavior** in organizations consists of activities that are not required as part of an individual's formal role but that influence, or attempt to influence, the distribution of advantages and disadvantages within the organization.⁴⁶

This definition encompasses what most people mean when they talk about organizational politics. Political behavior is outside specified job requirements. It requires some attempt to use power bases. It includes efforts to influence the goals, criteria, or processes used for decision making. Our definition is broad enough to include varied political behaviors such as withholding key information from decision makers, joining a coalition, whistleblowing, spreading rumors, leaking confidential information to the media, exchanging favors with others in the organization for mutual benefit, and lobbying on behalf of or against a particular individual or decision alternative.

The Reality of Politics

Interviews with experienced managers show that most believe political behavior is a major part of organizational life.⁴⁷ Many managers report some use of political behavior is both ethical and necessary, as long as it doesn't directly harm anyone else. They describe politics as a necessary evil and believe someone who *never* uses political behavior will have a hard time getting things done. Most also indicate they had never been trained to use political behavior effectively. But why, you may wonder, must politics exist? Isn't it possible for an organization to be politics free? It's *possible*—but unlikely.

Organizations are made up of individuals and groups with different values, goals, and interests.⁴⁸ This sets up the potential for conflict over the allocation of limited resources, such as departmental budgets, space, project responsibilities, and salary adjustments.⁴⁹ If resources were abundant, then all constituencies within the organization could satisfy their goals. But because they are limited, not everyone's interests can be satisfied. Furthermore, gains by one individual or group are often *perceived* as coming at the expense of others within the organization (whether they are or not). These forces create real competition among members for the organization's limited resources.



Source: Kyodo News/AP Images.

After police officer Toshio Semba (center) blew the whistle on his bosses in the police department, they took his gun away, claiming he was too emotionally unstable to carry a weapon, and reassigned him as a dispatcher. Semba revealed that for decades his superiors wrote false reports to secure public funds and then used the funds for their personal benefit. A district court in Japan ruled that Semba's treatment was retaliation for his exposure of corruption. Traditionally, whistleblowers in Japan have been viewed as traitors, and their exposure of wrongdoing as a betrayal of their superiors. But this perception of whistleblowing as a political behavior is changing as employees like Semba are now being recognized for doing the right thing by exposing illegal, corrupt, or unethical conduct in the workplace.

Maybe the most important factor leading to politics within organizations is the realization that most of the “facts” used to allocate the limited resources are open to interpretation. What, for instance, is *good* performance? What’s an *adequate* improvement? What constitutes an *unsatisfactory* job? One person’s “selfless effort to benefit the organization” is seen by another as a “blatant attempt to further one’s interest.”⁵⁰ The manager of any major league baseball team knows a .400 hitter is a high performer and a .125 hitter is a poor performer. You don’t need to be a baseball genius to know you should play your .400 hitter and send the .125 hitter back to the minors. But what if you have to choose between players who hit .280 and .290? Then less objective factors come into play: fielding expertise, attitude, potential, ability to perform in a clutch, loyalty to the team, and so on. More managerial decisions resemble the choice between a .280 and a .290 hitter than between a .125 hitter and a .400 hitter. It is in this large and ambiguous middle ground of organizational life—where the facts *don’t* speak for themselves—that politics flourish (see Exhibit 13-2).

Exhibit 13-2

Politics Is in the Eye of the Beholder

A behavior one person labels as “organizational politics” is very likely to seem like “effective management” to another. The fact is not that effective management is necessarily political, although in some cases it might be. Rather, a person’s reference point determines what he or she classifies as organizational politics. For example, one experimental study showed that power-oriented behavior performed by a permanent, tenured employee is seen as more legitimate and less harsh than the same behavior performed by a temporary employee.⁴³ Take a look at the following labels used to describe the same phenomenon. These suggest that politics, like beauty, is in the eye of the beholder.

“Political” Label		“Effective Management” Label
1. Blaming others	vs.	Fixing responsibility
2. “Kissing up”	vs.	Developing working relationships
3. Apple polishing	vs.	Demonstrating loyalty
4. Passing the buck	vs.	Delegating authority
5. Covering your rear	vs.	Documenting decisions
6. Creating conflict	vs.	Encouraging change and innovation
7. Forming coalitions	vs.	Facilitating teamwork
8. Whistle-blowing	vs.	Improving efficiency
9. Scheming	vs.	Planning ahead
10. Overachieving	vs.	Competent and capable
11. Ambitious	vs.	Career minded
12. Opportunistic	vs.	Astute
13. Cunning	vs.	Practical minded
14. Arrogant	vs.	Confident
15. Perfectionist	vs.	Attentive to detail

Source: Based on T. C. Krell, M. E. Mendenhall, and J. Sendry, “Doing Research in the Conceptual Morass of Organizational Politics,” paper presented at the Western Academy of Management Conference, Hollywood, CA, April 1987.

political behavior Activities that are not required as part of a person’s formal role in the organization but that influence, or attempt to influence, the distribution of advantages and disadvantages within the organization.

Finally, because most decisions have to be made in a climate of ambiguity—where facts are rarely fully objective and thus are open to interpretation—people within organizations will use whatever influence they can to taint the facts to support their goals and interests. That, of course, creates the activities we call *politicking*.

Therefore, to answer the question whether it is possible for an organization to be politics-free, we can say “yes”—if all members of that organization hold the same goals and interests, if organizational resources are not scarce, and if performance outcomes are completely clear and objective. But that doesn’t describe the organizational world in which most of us live.

Causes and Consequences of Political Behavior

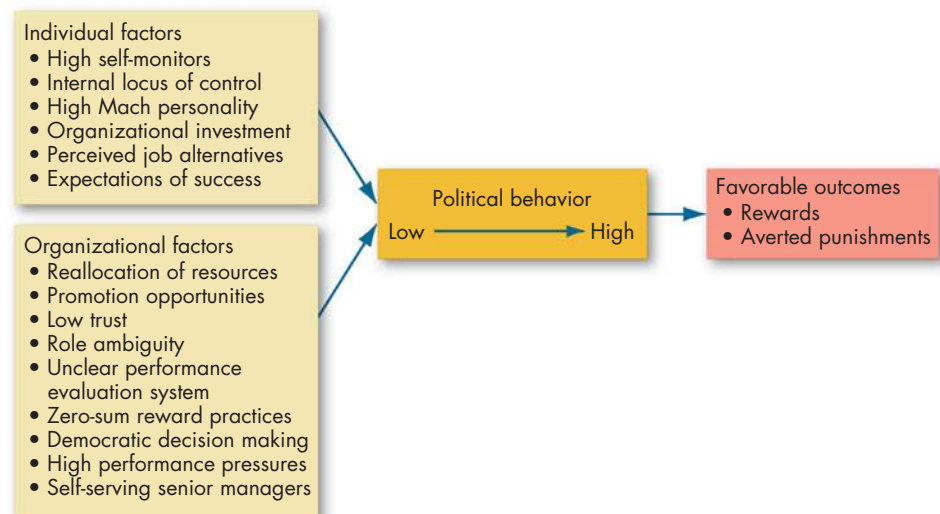
6 Identify the causes and consequences of political behavior.

Factors Contributing to Political Behavior

Not all groups or organizations are equally political. In some organizations, for instance, politicking is overt and rampant, while in others politics plays a small role in influencing outcomes. Why this variation? Recent research and observation have identified a number of factors that appear to encourage political behavior. Some are individual characteristics, derived from the unique qualities of the people the organization employs; others are a result of the organization’s culture or internal environment. Exhibit 13-3 illustrates how both individual and organizational factors can increase political behavior and provide favorable outcomes (increased rewards and averted punishments) for both individuals and groups in the organization.

Individual Factors At the individual level, researchers have identified certain personality traits, needs, and other factors likely to be related to political

Exhibit 13-3 Factors That Influence Political Behavior



behavior. In terms of traits, we find that employees who are high self-monitors, possess an internal locus of control, and have a high need for power are more likely to engage in political behavior.⁵¹ The high self-monitor is more sensitive to social cues, exhibits higher levels of social conformity, and is more likely to be skilled in political behavior than the low self-monitor. Because they believe they can control their environment, individuals with an internal locus of control are more prone to take a proactive stance and attempt to manipulate situations in their favor. Not surprisingly, the Machiavellian personality—characterized by the will to manipulate and the desire for power—is comfortable using politics as a means to further his or her self-interest.

In addition, an individual's investment in the organization, perceived alternatives, and expectations of success influence the degree to which he or she will pursue illegitimate means of political action.⁵² The more a person expects increased future benefits from the organization, the more that person has to lose if forced out and the less likely he or she is to use illegitimate means. The more alternative job opportunities an individual has—due to a favorable job market or the possession of scarce skills or knowledge, a prominent reputation, or influential contacts outside the organization—the more likely that individual is to risk illegitimate political actions. Finally, an individual with low expectations of success from illegitimate means is unlikely to use them. High expectations from such measures are most likely to be the province of both experienced and powerful individuals with polished political skills and inexperienced and naïve employees who misjudge their chances.

Organizational Factors Although we acknowledge the role individual differences can play, the evidence more strongly suggests that certain situations and cultures promote politics. Specifically, when an organization's resources are declining, when the existing pattern of resources is changing, and when there is opportunity for promotions, politicking is more likely to surface.⁵³ When organizations downsize to improve efficiency, resources must be reduced, and people may engage in political actions to safeguard what they have. But *any* changes, especially those that imply significant reallocation of resources within the organization, are likely to stimulate conflict and increase politicking. The opportunity for promotions or advancement has consistently been found to encourage competition for a limited resource as people try to positively influence the decision outcome.

Cultures characterized by low trust, role ambiguity, unclear performance evaluation systems, zero-sum reward allocation practices, democratic decision making, high pressures for performance, and self-serving senior managers will also create breeding grounds for politicking.⁵⁴ The less trust within the organization, the higher the level of political behavior and the more likely it will be of the illegitimate kind. So, high trust should suppress political behavior in general and inhibit illegitimate actions in particular.

Role ambiguity means the prescribed employee behaviors are not clear. There are, therefore, fewer limits to the scope and functions of the employee's political actions. Because political activities are defined as those not required as part of the employee's formal role, the greater the role ambiguity, the more employees can engage in unnoticed political activity.

Performance evaluation is far from a perfect science. The more organizations use subjective criteria in the appraisal, emphasize a single outcome measure, or allow significant time to pass between the time of an action and its appraisal, the greater the likelihood that an employee can get away with politicking. Subjective performance criteria create ambiguity. The use of a single outcome measure encourages individuals to do whatever is necessary to "look good" on

Myth or Science?

“Corporate Political Activity Pays”

This statement appears to be true. Political influence behavior certainly appears to pay in some situations. According to a recent review of the literature, that applies to *organizational* political influence as well.

Much organizational political activity takes the form of exchange, such as when favorable government treatment is exchanged for political support or donations to political candidates. A different kind of political activity takes place when competitors colude against a common adversary. For example, major league sports team owners often join forces to obtain more favorable labor settlements.

Unions that normally compete for union members may do the same.

A review of 78 studies on the link between organizational political activity and firm performance found a significant positive relationship. The authors conclude that their finding “explains why more business interests are engaged in [political activity] than at any other time in recorded history.”

In 2011, it came to light that General Electric (GE) paid no taxes in 2010, despite earning global profits of \$14.2 billion, including \$5.1 billion from U.S. operations. Although GE disputes the charge, many credited the firm’s political activities with its favorable

treatment (GE CEO Jeff Immelt chairs President Obama’s Jobs and Competitiveness Council). GE spokesman Gary Sheffer defended the company’s political activity, saying, “We want to be sure our voice is heard.”

Sources: S. Lux, T. R. Crook, and D. J. Woehr, “Mixing Business with Politics: A Meta-Analysis of the Antecedents and Outcomes of Corporate Political Activity,” *Journal of Management* 37, no. 1 (2011), pp. 223–247; J. D. McKinnon, “New Fight Brews Over Corporate Taxes,” *The Wall Street Journal* (May 26, 2011), downloaded on June 17, 2011, from <http://blogs.wsj.com/>; and D. Kocieniewski, “G.E.’s Strategies Let It Avoid Taxes Altogether,” *The New York Times* (March 24, 2011), p. A1.

that measure, but that often occurs at the cost of good performance on other important parts of the job that are not being appraised. The longer the time between an action and its appraisal, the more unlikely it is that the employee will be held accountable for political behaviors.

The more an organization’s culture emphasizes the zero-sum or win–lose approach to reward allocations, the more employees will be motivated to

Organizations foster politicking when they reduce resources in order to improve performance. As part of a restructuring program, Germany’s Allianz AG announced plans to eliminate 5,000 jobs at its insurance operation and 2,500 jobs at its banking subsidiary. Allianz stated that the job cuts were necessary to improve efficiency and to increase its competitiveness and would result in savings of between \$600 and \$750,000 million. The company’s cost-cutting measures stimulated conflict and political activity, as trade union workers joined Allianz employees in staging a token strike to safeguard their jobs.



Source: Winfried Rothermel/AP Images.

engage in politicking. The zero-sum approach treats the reward “pie” as fixed, so any gain one person or group achieves has to come at the expense of another person or group. If \$15,000 in annual raises is to be distributed among five employees, any employee who gets more than \$3,000 takes money away from one or more of the others. Such a practice encourages making others look bad and increasing the visibility of what you do.

Finally, when employees see the people on top engaging in political behavior, especially doing so successfully and being rewarded for it, a climate is created that supports politicking. Politicking by top management in a sense gives those lower in the organization permission to play politics by implying that such behavior is acceptable.

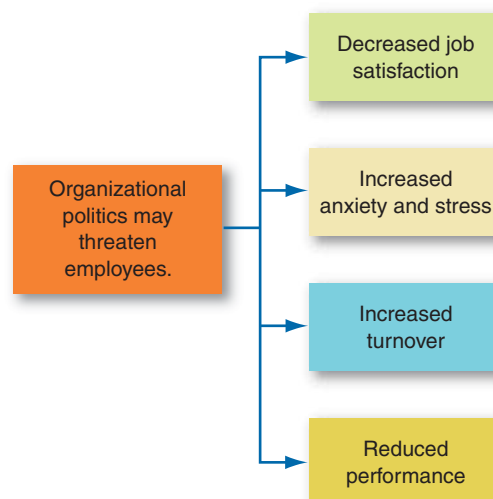
How Do People Respond to Organizational Politics?

Trish O'Donnell loves her job as a writer on a weekly television comedy series but hates the internal politics. “A couple of the writers here spend more time kissing up to the executive producer than doing any work. And our head writer clearly has his favorites. While they pay me a lot and I get to really use my creativity, I’m sick of having to be on alert for backstabbers and constantly having to self-promote my contributions. I’m tired of doing most of the work and getting little of the credit.” Are Trish O'Donnell’s comments typical of people who work in highly politicized workplaces? We all know friends or relatives who regularly complain about the politics at their job. But how do people in general react to organizational politics? Let’s look at the evidence.

In our earlier discussion in this chapter of factors that contribute to political behavior, we focused on the favorable outcomes. But for most people—who have modest political skills or are unwilling to play the politics game—outcomes tend to be predominantly negative. Exhibit 13-4 summarizes the extensive research (mostly conducted in the United States) on the relationship between organizational politics and individual outcomes.⁵⁵ Very strong evidence indicates, for instance, that perceptions of organizational politics are negatively related to job satisfaction.⁵⁶ The perception of politics also tends to increase job anxiety and stress, possibly because people believe they may be losing ground

Exhibit 13-4

Employee Responses to Organizational Politics



to others who are active politickers or, conversely, because they feel additional pressures from entering into and competing in the political arena.⁵⁷ Politics may lead to self-reported declines in employee performance, perhaps because employees perceive political environments to be unfair, which demotivates them.⁵⁸ Not surprisingly, when politicking becomes too much to handle, it can lead employees to quit.⁵⁹

When employees of two agencies in a recent study in Nigeria viewed their work environments as political, they reported higher levels of job distress and were less likely to help their co-workers. Thus, although developing countries such as Nigeria are perhaps more ambiguous and more political environments in which to work, the negative consequences of politics appear to be the same as in the United States.⁶⁰

Researchers have also noted several interesting qualifiers. First, the politics–performance relationship appears to be moderated by an individual’s understanding of the “hows” and “whys” of organizational politics. “An individual who has a clear understanding of who is responsible for making decisions and why they were selected to be the decision makers would have a better understanding of how and why things happen the way they do than someone who does not understand the decision-making process in the organization.”⁶¹ When both politics and understanding are high, performance is likely to increase because the individual will see political actions as an opportunity. This is consistent with what you might expect among individuals with well-honed political skills. But when understanding is low, individuals are more likely to see politics as a threat, which can have a negative effect on job performance.⁶²

Second, political behavior at work moderates the effects of ethical leadership.⁶³ One study found that male employees were more responsive to ethical leadership and showed the most citizenship behavior when levels of both politics and ethical leadership were high. Women, on the other hand, appear most likely to engage in citizenship behavior when the environment is consistently ethical and *apolitical*.

Third, when employees see politics as a threat, they often respond with **defensive behaviors**—reactive and protective behaviors to avoid action, blame, or change.⁶⁴ (Exhibit 13-5 provides some examples of these behaviors.) And defensive behaviors are often associated with negative feelings toward the job and work environment.⁶⁵ In the short run, employees may find that defensiveness protects their self-interest, but in the long run it wears them down. People who consistently rely on defensiveness find that, eventually, it is the only way they know how to behave. At that point, they lose the trust and support of their peers, bosses, employees, and clients.



SELF-ASSESSMENT LIBRARY

How Good Am I at Playing Politics?

In the Self-Assessment Library (available on CD and online), take assessment II.C.3 (How Good Am I at Playing Politics?).

7 Apply impression management techniques.

Impression Management

We know people have an ongoing interest in how others perceive and evaluate them. For example, North Americans spend billions of dollars on diets, health club memberships, cosmetics, and plastic surgery—all intended to make them more attractive to others.⁶⁶ Being perceived positively by others should have benefits for people in organizations. It might, for instance, help them initially to get the jobs they want in an organization and, once hired, to get favorable

Exhibit 13-5**Defensive Behaviors****Avoiding Action**

Overconforming. Strictly interpreting your responsibility by saying things like “The rules clearly state . . .” or “This is the way we’ve always done it.”

Buck passing. Transferring responsibility for the execution of a task or decision to someone else.

Playing dumb. Avoiding an unwanted task by falsely pleading ignorance or inability.

Stretching. Prolonging a task so that one person appears to be occupied—for example, turning a two-week task into a 4-month job.

Stalling. Appearing to be more or less supportive publicly while doing little or nothing privately.

Avoiding Blame

Buffing. This is a nice way to refer to “covering your rear.” It describes the practice of rigorously documenting activity to project an image of competence and thoroughness.

Playing safe. Evading situations that may reflect unfavorably. It includes taking on only projects with a high probability of success, having risky decisions approved by superiors, qualifying expressions of judgment, and taking neutral positions in conflicts.

Justifying. Developing explanations that lessen one’s responsibility for a negative outcome and/or apologizing to demonstrate remorse, or both.

Scapegoating. Placing the blame for a negative outcome on external factors that are not entirely blameworthy.

Misrepresenting. Manipulation of information by distortion, embellishment, deception, selective presentation, or obfuscation.

Avoiding Change

Prevention. Trying to prevent a threatening change from occurring.

Self-protection. Acting in ways to protect one’s self-interest during change by guarding information or other resources.

evaluations, superior salary increases, and more rapid promotions. In a political context, it might help sway the distribution of advantages in their favor. The process by which individuals attempt to control the impression others form of them is called **impression management (IM)**.⁶⁷

Who might we predict will engage in IM? No surprise here. It’s our old friend, the high self-monitor.⁶⁸ Low self-monitors tend to present images of themselves that are consistent with their personalities, regardless of the beneficial or detrimental effects for them. In contrast, high self-monitors are good at reading situations and molding their appearances and behavior to fit each situation. If you want to control the impression others form of you, what IM techniques can you use? Exhibit 13-6 summarizes some of the most popular and provides an example of each.

Keep in mind that when people engage in IM, they are sending a false message that might be true under other circumstances.⁶⁹ Excuses, for instance, may be offered with sincerity. Referring to the example in Exhibit 13-6, you can *actually* believe that ads contribute little to sales in your region. But misrepresentation can have a high cost. If you “cry wolf” once too often, no one is likely to believe you when the wolf really comes. So the impression manager must be

defensive behaviors *Reactive and protective behaviors to avoid action, blame, or change.*

impression management (IM) *The process by which individuals attempt to control the impression others form of them.*

Exhibit 13-6**Impression Management (IM) Techniques****Conformity**

Agreeing with someone else's opinion to gain his or her approval is a *form of ingratiation*.

Example: A manager tells his boss, "You're absolutely right on your reorganization plan for the western regional office. I couldn't agree with you more."

Favors

Doing something nice for someone to gain that person's approval is a *form of ingratiation*.

Example: A salesperson says to a prospective client, "I've got two tickets to the theater tonight that I can't use. Take them. Consider it a thank-you for taking the time to talk with me."

Excuses

Explanations of a predicament-creating event aimed at minimizing the apparent severity of the predicament is a *defensive IM technique*.

Example: A sales manager says to her boss, "We failed to get the ad in the paper on time, but no one responds to those ads anyway."

Apologies

Admitting responsibility for an undesirable event and simultaneously seeking to get a pardon for the action is a *defensive IM technique*.

Example: An employee says to his boss, "I'm sorry I made a mistake on the report. Please forgive me."

Self-Promotion

Highlighting one's best qualities, downplaying one's deficits, and calling attention to one's achievements is a *self-focused IM technique*.

Example: A salesperson tells his boss, "Matt worked unsuccessfully for three years to try to get that account. I sewed it up in six weeks. I'm the best closer this company has."

Enhancement

Claiming that something you did is more valuable than most other members of the organizations would think is a *self-focused IM technique*.

Example: A journalist tells his editor, "My work on this celebrity divorce story was really a major boost to our sales" (even though the story only made it to page 3 in the entertainment section).

Flattery

Complimenting others about their virtues in an effort to make oneself appear perceptive and likeable is an *assertive IM technique*.

Example: A new sales trainee says to her peer, "You handled that client's complaint so tactfully! I could never have handled that as well as you did."

Exemplification

Doing more than you need to in an effort to show how dedicated and hard working you are is an *assertive IM technique*.

Example: An employee sends e-mails from his work computer when he works late so that his supervisor will know how long he's been working.

Source: Based on B. R. Schlenker, *Impression Management* (Monterey, CA: Brooks/Cole, 1980); M. C. Bolino, K. M. Kacmar, W. H. Turnley, and J. B. Gilstrap, "A Multi-Level Review of Impression Management Motives and Behaviors," *Journal of Management* 34, no. 6 (2008), pp. 1080–1109; and R. B. Cialdini, "Indirect Tactics of Image Management Beyond Basking," in R. A. Giacalone and P. Rosenfeld (eds.), *Impression Management in the Organization* (Hillsdale, NJ: Lawrence Erlbaum, 1989), pp. 45–71.

cautious not to be perceived as insincere or manipulative.⁷⁰ Consider the effect of implausible name-dropping as an example of this principle. Participants in a study in Switzerland disliked an experimental confederate who claimed to be a personal friend of the well-liked Swiss tennis star Roger Federer, but

they generally liked confederates who just said they were fans.⁷¹ Another study found that when managers attributed an employee's citizenship behaviors to impression management, they actually felt angry (probably because they felt manipulated) and gave subordinates lower performance ratings. When managers attributed the same behaviors to prosocial values and concern about the organization, they felt happy and gave higher performance ratings.⁷² In sum, people don't like to feel others are manipulating them through impression management, so such tactics should be employed with caution.

Are there *situations* in which individuals are more likely to misrepresent themselves or more likely to get away with it? Yes—situations characterized by high uncertainty or ambiguity provide relatively little information for challenging a fraudulent claim and reduce the risks associated with misrepresentation.⁷³ The increasing use of telework may be increasing the use of IM. Individuals who work remotely from their supervisors engage in high levels of IM relative to those who work closely with their supervisors.⁷⁴

Most of the studies undertaken to test the effectiveness of IM techniques have related it to two criteria: interview success and performance evaluations. Let's consider each of these.

The evidence indicates most job applicants use IM techniques in interviews⁷⁵ and that it works.⁷⁶ In one study, for instance, interviewers felt applicants for a position as a customer service representative who used IM techniques performed better in the interview, and they seemed somewhat more inclined to hire these people.⁷⁷ Moreover, when the researchers considered applicants' credentials, they concluded it was the IM techniques alone that influenced the interviewers—that is, it didn't seem to matter whether applicants were well or poorly qualified. If they used IM techniques, they did better in the interview.

Some IM techniques work better in interviews than others. Researchers have compared applicants whose IM techniques focused on promoting their accomplishments (called *self-promotion*) to those who focused on complimenting the interviewer and finding areas of agreement (referred to as *ingratiation*). In general, applicants appear to use self-promotion more than ingratiation.⁷⁸ What's more, self-promotion tactics may be more important to interviewing success. Applicants who work to create an appearance of competence by enhancing their accomplishments, taking credit for successes, and explaining away failures do better in interviews. These effects reach beyond the interview: applicants who use more self-promotion tactics also seem to get more follow-up job-site visits, even after adjusting for grade-point average, gender, and job type. Ingratiation also works well in interviews; applicants who compliment the interviewer, agree with his or her opinions, and emphasize areas of fit do better than those who don't.⁷⁹

In terms of performance ratings, the picture is quite different. Ingratiation is positively related to performance ratings, meaning those who ingratiate with their supervisors get higher performance evaluations. However, self-promotion appears to backfire: those who self-promote actually seem to receive *lower* performance evaluations.⁸⁰ There is an important qualifier to this general result. It appears that individuals high in political skill are able to translate IM into higher performance appraisals, whereas those lower in political skill are more likely to be hurt by their IM attempts.⁸¹ Another study of 760 boards of directors found that individuals who ingratiate themselves to current board members (express agreement with the director, point out shared attitudes and opinions, compliment the director) increase their chances of landing on a board.⁸²

What explains these results? If you think about them, they make sense. Ingratiating always works because everyone—both interviewers and supervisors—likes to be treated nicely. However, self-promotion may work only in interviews and backfire on the job because, whereas the interviewer has little

idea whether you're blowing smoke about your accomplishments, the supervisor knows because it's his or her job to observe you. Thus, if you're going to self-promote, remember that what works in an interview won't always work once you're on the job.

Are our conclusions about responses to politics globally valid? Should we expect employees in Israel, for instance, to respond the same way to workplace politics that employees in the United States do? Almost all our conclusions on employee reactions to organizational politics are based on studies conducted in North America. The few studies that have included other countries suggest some minor modifications.⁸³ One study of managers in U.S. culture and three Chinese cultures (People's Republic of China, Hong Kong, and Taiwan) found U.S. managers evaluated "gentle persuasion" tactics such as consultation and inspirational appeal as more effective than did their Chinese counterparts.⁸⁴ Other research suggests that effective U.S. leaders achieve influence by focusing on personal goals of group members and the tasks at hand (an analytical approach), whereas influential East Asian leaders focus on relationships among group members and meeting the demands of the people around them (a holistic approach).⁸⁵

As another example, Israelis and the British seem to generally respond as do North Americans—that is, their perception of organizational politics relates to decreased job satisfaction and increased turnover.⁸⁶ But in countries that are more politically unstable, such as Israel, employees seem to demonstrate greater tolerance of intense political processes in the workplace, perhaps because they are used to power struggles and have more experience in coping with them.⁸⁷ This suggests that people from politically turbulent countries in the Middle East or Latin America might be more accepting of organizational politics, and even more willing to use aggressive political tactics in the workplace, than people from countries such as Great Britain or Switzerland.

The Ethics of Behaving Politically

8 Determine whether a political action is ethical.

Although there are no clear-cut ways to differentiate ethical from unethical politicking, there are some questions you should consider. For example, what is the utility of engaging in politicking? Sometimes we do it for little good reason. Major league baseball player Al Martin claimed he played football at USC when in fact he never did. As a baseball player, he had little to gain by pretending to have played football. Outright lies like this may be a rather extreme example of impression management, but many of us have at least distorted information to make a favorable impression. One thing to keep in mind is whether it's really worth the risk. Another question to ask is this: how does the utility of engaging in the political behavior balance out any harm (or potential harm) it will do to others? Complimenting a supervisor on his or her appearance in order to curry favor is probably much less harmful than grabbing credit for a project that others deserve.

Finally, does the political activity conform to standards of equity and justice? Sometimes it is difficult to weigh the costs and benefits of a political action, but its ethicality is clear. The department head who inflates the performance evaluation of a favored employee and deflates the evaluation of a disfavored employee—and then uses these evaluations to justify giving the former a big raise and nothing to the latter—has treated the disfavored employee unfairly.

Unfortunately, powerful people can become very good at explaining self-serving behaviors in terms of the organization's best interests. They can persuasively argue that unfair actions are really fair and just. Our point is that immoral

people can justify almost any behavior. Those who are powerful, articulate, and persuasive are most vulnerable to ethical lapses because they are likely to be able to get away with unethical practices successfully. When faced with an ethical dilemma regarding organizational politics, try to consider whether playing politics is worth the risk and whether others might be harmed in the process. If you have a strong power base, recognize the ability of power to corrupt. Remember that it's a lot easier for the powerless to act ethically, if for no other reason than they typically have very little political discretion to exploit.

MyManagementLab

Now that you have finished this chapter, go back to www.mymanagementlab.com to continue practicing and applying the concepts you've learned.

Summary and Implications for Managers

If you want to get things done in a group or an organization, it helps to have power. Here are several suggestions for how to deal with power in your own work life:

- As a manager who wants to maximize your power, you will want to increase others' dependence on you. You can, for instance, increase your power in relation to your boss by developing knowledge or a skill she needs and for which she perceives no ready substitute. But you will not be alone in attempting to build your power bases. Others, particularly employees and peers, will be seeking to increase your dependence on them, while you are trying to minimize it and increase their dependence on you. The result is a continual battle.
- Few employees relish being powerless in their job and organization. Try to avoid putting others in a position where they feel they have no power.
- People respond differently to the various power bases. Expert and referent power are derived from an individual's personal qualities. In contrast, coercion, reward, and legitimate power are essentially organizationally derived. Competence especially appears to offer wide appeal, and its use as a power base results in high performance by group members. The message for managers seems to be "Develop and use your expert power base!"
- An effective manager accepts the political nature of organizations. By assessing behavior in a political framework, you can better predict the actions of others and use that information to formulate political strategies that will gain advantages for you and your work unit.
- Some people are significantly more politically astute than others, meaning that they are aware of the underlying politics and can manage impressions. Those who are good at playing politics can be expected to get higher performance evaluations and, hence, larger salary increases and more promotions than the politically naïve or inept. The politically astute are also likely to exhibit higher job satisfaction and be better able to neutralize job stressors.
- Employees who have poor political skills or are unwilling to play the politics game generally relate perceived organizational politics to lower job satisfaction and self-reported performance, increased anxiety, and higher turnover.

Power Corrupts People

POINT

Lord Acton famously wrote: “All power tends to corrupt and absolute power corrupts absolutely.” Most of us probably believe that leaders with more power are more likely to abuse their power to the detriment of others and, ultimately, of the entity they lead. For this reason, most organizations—including governments and corporations—put checks and balances in place to keep leaders from amassing too much power. If we look at the history of corruption and malfeasance among government, business, and other organizational leaders, rarely would we conclude that the core reason for corruption was that the leader had *too little* power.

Why is power so toxic? As one expert plainly states, “Power quickly turns us into hypocrites.” In one study, researchers found that the more powerful people felt, the more likely they were to see misreporting travel expenses as unethical. But these researchers next studied how these same people self-reported the results of a game of chance, when it was in their self-interest to lie about their results. What did they find? You guessed it: the more powerful the people felt, the more likely they were to self-report results significantly better than chance. Power really does seem to breed hypocrisy. The powerful are more likely to see behavior as unethical, but more likely to behave unethically themselves. Researchers speculate that power allows people to better rationalize away ethical lapses. “They’re important people, with important things to do,” says one expert.

The study of the corrupting effects of power is not limited to laboratory studies. A fascinating study of 1,000 Supreme Court decisions found that as justices gained power on the court, their opinions tended to become less complex and nuanced. They considered fewer perspectives and possible outcomes. The really bad news is that as their power increased, of course, their opinions were more likely to become majority opinions, and thus the law of the land.

Power may be effective in allowing us to get our way. But that power, while good for the individual getting it, is bad for almost everyone else.

COUNTERPOINT

Power may help leaders do some aspects of their jobs more effectively, but that isn’t the whole story.

Most of the great deeds in history required great power. Do you really think George Washington would have been of more use to the Continental Army if he was a private rather a general? Would Steven Jobs have had more impact on computer technology innovations if he remained a technician with video-game maker Atari? We want our best and brightest in positions where their qualities can do the most good, and that means we want them to be in power.

When Bill Gates used his wealth and power to start the Bill & Melinda Gates Foundation, and when Warren Buffett announced his intention to give 85 percent of his wealth to the foundation, they were using their wealth and power to do acts of good the rest of us can only dream about. You may not think Gates or Buffett is any better than the rest of us, but can you imagine starting your own philanthropic foundation or giving away 85 percent of your wealth? Yes, it is easier for them to do good because they’re rich and powerful, but that’s the point: they could still be good without their wealth and power, but they couldn’t do as much good.

Yes, power is dangerous. But so is electricity. Just because something can be misused in the wrong hands does not mean we abandon it. Nor should we mistake the real cause of corrupt behavior. The only difference between a petty thief and billion-dollar swindler Bernie Madoff is scale—a petty thief in Madoff’s shoes with Madoff’s talents would do the same thing Madoff did. Power is therefore a conduit—of both good and bad motives.

Most of the great acts in history were done by people with power. And, yes, many of the most evil acts were done by people with power. But the issue isn’t power itself; it’s what we do with it.

Sources: J. Lehrer, “The Power Trip,” *The Wall Street Journal* (August 14, 2010), pp. W1–2; J. Lehrer, “How Power Corrupts,” *The Frontal Cortex* (May 18, 2011), downloaded June 7, 2011, from www.wired.com/; and K. Heim, “The New Gates Foundation Headquarters Reflects Charity’s Roots—and Reach,” *Seattle Times* (May 21, 2011), downloaded on June 7, 2011, from <http://seattletimes.nwsources.com/>.

QUESTIONS FOR REVIEW

- 1 What is *power*? How is leadership different from power?
- 2 What are the similarities and differences among the five bases of power?
- 3 What is the role of dependence in power relationships?
- 4 What are the nine most often identified power or influence tactics and their contingencies?
- 5 What is the connection between sexual harassment and the abuse of power?
- 6 What are the causes and consequences of political behavior?
- 7 What are some examples of impression management techniques?
- 8 What standards can you use to determine whether a political action is ethical?

EXPERIENTIAL EXERCISE Understanding Power Dynamics

Create Groups

Each student is to turn in a dollar bill (or similar value of currency) to the instructor, and students are then divided into three groups (based on criteria given by the instructor), assigned to their workplaces, and instructed to read the following rules and tasks. The money is divided into thirds, and two-thirds of it is given to the top group, one-third to the middle group, and none to the bottom group.

Conduct Exercise

Groups go to their assigned workplaces and have 30 minutes to complete their tasks.

Rules

Members of the top group are free to enter the space of either of the other groups and to communicate whatever they wish, whenever they wish. Members of the middle group may enter the space of the lower group when they wish but must request permission to enter the top group's space (which the top group can refuse). Members of the lower group may not disturb the top group in any way unless specifically invited by the top. The lower group does have the right to knock on the door of the middle group and request permission to communicate with them (which can also be refused).

The members of the top group have the authority to make any change in the rules that they wish, at any time, with or without notice.

Tasks

- **Top group.** Responsible for the overall effectiveness and learning from the exercise and to decide how to use its money.
- **Middle group.** Assist the top group in providing for the overall welfare of the organization and deciding how to use its money.
- **Bottom group.** Identify the organization's resources and decide how best to provide for learning and the overall effectiveness of the organization.

Debriefing

Each of the three groups chooses two representatives to go to the front of the class and discuss the following:

1. Summarize what occurred within and among the three groups.
2. What are some of the differences between being in the top group and being in the bottom group?
3. What can we learn about power from this experience?
4. How accurate do you think this exercise is in reflecting the reality of resource allocation decisions in large organizations?

ETHICAL DILEMMA Corporate Spying

In a conference call with investors and financial analysts, the chief financial officer (CFO) for a major corporation outlines the company's positive expected earnings for the next quarter despite some serious economic challenges. Unknown to the CFO, party to this conference call is an ex-CIA interrogator trained in "tactical behavioral assessment." The investigator detects nervousness and evasiveness in the CFO's hurried answers to questions. In his report, he concludes that the CFO is probably lying.

Who is the recipient of the report? A hedge fund. Based on the report, the fund shorts the company's stock—selling borrowed shares in anticipation that the price will drop—and when the company's earnings do fall short of expectations, the hedge fund buys the shares back at the lower price and profits greatly.

Whatever trust you may place in the ability of investigators to detect lying, this sort of espionage happens. And it goes further. When Swiss chocolatier Nestlé was trying to sell a chocolate-covered toy in the United States, its U.S. competitor, Mars, covertly used consultants to prod government officials with misinformation that the toy was a safety hazard. The strategy worked. Learning of Mars'

activities, Nestlé paid former Secret Service agents to bribe garbage collectors so it could acquire Mars' corporate trash and counterspy.

Chinese companies hacked into Google's website, gaining access to corporate premises using night-vision glasses stolen from a U.S. military contractor. Hewlett-Packard used "pretexting" by investigators who impersonated HP board members in order to obtain their phone records as a means to investigate its own board members.

These stories are all true.

Questions

1. One corporate spy said, "Companies do this in order to stay in front of problems." Can you envision a business problem so dangerous that you would approve a spy mission if you were in charge?
2. Are there ever circumstances in which corporate spying is ethical? If so, what are they?
3. Recently, LinkedIn reposted a tweet that questioned whether Facebook was appropriate for public schools. Is it ever ethical for a company to attempt to undermine another in this way?

Source: J. J. Fialka, "Hugger-Mugger in the Executive Suite," *The Wall Street Journal* (February 5, 2010), p. W10; E. Javers, *Broker, Trader, Lawyer, Spy* (New York: Harper, 2010); and J. Scott, "Is Corporate Spying Legal?" *Forbes* (May 31, 2011), downloaded June 15, 2011, from <http://blogs.forbes.com/>.

CASE INCIDENT 1 Delegate Power, or Keep It Close?

Samantha Parks is the owner and CEO of Sparks, a small New York agency that develops advertising, promotions, and marketing materials for high-fashion firms. Parks has tended to keep a tight rein on her business, overseeing most projects from start to finish. However, as the firm has grown, she has found it necessary to delegate more and more decisions to her associates. She's recently been approached by a hair-styling chain that wants a comprehensive redefinition of its entire marketing and promotions look. Should Samantha try to manage this project in her traditional way, or should she delegate major parts to her employees?

Most managers confront this question at some point in their careers. Some experts propose that top executives need to stay very close to the creative core of their business, which means that even if their primary responsibility is to manage, CEOs should never cede too much control to committees of creative individuals or they can lose sight of the firm's overall future direction. Moreover, executives who do fall out of touch with the creative process risk being passed over by a new generation of "plugged in" employees who better understand how the business really works.

Others offer the opposite advice, saying it's not a good idea for a CEO to "sweat the small stuff" like managing individual client accounts or projects. These experts advise executives to identify everything they can "outsource" to other employees and to delegate as much as possible. By eliminating trivial tasks, executives will be better able to focus their attention on the most important decision-making and control aspects of their jobs, which will help the business and also ensure that the top executive maintains control over the functions that really matter.

These pieces of advice are not necessarily in conflict with one another. The real challenge is to identify what you can delegate effectively without ceding too much power and control away from the person with the unifying vision. That is certainly easier said than done, though.

Questions

1. If you were Samantha Parks, how would you prioritize which projects or parts of projects to delegate?
2. In explaining what makes her decisions hard, Parks said, "I hire good people, creative people, to run

these projects, and I worry that they will see my oversight and authority as interfering with their creative process.” How can she deal with these concerns without giving up too much control?

3. Should executives try to control projects to maintain their position of authority? Do they have a right to

control projects and keep in the loop on important decisions just so they can remain in charge?

4. What are some tasks in an organization that a top executive should never delegate to others?

Source: Based on M. L. Tushman, W. K. Smith, and A. Binns, “The Ambidextrous CEO,” *Harvard Business Review* (June 2011), pp. 74–79; and S. Bogan, “Find Your Focus,” *Financial Planning* (February 2011), p. 72.

CASE INCIDENT 2 The Persuasion Imperative

At one point in time, bosses gave orders and subordinates followed them without question. Those of you who have seen the AMC series *Mad Men*—based on Madison Avenue marketing executives in the 1960s—will know this image of deference to authority, obedience to those higher up in the hierarchy, and relationships between supervisors and employees that are highly paternalistic.

With time comes change. The male-dominated organization with rampant sexual harassment portrayed in *Mad Men* is far less prevalent than it was in the 1960s. Laws and policies are in place that better protect employees against the sometimes-capricious whims of supervisors.

Another sign of shifting cultural values is the way managers use their power. Commandments are out. Persuasion is in.

When IBM manager Kate Riley Tenant needed to reassign managers and engineers to form a database software team, she had to persuade IBM employees from all corners of the globe, none of whom directly reported to her. According to Tenant, it’s a big change from when she started in the field 20 years ago. “You just decided things, and people went off and executed,” she said. Now, “not everybody reports to you, and so there’s much more negotiation and influence.”

John Churchill, a manager with Florida-based Gerdau Ameristeel Corporation, agrees. The question now, he says, is, “How do I influence this group and gain credibility?”

At IBM, the challenge of persuading employees across reporting relationships has become so significant that the firm developed a 2-hour online course to help managers persuade other employees to help with projects crucial to is business. IBM’s tips for managers include the following:

- Build a shared vision.
- Negotiate collaboratively.

- Make trade-offs.
- Build and maintain your network.

Despite meeting initial resistance, after completing the training program, Tenant was able to persuade most IBM managers and engineers to join the team.

This doesn’t mean authority has lost all its power. Robert Cialdini, a social psychologist who has studied persuasion for decades, lists authority as one of his keys to influence. Even more important may be “social proof”—Cialdini and others have found that people are often deeply persuaded by observing what others are doing. From his research, no message more effectively got hotel guests to reuse their towels than citing statistics that others were reusing their towels.

So, if you’re a manager who needs to persuade, present the vision behind the request and be collaborative, but it also wouldn’t hurt to tell those you’re trying to persuade about others who have already agreed to your request.

Questions

1. Are the precepts of the IBM training program consistent with the concepts in this chapter? Why or why not?
2. Again based on the chapter, are there other keys to persuasion and influence that might be added to the IBM program?
3. If you had a manager who wanted you to do something against your initial inclination, which of IBM’s elements would work best on you? Why?
4. Drawing from Chapter 5, do you think generational values explain the changing nature of the employer–employee relationship? Why or why not?

Source: Based on E. White, “Art of Persuasion Becomes Key,” *The Wall Street Journal* (May 19, 2008), p. B5; B. Tsui, “Greening with Envy,” *The Atlantic* (July/August 2009), www.theatlantic.com; and R. Cialdini, *Influence: The Psychology of Persuasion* (New York: HarperBusiness, 2007).

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LEARNING OBJECTIVES

After studying this chapter, you should be able to:

- 1 Define *conflict*.
- 2 Differentiate among the traditional, interactionist, and managed-conflict views of conflict.
- 3 Outline the conflict process.
- 4 Define *negotiation*.
- 5 Contrast distributive and integrative bargaining.
- 6 Apply the five steps of the negotiation process.
- 7 Show how individual differences influence negotiations.
- 8 Assess the roles and functions of third-party negotiations.

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NO CONFLICT AT THE POST OFFICE . . . IS THAT GOOD?

Do you remember a strike of U.S. Postal Service (USPS) workers? You probably don't, because the last one was more than 40 years ago—in 1970. USPS leadership and the unions that represent its employees are proud of their cooperation. In March 2011, the USPS reached an agreement with the American Postal Workers Union (APWU) that, among other things:

- Provides a 3.5 percent annual raise for APWU workers.
- Includes seven uncapped cost-of-living increases.
- Extends the no-layoff provision in the contract.

Both union and management are happy with the contract. “The union and management have reached an agreement that is a ‘win-win’ proposition,” says APWU president Cliff Guffey. Postmaster General Patrick R. Donahoe hailed the agreement as well: “By working together we have created a new contract that serves the best interest of our customers, our employees and the future of the Postal Service.”

When two sides cooperate and show few signs of conflict, it is usually a sign of a healthy relationship, right? No, say many experts, including the man assigned to review the USPS, Phillip Herr of the Government Accountability Office (GAO).

The problem, according to these experts, is that the business model for the USPS is fatally flawed. The USPS loses billions nearly every year it operates. It has borrowed \$12 billion from the U.S. Treasury and is on the verge of defaulting on a \$5.5 billion payment to cover future retirees' health care costs. It is asking Congress to waive its debt obligations. (In 2006, Congress already relieved the USPS of a \$27 billion pension obligation, shifting the debt to U.S. taxpayers.) Why is the USPS losing so much money even with heavy subsidies?

One fundamental reason is volume. With the growth of e-mail communication, mail volume is down—way down. It plummeted 20 percent from 2006 to 2010, and nearly everyone expects the downward trend to continue, if not accelerate. In anticipation, many other nations have privatized their mail services, which have been faster to adapt. Sweden's largely privatized postal system gives mail recipients the option to receive their mail by scanned copy, it maintains a digital archive of mail going back seven years, and it recently introduced an app that lets users turn cell phone pictures into postcards. USPS continues to charge the same rate per ounce to deliver anywhere—whether it's down the street or by pack mule to the bottom of the Grand Canyon. The majority of USPS's revenue comes from junk mail, which is, of course, mostly mail no one wants to receive.

Conflict and Negotiation

14

*Let us never negotiate out of fear.
But let us never fear to negotiate. —John F. Kennedy*

Photo: A postal employee attends to an automated sorting machine. Source: Robyn Beck/AFP/Newscom



Finally, USPS is not particularly competitive with Federal Express (FedEx) and United Parcel Service (UPS), its rivals in the lucrative overnight and ground shipping business. Though USPS is much larger—it employs 571,566 full-time workers, making it the nation’s largest employer after Walmart—FedEx and UPS hold 84 percent of the express and ground shipping market. One reason USPS is not competitive? More than 80 percent of its budget goes to employee wages and benefits, as opposed to 43 percent for FedEx and 61 percent for UPS.

To be fair, USPS does many things well, it has many dedicated workers, and its leaders continue to talk of changing. But change is rarely easy, and it rarely comes without ruffling some feathers. Meanwhile, USPS continues to follow the path of least resistance. Says one expert: “Pretty soon it’s going to be a government-run [junk mail] service. Does that make any sense?”

Sources: D. Leonard, “The End of Mail,” *Bloomberg Businessweek* (May 30, 2011), pp. 60–65; G. Easterbrook, “The Post Office—Return to Sender,” *Reuters* (June 1, 2011), downloaded June 30, 2011, from <http://blogs.reuters.com/>; and E. O’Keefe, “Postal Union Contract Ratified,” *Washington Post* (May 12, 2011), downloaded on July 10, 2011, from www.washingtonpost.com/.

As we see in the USPS example, both the presence and the absence of conflict and negotiation are often complex—and controversial—interpersonal processes. While we generally see conflict as a negative topic and negotiation as a positive one, each can generate positive and negative outcomes, and what we deem positive or negative often depends on our perspective. Let’s first gauge how you handle conflict. Take the following self-assessment.



SELF-ASSESSMENT LIBRARY

What’s My Preferred Conflict-Handling Style?

In the Self-Assessment Library (available on CD and online), take assessment II.C.5 (What’s My Preferred Conflict-Handling Style?) and answer the following questions.

1. Judging from your highest score, what’s your primary conflict-handling style?
2. Do you think your style varies, depending on the situation?
3. Would you like to change any aspects of your conflict-handling style?

A Definition of Conflict

1 Define *conflict*.

There has been no shortage of definitions of *conflict*,¹ but common to most is the idea that conflict is a perception. If no one is aware of a conflict, then it is generally agreed no conflict exists. Also needed to begin the conflict process are opposition or incompatibility and some form of interaction.

We can define **conflict**, then, as a process that begins when one party perceives another party has or is about to negatively affect something the first party cares about.² This definition is purposely broad. It describes that point in

any ongoing activity when an interaction crosses over to become an interparty conflict. It encompasses the wide range of conflicts people experience in organizations: incompatibility of goals, differences over interpretations of facts, disagreements based on behavioral expectations, and the like. Finally, our definition is flexible enough to cover the full range of conflict levels—from overt and violent acts to subtle forms of disagreement.

Transitions in Conflict Thought

- 2 Differentiate among the traditional, interactionist, and managed-conflict views of conflict.

It is entirely appropriate to say there has been conflict over the role of conflict in groups and organizations. One school of thought has argued that conflict must be avoided—that it indicates a malfunctioning within the group. We call this the *traditional* view. Another perspective proposes not only that conflict can be a positive force in a group but that some conflict is absolutely necessary for a group to perform effectively. We label this the *interactionist* view. Finally, recent research argues that instead of encouraging “good” or discouraging “bad” conflict, it’s more important to resolve naturally occurring conflicts productively. This perspective is the *managed conflict* view. Let’s take a closer look at each view.

The Traditional View of Conflict

The early approach to conflict assumed all conflict was bad and to be avoided. Conflict was viewed negatively and discussed with such terms as *violence*, *destruction*, and *irrationality* to reinforce its negative connotation. This **traditional view of conflict** was consistent with attitudes about group behavior that prevailed in the 1930s and 1940s. Conflict was a dysfunctional outcome resulting from poor communication, a lack of openness and trust between people, and the failure of managers to be responsive to the needs and aspirations of their employees.

The view that all conflict is bad certainly offers a simple approach to looking at the behavior of people who create conflict. We need merely direct our attention to the causes of conflict and correct those malfunctions to improve group and organizational performance. This view of conflict fell out of favor for a long time as researchers came to realize that some level of conflict was inevitable.

The Interactionist View of Conflict

The **interactionist view of conflict** encourages conflict on the grounds that a harmonious, peaceful, tranquil, and cooperative group is prone to becoming static, apathetic, and unresponsive to needs for change and innovation.³ The major contribution of this view is recognizing that a minimal level of conflict can help keep a group viable, self-critical, and creative.

The interactionist view does not propose that all conflicts are good. Rather, **functional conflict** supports the goals of the group and improves its performance

conflict A process that begins when one party perceives that another party has negatively affected, or is about to negatively affect, something that the first party cares about.

traditional view of conflict The belief that all conflict is harmful and must be avoided.

interactionist view of conflict The belief that conflict is not only a positive force in a group but also an absolute necessity for a group to perform effectively.

functional conflict Conflict that supports the goals of the group and improves its performance.

and is, thus, a constructive form of conflict. A conflict that hinders group performance is a destructive or **dysfunctional conflict**. What differentiates functional from dysfunctional conflict? The evidence indicates we need to look at the *type* of conflict—whether it's connected to task, relationship, or process.⁴

Task conflict relates to the content and goals of the work. **Relationship conflict** focuses on interpersonal relationships. **Process conflict** relates to how the work gets done. Studies demonstrate that relationship conflicts are almost always dysfunctional.⁵ Why? It appears that the friction and interpersonal hostilities inherent in relationship conflicts increase personality clashes and decrease mutual understanding, which hinders the completion of organizational tasks. Unfortunately, managers spend a lot of effort resolving personality conflicts among staff members; one survey indicated this task consumes 18 percent of their time.⁶

In contrast, low levels of process conflict and low to moderate levels of task conflict can be functional, but only in very specific cases. Recent reviews have shown that task conflicts are usually just as disruptive as relationship conflicts.⁷ For conflict to be productive, it must be kept within certain boundaries. For example, one study in China found that moderate levels of task conflict in the early development stage could increase creativity in groups, but high levels of task conflict decreased team performance, and task conflicts were unrelated to performance once the group was in the later stages of group development.⁸ Intense arguments about who should do what become dysfunctional when they create uncertainty about task roles, increase the time to complete tasks, and lead members to work at cross-purposes. Low to moderate levels of task conflict stimulate discussion of ideas. This means task conflicts relate positively to creativity and innovation, but they are not related to routine task performance. Groups performing routine tasks that don't require creativity won't benefit from task conflict. Moreover, if the group is already engaged in active discussion of ideas in a nonconfrontational way, adding conflict will not help generate more ideas. Task conflict is also related to these positive outcomes only when all members share the same goals and have high levels of trust.⁹ Another way of saying this is that task conflicts are related to increased performance only when all members believe the team is a safe place for taking risks and that members will not deliberately undermine or reject those who speak up.¹⁰

Task conflict is often functional, but one of its dangers is that it can escalate and become a battle of wills. For example, as a Target Corporation investor, William Ackman tried, unsuccessfully, for many years to convince the retailer to change its business strategy to improve performance and boost shareholder returns. Ackman sought to bring in new board members with a proxy vote. He asked shareholders to elect candidates who would bring new ideas to Target's board, which he claimed was slow in making critical decisions. After a long battle that cost Target millions of dollars in defending itself, the shareholders voted to keep the current board members. Ackman is shown here meeting with the media after losing the proxy battle in which his candidates received less than 20 percent of the vote.



Source: Allen Fredrickson / Reuters / Landov Media.

Resolution-Focused View of Conflict

Researchers, including those who had strongly advocated the interactionist view, have begun to recognize some problems with encouraging conflict.¹¹ As we will see, there are some very specific cases in which conflict can be beneficial. However, workplace conflicts are not productive, they take time away from job tasks or interacting with customers, and hurt feelings and anger often linger after conflicts appear to be over. People can seldom wall off their feelings into neat categories of “task” or “relationship” disagreements, so task conflicts sometimes escalate into relationship conflicts.¹² A study conducted in Taiwan and Indonesia found that when levels of relationship conflict are high, increases in task conflict are consistently related to lower levels of team performance and team member satisfaction.¹³ Conflicts produce stress, which may lead people to become more close minded and adversarial.¹⁴ Studies of conflict in laboratories also fail to take account of the reductions in trust and cooperation that occur even with relationship conflicts. Longer-term studies show that all conflicts reduce trust, respect, and cohesion in groups, which reduces their long-term viability.¹⁵

In light of these findings, researchers have started to focus more on managing the whole context in which conflicts occur, both before and after the behavioral stage of conflict occurs. A growing body of research, which we review later, suggests we can minimize the negative effects of conflict by focusing on preparing people for conflicts, developing resolution strategies, and facilitating open discussion. Researchers interested in cross-cultural conflicts have also encouraged individuals to recognize impediments to agreement like hidden emotional attachments to a particular course of action and social identities that place people on different “sides” of an issue based on national or cultural variables. Resolving cross-cultural conflicts begins by addressing these emotional and identity-based concerns and building bonds between parties through common interests.¹⁶

In sum, the traditional view was shortsighted in assuming all conflict should be eliminated. The interactionist view that conflict can stimulate active discussion without spilling over into negative, disruptive emotions is incomplete. The managed conflict perspective does recognize that conflict is probably inevitable in most organizations, and it focuses more on productive conflict resolution. The research pendulum has swung from eliminating conflict, to encouraging limited levels of conflict, and now to finding constructive methods for resolving conflicts productively so their disruptive influence can be minimized.

The Conflict Process

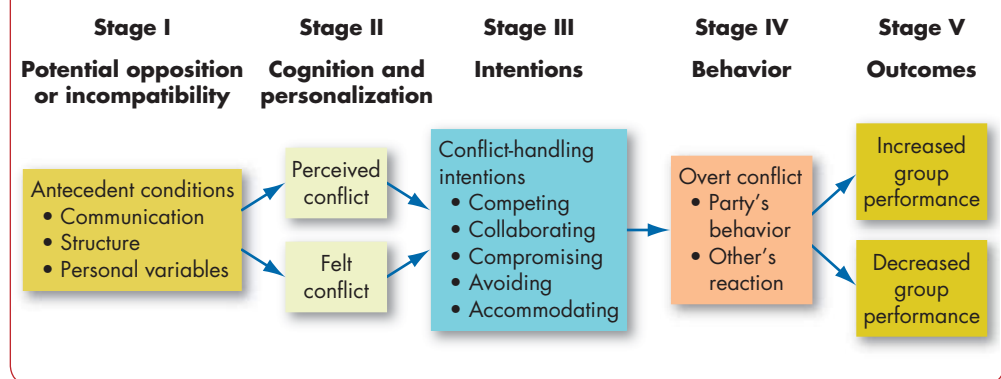
3 Outline the conflict process.

The **conflict process** has five stages: potential opposition or incompatibility, cognition and personalization, intentions, behavior, and outcomes. The process is diagrammed in Exhibit 14-1.

dysfunctional conflict *Conflict that hinders group performance.*
task conflict *Conflict over content and goals of the work.*

relationship conflict *Conflict based on interpersonal relationships.*
process conflict *Conflict over how work gets done.*

conflict process *A process that has five stages: potential opposition or incompatibility, cognition and personalization, intentions, behavior, and outcomes.*

Exhibit 14-1 The Conflict Process

Stage I: Potential Opposition or Incompatibility

The first step in the conflict process is the appearance of conditions that create opportunities for conflict to arise. These conditions *need not* lead directly to conflict, but one of them is necessary if conflict is to surface. For simplicity's sake, we group the conditions (which we can also look at as causes or sources of conflict) into three general categories: communication, structure, and personal variables.

Communication Susan had worked in supply chain management at Bristol-Myers Squibb for 3 years. She enjoyed her work in large part because her manager, Harry, was a great boss. Then Harry got promoted, and Chuck took his place. Six months later, Susan says her job is a lot more frustrating. “Harry and I were on the same wavelength. It’s not that way with Chuck. He tells me something, and I do it. Then he tells me I did it wrong. I think he means one thing but says something else. It’s been like this since the day he arrived. I don’t think a day goes by when he isn’t yelling at me for something. You know, there are some people you just find it easy to communicate with. Well, Chuck isn’t one of those!”

Susan’s comments illustrate that communication can be a source of conflict.¹⁷ They represent the opposing forces that arise from semantic difficulties, misunderstandings, and “noise” in the communication channels. Recall our comments on communication in Chapter 11.

A review of the research suggests that differing word connotations, jargon, insufficient exchange of information, and noise in the communication channel are all barriers to communication and potential antecedent conditions to conflict. Research has further demonstrated a surprising finding: the potential for conflict increases when either too little or *too much* communication takes place. Apparently, an increase in communication is functional up to a point, after which it is possible to overcommunicate, with a resultant increase in the potential for conflict.

Structure Charlotte and Mercedes both work at the Portland Furniture Mart—a large discount furniture retailer. Charlotte is a salesperson on the floor, and Mercedes is the company credit manager. The two women have known each other for years and have much in common: they live within two blocks of each other, and their oldest daughters attend the same middle school and are best friends. If Charlotte and Mercedes had different jobs, they might be best friends themselves, but they are constantly fighting battles with each other. Charlotte’s

job is to sell furniture, and she does it well. But most of her sales are made on credit. Because Mercedes' job is to make sure the company minimizes credit losses, she regularly has to turn down the credit application of a customer with whom Charlotte has just closed a sale. It's nothing personal between the women; the requirements of their jobs just bring them into conflict.

The conflicts between Charlotte and Mercedes are structural in nature. The term *structure* in this context includes variables such as size of the group, degree of specialization in the tasks assigned to group members, jurisdictional clarity, member-goal compatibility, leadership styles, reward systems, and the degree of dependence between groups.

Size and specialization can stimulate conflict. The larger the group and the more specialized its activities, the greater the likelihood of conflict. Tenure and conflict have been found to be inversely related; the potential for conflict is greatest when group members are younger and when turnover is high.

The greater the ambiguity about where responsibility for actions lies, the greater the potential for conflict to emerge. Such jurisdictional ambiguities increase intergroup fighting for control of resources and territory. Diversity of goals among groups is also a major source of conflict. When groups within an organization seek diverse ends, some of which—like sales and credit at Portland Furniture Mart—are inherently at odds, opportunities for conflict increase. Reward systems, too, create conflict when one member's gain comes at another's expense. Finally, if a group is dependent on another group (in contrast to the two being mutually independent), or if interdependence allows one group to gain at another's expense, opposing forces are stimulated.

Personal Variables Have you ever met someone for whom you felt an immediate dislike? You disagreed with most of the opinions he expressed. Even insignificant characteristics—the sound of his voice, the smirk when he smiled, his personality—annoyed you. We've all met people like that. When you have to work with such individuals, the potential for conflict arises.

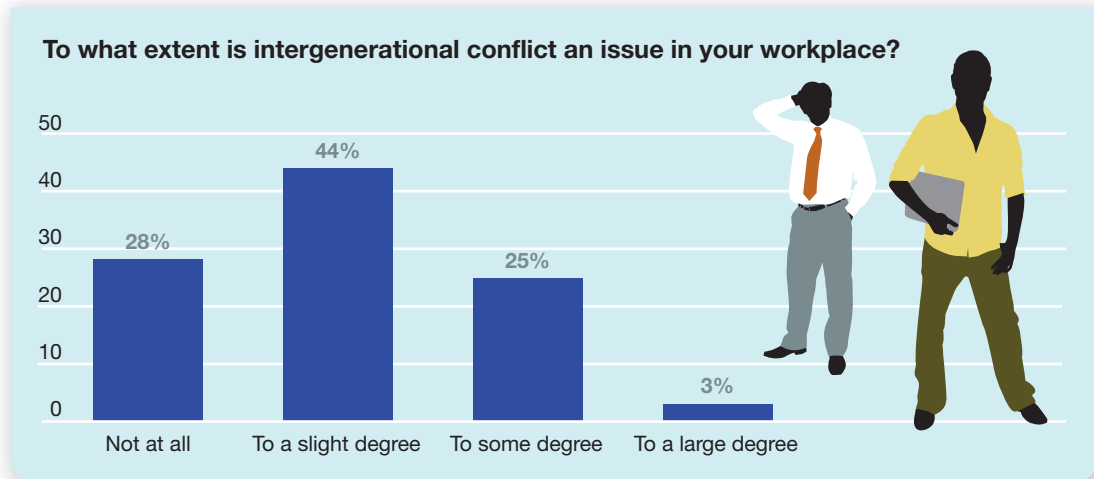
Our last category of potential sources of conflict is personal variables, which include personality, emotions, and values. Personality does appear to play a role in the conflict process: some people just tend to get into conflicts a lot. In particular, people high in the personality traits of disagreeableness, neuroticism, or self-monitoring are prone to tangle with other people more often, and to react poorly when conflicts occur.¹⁸ Emotions can also cause conflict. An employee who shows up to work irate from her hectic morning commute may carry that anger with her to her 9:00 a.m. meeting. The problem? Her anger can annoy her colleagues, which can result in a tension-filled meeting.¹⁹

Stage II: Cognition and Personalization

If the conditions cited in Stage I negatively affect something one party cares about, then the potential for opposition or incompatibility becomes actualized in the second stage.

As we noted in our definition of conflict, one or more of the parties must be aware that antecedent conditions exist. However, because a conflict is a **perceived conflict** does not mean it is personalized. In other words, "A may be aware that B and A are in serious disagreement . . . but it may not make A tense

perceived conflict Awareness by one or more parties of the existence of conditions that create opportunities for conflict to arise.

OB Poll**Generation Differences Cause Some Workplace Conflict**

Source: Based on "Intergenerational Conflict in the Workplace," SHRM News (April 29, 2011).

or anxious, and it may have no effect whatsoever on *A*'s affection toward *B*.²⁰ It is at the **felt conflict** level, when individuals become emotionally involved, that they experience anxiety, tension, frustration, or hostility.

Keep in mind two points. First, Stage II is important because it's where conflict issues tend to be defined, where the parties decide what the conflict is about.²¹ If I define our salary disagreement as a zero-sum situation (if you get the increase in pay you want, there will be just that amount less for me), I am going to be far less willing to compromise than if I frame the conflict as a potential win-win situation (the dollars in the salary pool might be increased so both of us could get the added pay we want). Thus, the definition of a conflict is important because it typically delineates the set of possible settlements.

Our second point is that emotions play a major role in shaping perceptions.²² Negative emotions allow us to oversimplify issues, lose trust, and put negative interpretations on the other party's behavior.²³ In contrast, positive feelings increase our tendency to see potential relationships among the elements of a problem, to take a broader view of the situation, and to develop more innovative solutions.²⁴

Stage III: Intentions

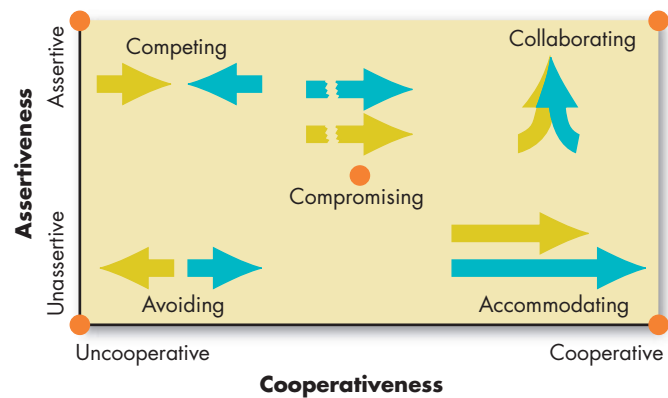
Intentions intervene between people's perceptions and emotions and their overt behavior. They are decisions to act in a given way.²⁵

We separate out intentions as a distinct stage because we have to infer the other's intent to know how to respond to his or her behavior. Many conflicts escalate simply because one party attributes the wrong intentions to the other. There is also typically a great deal of slippage between intentions and behavior, so behavior does not always accurately reflect a person's intentions.

Exhibit 14-2 represents one author's effort to identify the primary conflict-handling intentions. Using two dimensions—*cooperativeness* (the degree to which one party attempts to satisfy the other party's concerns) and *assertiveness*

Exhibit 14-2

Dimensions of Conflict-Handling Intentions



Source: Figure from "Conflict and Negotiation Processes in Organizations" by K. Thomas in *Handbook of Industrial and Organizational Psychology*, 2/e, Vol. 3, ed. by M. D. Dunnette and L. M. Hough, p. 668 (Palo Alto, CA: Consulting Psychologists Press, 1992). Used with permission.

(the degree to which one party attempts to satisfy his or her own concerns)—we can identify five conflict-handling intentions: *competing* (assertive and uncooperative), *collaborating* (assertive and cooperative), *avoiding* (unassertive and uncooperative), *accommodating* (unassertive and cooperative), and *compromising* (midrange on both assertiveness and cooperativeness).²⁶

Competing When one person seeks to satisfy his or her own interests regardless of the impact on the other parties to the conflict, that person is **competing**. You compete when you place a bet that only one person can win, for example.

Collaborating When parties in conflict each desire to fully satisfy the concerns of all parties, there is cooperation and a search for a mutually beneficial outcome. In **collaborating**, the parties intend to solve a problem by clarifying differences rather than by accommodating various points of view. If you attempt to find a win–win solution that allows both parties' goals to be completely achieved, that's collaborating.

Avoiding A person may recognize a conflict exists and want to withdraw from or suppress it. Examples of **avoiding** include trying to ignore a conflict and avoiding others with whom you disagree.

Accommodating A party who seeks to appease an opponent may be willing to place the opponent's interests above his or her own, sacrificing to maintain the relationship. We refer to this intention as **accommodating**. Supporting someone else's opinion despite your reservations about it, for example, is accommodating.

felt conflict Emotional involvement in a conflict that creates anxiety, tenseness, frustration, or hostility.

intentions Decisions to act in a given way.

competing A desire to satisfy one's interests, regardless of the impact on the other party to the conflict.

collaborating A situation in which the parties to a conflict each desire to satisfy fully the concerns of all parties.

avoiding The desire to withdraw from or suppress a conflict.

accommodating The willingness of one party in a conflict to place the opponent's interests above his or her own.

Compromising In **compromising**, there is no clear winner or loser. Rather, there is a willingness to ration the object of the conflict and accept a solution that provides incomplete satisfaction of both parties' concerns. The distinguishing characteristic of compromising, therefore, is that each party intends to give up something.

Intentions are not always fixed. During the course of a conflict, they might change if the parties are able to see the other's point of view or respond emotionally to the other's behavior. However, research indicates people have preferences among the five conflict-handling intentions we just described.²⁷ We can predict a person's intentions rather well from a combination of intellectual and personality characteristics.

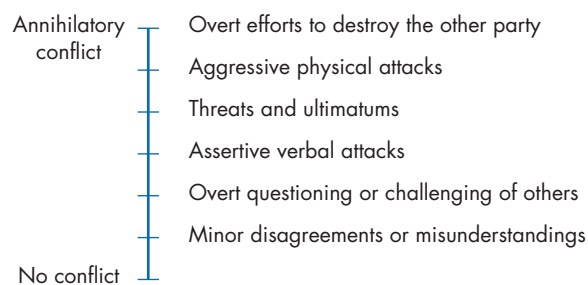
Stage IV: Behavior

When most people think of conflict situations, they tend to focus on Stage IV because this is where conflicts become visible. The behavior stage includes the statements, actions, and reactions made by the conflicting parties, usually as overt attempts to implement their own intentions. As a result of miscalculations or unskilled enactments, overt behaviors sometimes deviate from these original intentions.²⁸

It helps to think of Stage IV as a dynamic process of interaction. For example, you make a demand on me, I respond by arguing, you threaten me, I threaten you back, and so on. Exhibit 14-3 provides a way of visualizing conflict behavior. All conflicts exist somewhere along this continuum. At the lower part are conflicts characterized by subtle, indirect, and highly controlled forms of tension, such as a student questioning in class a point the instructor has just made. Conflict intensities escalate as they move upward along the continuum until they become highly destructive. Strikes, riots, and wars clearly fall in this upper range. Conflicts that reach the upper ranges of the continuum are almost always dysfunctional. Functional conflicts are typically confined to the lower range of the continuum.

If a conflict is dysfunctional, what can the parties do to de-escalate it? Or, conversely, what options exist if conflict is too low and needs to be increased? This brings us to techniques of **conflict management**. Exhibit 14-4 lists the major resolution and stimulation techniques that allow managers to control conflict levels. We have already described several as conflict-handling intentions. This shouldn't be surprising. Under ideal conditions, a person's intentions should translate into comparable behaviors.

Exhibit 14-3 Conflict-Intensity Continuum



Sources: Based on S. P. Robbins, *Managing Organizational Conflict: A Nontraditional Approach* (Upper Saddle River, NJ: Prentice Hall, 1974), pp. 93–97; and F. Glasi, "The Process of Conflict Escalation and the Roles of Third Parties," in G. B. J. Bomers and R. Peterson (eds.), *Conflict Management and Industrial Relations* (Boston: Kluwer-Nijhoff, 1982), pp. 119–140.

Exhibit 14-4 Conflict Management Techniques**Conflict-Resolution Techniques**

<i>Problem solving</i>	Face-to-face meeting of the conflicting parties for the purpose of identifying the problem and resolving it through open discussion.
<i>Superordinate goals</i>	Creating a shared goal that cannot be attained without the cooperation of each of the conflicting parties.
<i>Expansion of resources</i>	When a conflict is caused by the scarcity of a resource (for example, money, promotion, opportunities, office space), expansion of the resource can create a win-win solution.
<i>Avoidance</i>	Withdrawal from or suppression of the conflict.
<i>Smoothing</i>	Playing down differences while emphasizing common interests between the conflicting parties.
<i>Compromise</i>	Each party to the conflict gives up something of value.
<i>Authoritative command</i>	Management uses its formal authority to resolve the conflict and then communicates its desires to the parties involved.
<i>Altering the human variable</i>	Using behavioral change techniques such as human relations training to alter attitudes and behaviors that cause conflict.
<i>Altering the structural variables</i>	Changing the formal organization structure and the interaction patterns of conflicting parties through job redesign, transfers, creation of coordinating positions, and the like.

Conflict-Stimulation Techniques

<i>Communication</i>	Using ambiguous or threatening messages to increase conflict levels.
<i>Bringing in outsiders</i>	Adding employees to a group whose backgrounds, values, attitudes, or managerial styles differ from those of present members.
<i>Restructuring the organization</i>	Realigning work groups, altering rules and regulations, increasing interdependence, and making similar structural changes to disrupt the status quo.
<i>Appointing a devil's advocate</i>	Designating a critic to purposely argue against the majority positions held by the group.

Source: Based on S. P. Robbins, *Managing Organizational Conflict: A Nontraditional Approach* (Upper Saddle River, NJ: Prentice Hall, 1974), pp. 59–89.

Stage V: Outcomes

The action–reaction interplay between the conflicting parties results in consequences. As our model demonstrates (see Exhibit 14-1), these outcomes may be functional, if the conflict improves the group's performance, or dysfunctional, if it hinders performance.

Functional Outcomes How might conflict act as a force to increase group performance? It is hard to visualize a situation in which open or violent aggression could be functional. But it's possible to see how low or moderate levels of conflict could improve the effectiveness of a group. Let's consider some examples and then review the research evidence. Note that all our examples focus on task and process conflicts and exclude the relationship variety.

Conflict is constructive when it improves the quality of decisions, stimulates creativity and innovation, encourages interest and curiosity among group members, provides the medium through which problems can be aired and tensions released, and fosters an environment of self-evaluation and change. The evidence suggests conflict can improve the quality of decision making by allowing all points to be weighed, particularly those that are unusual or held by a minority.²⁹ Conflict is an antidote for groupthink. It doesn't allow the group to passively rubber-stamp decisions that may be based on weak assumptions,

compromising A situation in which each party to a conflict is willing to give up something.

conflict management The use of resolution and stimulation techniques to achieve the desired level of conflict.

inadequate consideration of relevant alternatives, or other debilities. Conflict challenges the status quo and therefore furthers the creation of new ideas, promotes reassessment of group goals and activities, and increases the probability that the group will respond to change. An open discussion focused on higher-order goals can make these functional outcomes more likely. Groups that are extremely polarized do not manage their underlying disagreements effectively and tend to accept suboptimal solutions, or they avoid making decisions altogether rather than working out the conflict.³⁰

Research studies in diverse settings confirm the functionality of active discussion. Groups whose members have different interests tend to produce higher-quality solutions to a variety of problems than do homogeneous groups.³¹ Team members with greater differences in work styles and experience also tend to share more information with one another.³²

These observations lead us to predict benefits to organizations from the increasing cultural diversity of the workforce. And that's what the evidence indicates, under most conditions. Heterogeneity among group and organization members can increase creativity, improve the quality of decisions, and facilitate change by enhancing member flexibility.³³ Researchers compared decision-making groups composed of all-Caucasian individuals with groups that also contained members from Asian, Hispanic, and Black ethnic groups. The ethnically diverse groups produced more effective and more feasible ideas, and the unique ideas they generated tended to be of higher quality than the unique ideas produced by the all-Caucasian group.

Dysfunctional Outcomes The destructive consequences of conflict on the performance of a group or an organization are generally well known: uncontrolled opposition breeds discontent, which acts to dissolve common ties and eventually leads to the destruction of the group. And, of course, a substantial body of literature documents how dysfunctional conflicts can reduce group effectiveness.³⁴ Among the undesirable consequences are poor communication, reductions in group cohesiveness, and subordination of group goals to the primacy

IBM benefits from the diversity of its employees who engage in functional conflict that improves the company's performance. At IBM, diversity drives innovation. Achieving the full potential of its diverse workforce is a business priority fundamental to IBM's competitive success. For innovation to flourish, IBM needs different employee experiences, perspectives, skills, ideas, interests, information, and thinking. It relies on creative tension and opposing ideas that increase creativity, improve the quality of decisions, and facilitate change. IBM employees shown here broaden their diversity experiences and perspectives by participating in overseas assignments in emerging markets.



Source: Chris Seward/MCT/Newscom.

of infighting among members. All forms of conflict—even the functional varieties—appear to reduce group member satisfaction and trust.³⁵ When active discussions turn into open conflicts between members, information sharing between members decreases significantly.³⁶ At the extreme, conflict can bring group functioning to a halt and threaten the group's survival.

We noted that diversity can usually improve group performance and decision making. However, if differences of opinion open up along demographic fault lines, harmful conflicts result and information sharing decreases.³⁷ For example, if differences of opinion in a gender-diverse team line up so that men all hold one opinion and women hold another, group members tend to stop listening to one another. They fall into ingroup favoritism and won't take the other side's point of view into consideration. Managers in this situation need to pay special attention to these fault lines and emphasize the shared goals of the team.

The demise of an organization as a result of too much conflict isn't as unusual as you might think. One of New York's best-known law firms, Shea & Gould, closed down solely because the 80 partners just couldn't get along.³⁸ As one legal consultant familiar with the organization said, "This was a firm that had basic and principled differences among the partners that were basically irreconcilable." That same consultant also addressed the partners at their last meeting: "You don't have an economic problem," he said. "You have a personality problem. You hate each other!"

Managing Functional Conflict If managers recognize that in some situations conflict can be beneficial, what can they do to manage conflict effectively in their organizations? Let's look at some approaches organizations are using to encourage their people to challenge the system and develop fresh ideas.

One of the keys to minimizing counterproductive conflicts is recognizing when there really is a disagreement. Many apparent conflicts are due to people using different language to discuss the same general course of action. For example, someone in marketing might focus on "distribution problems," while someone from operations will talk about "supply chain management" to describe essentially the same issue. Successful conflict management recognizes these different approaches and attempts to resolve them by encouraging open, frank discussion focused on interests rather than issues (we'll have more to say about this when we contrast distributive and integrative bargaining styles). Another approach is to have opposing groups pick parts of the solution that are most important to them and then focus on how each side can get its top needs satisfied. Neither side may get exactly what it wants, but both sides will get the most important parts of its agenda.³⁹

Groups that resolve conflicts successfully discuss differences of opinion openly and are prepared to manage conflict when it arises.⁴⁰ The most disruptive conflicts are those that are never addressed directly. An open discussion makes it much easier to develop a shared perception of the problems at hand; it also allows groups to work toward a mutually acceptable solution. Managers need to emphasize shared interests in resolving conflicts, so groups that disagree with one another don't become too entrenched in their points of view and start to take the conflicts personally. Groups with cooperative conflict styles and a strong underlying identification to the overall group goals are more effective than groups with a competitive style.⁴¹

Differences across countries in conflict resolution strategies may be based on collectivistic tendencies and motives.⁴² Collectivist cultures see people as deeply embedded in social situations, whereas individualist cultures see them as autonomous. As a result, collectivists are more likely to seek to preserve relationships

and promote the good of the group as a whole. They will avoid direct expression of conflicts, preferring indirect methods for resolving differences of opinion. Collectivists may also be more interested in demonstrations of concern and working through third parties to resolve disputes, whereas individualists will be more likely to confront differences of opinion directly and openly.

Some research does support this theory. Compared to collectivist Japanese negotiators, their more individualist U.S. counterparts are more likely to see offers from their counterparts as unfair and to reject them. Another study revealed that whereas U.S. managers were more likely to use competing tactics in the face of conflicts, compromising and avoiding are the most preferred methods of conflict management in China.⁴³ Interview data, however, suggests top management teams in Chinese high-technology firms prefer collaboration even more than compromising and avoiding.⁴⁴

Having considered conflict—its nature, causes, and consequences—we now turn to negotiation, which often resolves conflict.

Negotiation

4 Define *negotiation*.

Negotiation permeates the interactions of almost everyone in groups and organizations. There's the obvious: labor bargains with management. There's the not-so-obvious: managers negotiate with employees, peers, and bosses; salespeople negotiate with customers; purchasing agents negotiate with suppliers. And there's the subtle: an employee agrees to cover for a colleague for a few minutes in exchange for some past or future benefit. In today's loosely structured organizations, in which members work with colleagues over whom they have no direct authority and with whom they may not even share a common boss, negotiation skills become critical.

We can define **negotiation** as a process that occurs when two or more parties decide how to allocate scarce resources.⁴⁵ Although we commonly think of the outcomes of negotiation in one-shot economic terms, like negotiating over the price of a car, every negotiation in organizations also affects the relationship between the negotiators and the way the negotiators feel about themselves.⁴⁶ Depending on how much the parties are going to interact with one another, sometimes maintaining the social relationship and behaving ethically will be just as important as achieving an immediate outcome of bargaining. Note that we use the terms *negotiation* and *bargaining* interchangeably. In this section, we contrast two bargaining strategies, provide a model of the negotiation process, ascertain the role of moods and personality traits on bargaining, review gender and cultural differences in negotiation, and take a brief look at third-party negotiations.

Bargaining Strategies

5 Contrast distributive and integrative bargaining.

There are two general approaches to negotiation—*distributive bargaining* and *integrative bargaining*.⁴⁷ As Exhibit 14-5 shows, they differ in their goal and motivation, focus, interests, information sharing, and duration of relationship. Let's define each and illustrate the differences.

Distributive Bargaining You see a used car advertised for sale online. It appears to be just what you've been looking to buy. You go out to see the car. It's great, and you want it. The owner tells you the asking price. You don't want to pay that much. The two of you then negotiate. The negotiating strategy you're

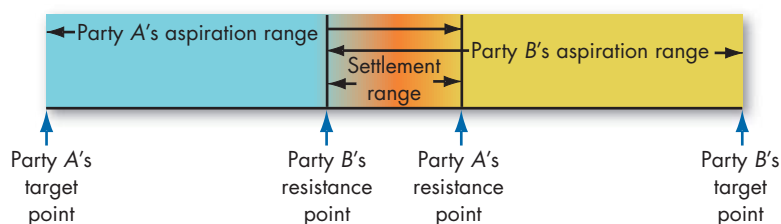
Exhibit 14-5 Distributive Versus Integrative Bargaining

Bargaining Characteristic	Distributive Bargaining	Integrative Bargaining
Goal	Get as much of the pie as possible	Expand the pie so that both parties are satisfied
Motivation	Win-lose	Win-win
Focus	Positions ("I can't go beyond this point on this issue.")	Interests ("Can you explain why this issue is so important to you?")
Interests	Opposed	Congruent
Information sharing	Low (Sharing information will only allow other party to take advantage)	High (Sharing information will allow each party to find ways to satisfy interests of each party)
Duration of relationship	Short term	Long term

engaging in is called **distributive bargaining**. Its identifying feature is that it operates under zero-sum conditions—that is, any gain I make is at your expense and vice versa. Every dollar you can get the seller to cut from the car's price is a dollar you save, and every dollar more the seller can get from you comes at your expense. So the essence of distributive bargaining is negotiating over who gets what share of a fixed pie. By **fixed pie**, we mean a set amount of goods or services to be divided up. When the pie is fixed, or the parties believe it is, they tend to bargain distributively.

Probably the most widely cited example of distributive bargaining is labor-management negotiations over wages. Typically, labor's representatives come to the bargaining table determined to get as much money as possible from management. Because every cent labor negotiates increases management's costs, each party bargains aggressively and treats the other as an opponent who must be defeated.

The essence of distributive bargaining is depicted in Exhibit 14-6. Parties A and B represent two negotiators. Each has a *target point* that defines what he or she would like to achieve. Each also has a *resistance point*, which marks the lowest acceptable outcome—the point below which the party would break off

Exhibit 14-6 Staking Out the Bargaining Zone


negotiation A process in which two or more parties exchange goods or services and attempt to agree on the exchange rate for them.

distributive bargaining Negotiation that seeks to divide up a fixed amount of resources; a win-lose situation.

fixed pie The belief that there is only a set amount of goods or services to be divided up between the parties.

negotiations rather than accept a less favorable settlement. The area between these two points makes up each party's aspiration range. As long as there is some overlap between *A*'s and *B*'s aspiration ranges, there exists a settlement range in which each one's aspirations can be met.

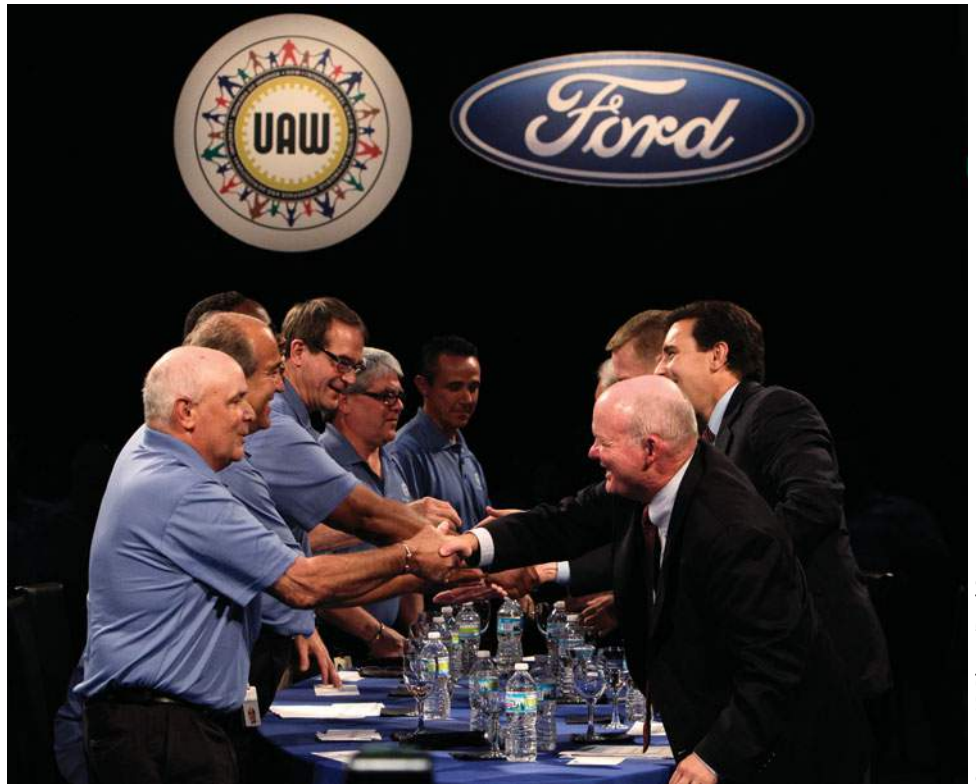
When you are engaged in distributive bargaining, research consistently shows one of the best things you can do is make the first offer, and make it an aggressive one. Making the first offer shows power; individuals in power are much more likely to make initial offers, speak first at meetings, and thereby gain the advantage. Another reason this is a good strategy is the anchoring bias, mentioned in Chapter 6. People tend to fixate on initial information. Once that anchoring point is set, they fail to adequately adjust it based on subsequent information. A savvy negotiator sets an anchor with the initial offer, and scores of negotiation studies show that such anchors greatly favor the person who sets them.⁴⁸

Say you have a job offer, and your prospective employer asks you what sort of starting salary you'd want. You've just been given a great gift—you have a chance to set the anchor, meaning you should ask for the highest salary you think the employer could reasonably offer. Asking for a million dollars is only going to make most of us look ridiculous, which is why we suggest being on the high end of what you think is *reasonable*. Too often, we err on the side of caution, afraid of scaring off the employer and thus settling for too little. It is possible to scare off an employer, and it's true employers don't like candidates to be assertive in salary negotiations, but liking isn't the same as doing what it takes to hire or retain someone.⁴⁹ What happens much more often is that we ask for less than we could have gotten.

Another distributive bargaining tactic is revealing a deadline. Erin is a human resources manager. She is negotiating salary with Ron, who is a highly sought-after new hire. Because Ron knows the company needs him, he decides to play hardball and ask for an extraordinary salary and many benefits. Erin tells Ron the company can't meet his requirements. Ron tells Erin he is going to have to think things over. Worried the company is going to lose Ron to a competitor, Erin decides to tell Ron she is under time pressure and needs to reach an agreement with him immediately, or she will have to offer the job to another candidate. Would you consider Erin to be a savvy negotiator? Well, she is. Why? Negotiators who reveal deadlines speed concessions from their negotiating counterparts, making them reconsider their position. And even though negotiators don't *think* this tactic works, in reality, negotiators who reveal deadlines do better.⁵⁰

Integrative Bargaining Jake is a 5-year-old Chicago luxury boutique owned by Jim Wetzel and Lance Lawson. In the early days of the business, Wetzel and Lawson had no trouble moving millions of dollars of merchandise from many up-and-coming designers. They developed such a good rapport that many designers would send allotments to Jake without requiring advance payment. When the economy soured in 2008, Jake had trouble selling inventory, and the designers found they were not being paid for what they had shipped to the store. Despite the fact that many designers were willing to work with the store on a delayed payment plan, Wetzel and Lawson stopped returning their calls. Lamented one designer, Doo-Ri Chung, "You kind of feel this familiarity with people who supported you for so long. When they have cash-flow issues, you want to make sure you are there for them as well."⁵¹ Ms. Chung's attitude shows the promise of **integrative bargaining**. In contrast to distributive bargaining, integrative bargaining operates under the assumption that one or more of the possible settlements can create a win-win solution. Of course, as the Jake example shows and we'll highlight later, integrative bargaining takes "two to tango"—both parties must be engaged for it to work.

United Auto Workers officials (left) and Ford Motor Company officials shake hands during a news conference for the start of national negotiations in July 2011. Both UAW and Ford say that they are committed to integrative bargaining in finding mutually acceptable solutions to create a win-win settlement that will help boost their competitiveness with other automakers in the United States and abroad. The negotiations reflect a 70-year history of UAW and Ford working together to share information that will help address difficult business challenges.



Source: AP Photo/Paul Sancya.

In terms of intraorganizational behavior, all things being equal, integrative bargaining is preferable to distributive bargaining because the former builds long-term relationships. Integrative bargaining bonds negotiators and allows them to leave the bargaining table feeling they have achieved a victory. Distributive bargaining, however, leaves one party a loser. It tends to build animosities and deepen divisions when people have to work together on an ongoing basis. Research shows that over repeated bargaining episodes, a “losing” party who feels positive about the negotiation outcome is much more likely to bargain cooperatively in subsequent negotiations. This points to an important advantage of integrative negotiations: even when you “win,” you want your opponent to feel good about the negotiation.⁵²

Why, then, don’t we see more integrative bargaining in organizations? The answer lies in the conditions necessary for it to succeed. These include opposing parties who are open with information and candid about their concerns, are sensitive to the other’s needs and trust, and are willing to maintain flexibility.⁵³ Because these conditions seldom exist in organizations, it isn’t surprising that negotiations often take on a win-at-any-cost dynamic.

There are ways to achieve more integrative outcomes. Individuals who bargain in teams reach more integrative agreements than those who bargain individually because more ideas are generated when more people are at the bargaining table. So, try bargaining in teams.⁵⁴ Another way to achieve higher joint-gain settlements is to put more issues on the table. The more negotiable issues introduced into a negotiation, the more opportunity for “logrolling,” where issues are traded off because people have different preferences. This

integrative bargaining *Negotiation that seeks one or more settlements that can create a win-win solution.*

“Communicating Well Is More Important in Cross-Cultural Negotiations”

This statement is true.

At no time in human history has the contact between members of different cultures been higher. Supply chains are increasingly multinational networks. Large organizations market their products and services in many nations. Global virtual teams work to make their organizations globally competitive. Most of these supplier/customer/manager/employee relationships include negotiating over something. Only the smallest and most local organization is insulated from the need to negotiate cross-culturally.

Because negotiation is an intense communication process, you might think that globalization has placed a premium on communicating well in negotiations. A recent study supported that

view, but it also gave important details about what’s necessary to communicate well in cross-cultural negotiations:

Clarity—did each party understand each other?

Responsiveness—did each party respond quickly and smoothly?

Comfort—did each party feel comfortable and trust the other?

The authors found that cross-cultural negotiations did have lower communication quality with respect to all three characteristics than did within-country negotiations. They also found that higher levels of communication quality contributed to success in cross-cultural negotiations—in terms of both the joint gains the parties achieved and their satisfaction with the agreements.

Because communication quality was measured at the end of the negotiation, this study can’t determine cause-and-effect (it’s possible that negotiation outcomes cause the parties to perceive communication more favorably). However, it does suggest that cross-cultural negotiations need not always result in lower outcomes—if the parties commit themselves to communicating clearly, responsively, and in such a way to make the other side comfortable.

Source: Based on L. A. Liu, C. H. Chua, and G. K. Stahl, “Quality of Communication Experience: Definition, Measurement, and Implications for Intercultural Negotiations,” *Journal of Applied Psychology* 95, No. 3 (2010), pp. 469–487.

creates better outcomes for each side than if they negotiated each issue individually.⁵⁵ A final piece of advice is to focus on the underlying interests of both sides rather than on issues. In other words, it is better to concentrate on *why* an employee wants a raise rather than focusing just on the raise amount—some unseen potential for integrative outcomes may arise if both sides concentrate on what they really want rather than on the specific items they’re bargaining over. Typically, it’s easier to concentrate on underlying interests when parties to a negotiation are focused on broad, overall goals rather than on immediate outcomes of a specific decision.⁵⁶ Negotiations that occur when both parties are focused on learning and understanding the other side tend to also yield higher joint outcomes than those in which parties are more interested in their individual bottom-line outcomes.⁵⁷

Finally, recognize that compromise may be your worst enemy in negotiating a win-win agreement. Compromising reduces the pressure to bargain integratively. After all, if you or your opponent caves in easily, it doesn’t require anyone to be creative to reach a settlement. Thus, people end up settling for less than they could have obtained if they had been forced to consider the other party’s interests, trade off issues, and be creative.⁵⁸ Think of the classic example in which two sisters are arguing over who gets an orange. Unknown to them, one sister wants the orange to drink the juice, whereas the other wants the orange peel to bake a cake. If one sister simply capitulates and gives the other sister the orange, they will not be forced to explore their reasons for wanting the orange, and thus they will never find the win-win solution: they could *each* have the orange because they want different parts of it!

- 6 Apply the five steps of the negotiation process.

The Negotiation Process

Exhibit 14-7 provides a simplified model of the negotiation process. It views negotiation as made up of five steps: (1) preparation and planning, (2) definition of ground rules, (3) clarification and justification, (4) bargaining and problem solving, and (5) closure and implementation.⁵⁹

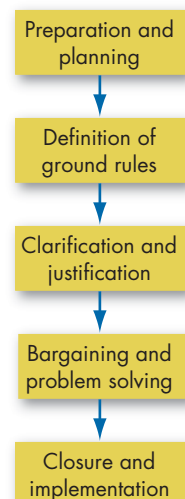
Preparation and Planning Before you start negotiating, you need to do your homework. What's the nature of the conflict? What's the history leading up to this negotiation? Who's involved and what are their perceptions of the conflict? What do you want from the negotiation? What are *your* goals? If you're a supply manager at Dell Computer, for instance, and your goal is to get a significant cost reduction from your supplier of keyboards, make sure this goal stays paramount in your discussions and doesn't get overshadowed by other issues. It often helps to put your goals in writing and develop a range of outcomes—from “most hopeful” to “minimally acceptable”—to keep your attention focused.

You also want to assess what you think are the other party's goals. What are they likely to ask? How entrenched is their position likely to be? What intangible or hidden interests may be important to them? On what might they be willing to settle? When you can anticipate your opponent's position, you are better equipped to counter arguments with the facts and figures that support your position.

Relationships will change as a result of a negotiation, so that's another outcome to take into consideration. If you could “win” a negotiation but push the other side into resentment or animosity, it might be wiser to pursue a more compromising style. If preserving the relationship will make you seem weak and easily exploited, you may want to consider a more aggressive style. As an example of how the tone of a relationship set in negotiations matters, consider that people who feel good about the *process* of a job offer negotiation are more satisfied with their jobs and less likely to turn over a year later regardless of their actual *outcomes* from these negotiations.⁶⁰

Once you've gathered your information, use it to develop a strategy. For example, expert chess players know ahead of time how they will respond to

Exhibit 14-7 The Negotiation



any given situation. As part of your strategy, you should determine your and the other side's **best alternative to a negotiated agreement**, or **BATNA**.⁶¹ Your BATNA determines the lowest value acceptable to you for a negotiated agreement. Any offer you receive that is higher than your BATNA is better than an impasse. Conversely, you shouldn't expect success in your negotiation effort unless you're able to make the other side an offer it finds more attractive than its BATNA. If you go into your negotiation having a good idea of what the other party's BATNA is, even if you're not able to meet it you might be able to elicit a change. Think carefully about what the other side is willing to give up. People who underestimate their opponent's willingness to give on key issues before the negotiation even starts end up with lower outcomes from a negotiation.⁶²

Definition of Ground Rules Once you've done your planning and developed a strategy, you're ready to begin defining with the other party the ground rules and procedures of the negotiation itself. Who will do the negotiating? Where will it take place? What time constraints, if any, will apply? To what issues will negotiation be limited? Will you follow a specific procedure if an impasse is reached? During this phase, the parties will also exchange their initial proposals or demands.

Clarification and Justification When you have exchanged initial positions, both you and the other party will explain, amplify, clarify, bolster, and justify your original demands. This step needn't be confrontational. Rather, it's an opportunity for educating and informing each other on the issues, why they are important, and how you arrived at your initial demands. Provide the other party with any documentation that helps support your position.

Bargaining and Problem Solving The essence of the negotiation process is the actual give-and-take in trying to hash out an agreement. This is where both parties will undoubtedly need to make concessions.

Closure and Implementation The final step in the negotiation process is formalizing the agreement you have worked out and developing any procedures necessary for implementing and monitoring it. For major negotiations—from labor-management negotiations to bargaining over lease terms to buying a piece of real estate to negotiating a job offer for a senior management position—this requires hammering out the specifics in a formal contract. For most cases, however, closure of the negotiation process is nothing more formal than a handshake.

Individual Differences in Negotiation Effectiveness

Are some people better negotiators than others? The answer is more complex than you might think. Four factors influence how effectively individuals negotiate: personality, mood/emotions, culture, and gender.

Personality Traits in Negotiation Can you predict an opponent's negotiating tactics if you know something about his or her personality? Because personality and negotiation outcomes are related but only weakly, the answer is, at best, "sort of." Negotiators who are agreeable or extraverted are not very successful in distributive bargaining. Why? Because extraverts are outgoing and friendly, they tend to share more information than they should. And agreeable people are more interested in finding ways to cooperate rather than to butt heads. These traits, while slightly helpful in integrative negotiations, are liabilities

7 Show how individual differences influence negotiations.

when interests are opposed. So the best distributive bargainer appears to be a disagreeable introvert—someone more interested in his or her own outcomes than in pleasing the other party and having a pleasant social exchange. People who are highly interested in having positive relationships with other people, and who are not very concerned about their own outcomes, are especially poor negotiators. These people tend to be very anxious about disagreements and plan to give in quickly to avoid unpleasant conflicts even before negotiations start.⁶³

Research also suggests intelligence predicts negotiation effectiveness, but, as with personality, the effects aren't especially strong.⁶⁴ In a sense, these weak links are good news because they mean you're not severely disadvantaged, even if you're an agreeable extrovert, when it's time to negotiate. We all can learn to be better negotiators. In fact, people who think so are more likely to do well in negotiations because they persist in their efforts even in the face of temporary setbacks.⁶⁵

Moods/Emotions in Negotiation Do moods and emotions influence negotiation? They do, but the way they do appears to depend on the type of negotiation. In distributive negotiations, it appears that negotiators in a position of power or equal status who show anger negotiate better outcomes because their anger induces concessions from their opponents. Angry negotiators also feel more focused and assertive in striking a bargain. This appears to hold true even when the negotiators are instructed to show anger despite not being truly angry. On the other hand, for those in a less powerful position, displaying anger leads to worse outcomes. Thus, if you're a boss negotiating with a peer or a subordinate, displaying anger may help you, but if you're an employee negotiating with a boss, it might hurt you.⁶⁶ So what happens when two parties have to negotiate and one has shown anger in the past? Does the other try to get revenge and act extra tough, or does this party have some residual fear that the angry negotiator might get angry again? Evidence suggests that being angry has a spillover effect, such that angry negotiators are perceived as "tough" when the parties meet a second time, which leads negotiation partners to give up more concessions again.⁶⁷

Anxiety also appears to have an impact on negotiation. For example, one study found that individuals who experienced more anxiety about a negotiation used more deceptions in dealing with others.⁶⁸ Another study found that anxious negotiators expect lower outcomes from negotiations, respond to offers more quickly, and exit the bargaining process more quickly, which leads them to obtain worse outcomes.⁶⁹

All these findings regarding emotions have related to distributive bargains. In integrative negotiations, in contrast, positive moods and emotions appear to lead to more integrative agreements (higher levels of joint gain). This may happen because, as we noted in Chapter 4, positive mood is related to creativity.⁷⁰

Culture in Negotiations One study compared U.S. and Japanese negotiators and found the generally conflict-avoidant Japanese negotiators tended to communicate indirectly and adapt their behaviors to the situation. A follow-up study showed that, whereas early offers by U.S. managers led to the anchoring effect we noted when discussing distributive negotiation, for Japanese negotiators,

early offers led to more information sharing and better integrative outcomes.⁷¹ In another study, managers with high levels of economic power from Hong Kong, which is a high power-distance country, were more cooperative in negotiations over a shared resource than German and U.S. managers, who were lower in power distance.⁷² This suggests that in high power-distance countries, those in positions of power might exercise more restraint.

Another study looked at differences between U.S. and Indian negotiators.⁷³ Indian respondents reported having less trust in their negotiation counterparts than did U.S. respondents. These lower levels of trust were associated with lower discovery of common interests between parties, which occurred because Indian negotiators were less willing to disclose and solicit information. In both cultures, use of question-and-answer methods of negotiation were associated with superior negotiation outcomes, so although there are some cultural differences in negotiation styles, it appears that some negotiation tactics yield superior outcomes across cultures.

Gender Differences in Negotiations Do men and women negotiate differently? And does gender affect negotiation outcomes? The answer to the first question appears to be no.⁷⁴ The answer to the second is a qualified yes.⁷⁵

A popular stereotype is that women are more cooperative and pleasant in negotiations than are men. The evidence doesn't support this belief. However, men have been found to negotiate better outcomes than women, although the difference is relatively small. It's been postulated that men and women place unequal values on outcomes. "It is possible that a few hundred dollars more in salary or the corner office is less important to women than forming and maintaining an interpersonal relationship."⁷⁶

Because women are expected to be "nice" and men "tough," research shows women are penalized when they initiate negotiations.⁷⁷ What's more, when women and men actually do conform to these stereotypes—women act "nice" and men "tough"—it becomes a self-fulfilling prophecy, reinforcing the stereotypical gender differences between male and female negotiators.⁷⁸ Thus, one of the reasons negotiations favor men is that women are "damned if they do, damned if they don't." Negotiate tough and they are penalized for violating a gender stereotype. Negotiate nice and it only reinforces and lets others take advantage of the stereotype.

In this photo, Japanese labor union leader Hidekazu Kitagawa (right) presents the group's annual wage and benefits demands to Ikuo Mori, president of Fuji Heavy Industries, Ltd., the manufacturer of Subaru automobiles. Studies on how negotiating styles vary across national cultures reveal that the generally conflict-avoidant Japanese negotiators tend to communicate indirectly and use a more polite conversational style. Their style of interaction is less aggressive than other cultures, favoring frequent silent periods and more positive recommendations and commitments and de-emphasizing the use of threats and commands.



Source: *Kyodo/Newscom.

Anger and Conflict Across Cultures

We've discussed anger as a negotiating tactic, but do different cultures view the expression of anger differently? Evidence suggests they do, meaning the use of anger is not a consistently wise negotiation strategy.

One study explicitly compared how U.S. and Chinese negotiators react to an angry counterpart. Chinese negotiators increased their use of distributive negotiating tactics, whereas U.S. negotiators decreased their use of these tactics. That is, Chinese negotiators

began to drive a harder bargain once they saw that their negotiation partner was becoming angry, whereas U.S. negotiators actually capitulate somewhat in the face of angry demands.

Why do East Asian negotiators respond more negatively to angry negotiators? In a second study, researchers found that European Americans tended to give larger concessions when faced with an angry negotiation partner, whereas Asian negotiators again gave smaller ones. This difference may occur because

individuals from East Asian cultures feel that using anger to get your way in a negotiation is not a legitimate tactic, so they respond by refusing to cooperate when their opponents become upset.

Sources: Based on M. Liu, "The Intrapersonal and Interpersonal Effects of Anger on Negotiation Strategies: A Cross-Cultural Investigation," *Human Communication Research* 35, no. 1 (2009), pp. 148–169; and H. Adam, A. Shirako, and W. W. Maddux, "Cultural Variance in the Interpersonal Effects of Anger in Negotiations," *Psychological Science* 21, no. 6 (2010), pp. 882–889.



SELF-ASSESSMENT LIBRARY

What's My Negotiating Style?

In the Self-Assessment Library (available on CD and online), take assessment II.C.6 (What's My Negotiating Style?).

Evidence also suggests women's own attitudes and behaviors hurt them in negotiations. Managerial women demonstrate less confidence than men in anticipation of negotiating and are less satisfied with their performance afterward, even when their performance and the outcomes they achieve are similar to those for men.⁷⁹ Women are also less likely than men to see an ambiguous situation as an opportunity for negotiation. It appears that women may unduly penalize themselves by failing to engage in negotiations that would be in their best interests. Some research suggests that women are less aggressive in negotiations because they are worried about backlash from others. There is an interesting qualifier to this result: women are more likely to engage in assertive negotiation when they are bargaining on behalf of someone else than when they are bargaining on their own behalf.⁸⁰

Third-Party Negotiations

To this point, we've discussed bargaining in terms of direct negotiations. Occasionally, however, individuals or group representatives reach a stalemate and are unable to resolve their differences through direct negotiations. In such cases, they may turn to a third party to help them find a solution. There are three basic third-party roles: mediator, arbitrator, and conciliator.

A **mediator** is a neutral third party who facilitates a negotiated solution by using reasoning and persuasion, suggesting alternatives, and the like.

- 8** Assess the roles and functions of third-party negotiations.

mediator A neutral third party who facilitates a negotiated solution by using reasoning, persuasion, and suggestions for alternatives.

Using Empathy to Negotiate More Ethically

You may have noticed that much of our advice for negotiating effectively depends on understanding the perspective and goals of the person with whom you are negotiating. Preparing checklists of your negotiation partner's interests, likely tactics, and BATNA have all been shown to improve negotiation outcomes. Can these steps make you a more ethical negotiator as well? Studies suggest that it might.

Researchers asked respondents to indicate how much they tended to think about other people's feelings and emotions and to describe the types of tactics they engaged in during a negotiation exercise. More empathetic individuals consistently engaged in fewer unethical negotiation behaviors like making false promises and manipulating information, and

emotions. To put this in terms familiar to you from personality research, it appears that individuals who are higher in agreeableness will be more ethical negotiators.

When considering how to improve your ethical negotiation behavior, follow these guidelines:

1. Try to understand your negotiation partner's perspective, not just by understanding cognitively what the other person wants, but by empathizing with the emotional reaction he or she will have to the possible outcomes.
2. Be aware of your own emotions, because many moral reactions are fundamentally emotional. One study found that engaging in unethical negotiation strategies increased feelings of guilt, so

by extension, feeling guilty in a negotiation may mean you are engaging in behavior you'll regret later.

3. Beware of empathizing so much that you work against your own interests. Just because you try to understand the motives and emotional reactions of the other side does not mean you have to assume the other person is going to be honest and fair in return. So be on guard.

Sources: Based on T. R. Cohen, "Moral Emotions and Unethical Bargaining: The Differential Effects of Empathy and Perspective Taking in Detering Deceitful Negotiation," *Journal of Business Ethics* 94, no. 4 (2010), pp. 569–579; and R. Volkema, D. Fleck, and A. Hofmeister, "Predicting Competitive-Unethical Negotiating Behavior and Its Consequences," *Negotiation Journal* 26, no. 3 (2010), pp. 263–286.

Mediators are widely used in labor–management negotiations and in civil court disputes. Their overall effectiveness is fairly impressive. The settlement rate is approximately 60 percent, with negotiator satisfaction at about 75 percent. But the situation is the key to whether mediation will succeed; the conflicting parties must be motivated to bargain and resolve their conflict. In addition, conflict intensity can't be too high; mediation is most effective under moderate levels of conflict. Finally, perceptions of the mediator are important; to be effective, the mediator must be perceived as neutral and noncoercive.

An **arbitrator** is a third party with the authority to dictate an agreement. Arbitration can be voluntary (requested by the parties) or compulsory (forced on the parties by law or contract). The big plus of arbitration over mediation is that it always results in a settlement. Whether there is a negative side depends on how heavy-handed the arbitrator appears. If one party is left feeling overwhelmingly defeated, that party is certain to be dissatisfied and the conflict may resurface at a later time.

A **conciliator** is a trusted third party who provides an informal communication link between the negotiator and the opponent. This role was made famous by Robert Duval in the first *Godfather* film. As Don Corleone's adopted son and a lawyer by training, Duval acted as an intermediary between the Corleones and the other Mafioso families. Comparing conciliation to mediation in terms of effectiveness has proven difficult because the two overlap a great deal. In practice, conciliators typically act as more than mere communication conduits. They also engage in fact-finding, interpret messages, and persuade disputants to develop agreements.

MyManagementLab

Now that you have finished this chapter, go back to www.mymanagementlab.com to continue practicing and applying the concepts you've learned.

Summary and Implications for Managers

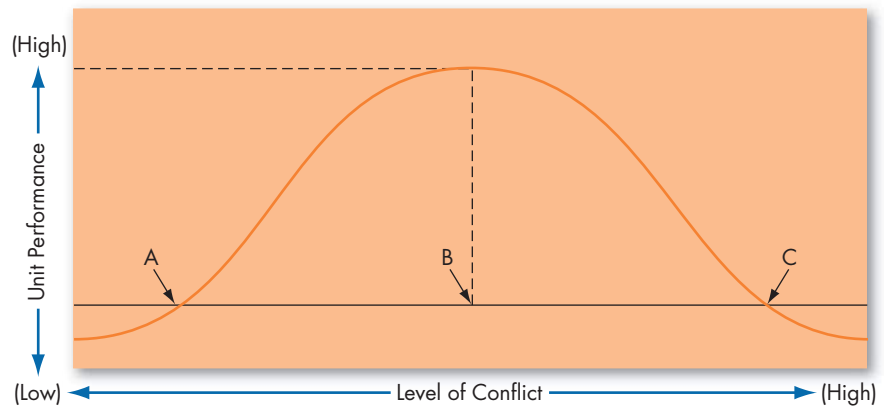
While many people assume conflict lowers group and organizational performance, this assumption is frequently incorrect. Conflict can be either constructive or destructive to the functioning of a group or unit. As shown in Exhibit 14-8, levels of conflict can be either too high or too low to be constructive. Either extreme hinders performance. An optimal level is one that prevents stagnation, stimulates creativity, allows tensions to be released, and initiates the seeds of change without being disruptive or preventing coordination of activities.

What advice can we give managers faced with excessive conflict and the need to reduce it? Don't assume one conflict-handling strategy will always be best! Select a strategy appropriate for the situation. Here are some guidelines:⁸¹

- Use *competition* when quick decisive action is needed (in emergencies), when issues are important, when unpopular actions need to be implemented (in cost cutting, enforcement of unpopular rules, discipline), when the issue is vital to the organization's welfare and you know you're right, and when others are taking advantage of noncompetitive behavior.
- Use *collaboration* to find an integrative solution when both sets of concerns are too important to be compromised, when your objective is to learn, when you want to merge insights from people with different perspectives or gain commitment by incorporating concerns into a consensus, and when you need to work through feelings that have interfered with a relationship.
- Use *avoidance* when an issue is trivial or symptomatic of other issues, when more important issues are pressing, when you perceive no chance of satisfying your concerns, when potential disruption outweighs the benefits of resolution, when people need to cool down and regain perspective, when gathering information supersedes immediate decision, and when others can resolve the conflict more effectively.
- Use *accommodation* when you find you're wrong, when you need to learn or show reasonableness, when you should allow a better position to be heard, when issues are more important to others than to yourself, when you want to satisfy others and maintain cooperation, when you can build social credits for later issues, when you are outmatched and losing (to minimize loss), when harmony and stability are especially important, and when employees can develop by learning from mistakes.

arbitrator A third party to a negotiation who has the authority to dictate an agreement.

conciliator A trusted third party who provides an informal communication link between the negotiator and the opponent.

Exhibit 14-8 Conflict and Unit Performance

Situation	Level of Conflict	Type of Conflict	Unit's Internal Characteristics	Unit Performance Outcome
A	Low or none	Dysfunctional	Apathetic Stagnant Nonresponsive to change Lack of new ideas	Low
B	Optimal	Functional	Viable Self-critical Innovative	High
C	High	Dysfunctional	Disruptive Chaotic Uncooperative	Low

- Use *compromise* when goals are important but not worth the effort of potential disruption of more assertive approaches, when opponents with equal power are committed to mutually exclusive goals, when you seek temporary settlements to complex issues, when you need expedient solutions under time pressure, and as a backup when collaboration or competition is unsuccessful.
- Distributive bargaining can resolve disputes, but it often reduces the satisfaction of one or more negotiators because it is confrontational and focused on the short term. Integrative bargaining, in contrast, tends to provide outcomes that satisfy all parties and build lasting relationships.
- Make sure you set aggressive negotiating goals and try to find creative ways to achieve the objectives of both parties, especially when you value the long-term relationship with the other party. That doesn't mean sacrificing your self-interest; rather, it means trying to find creative solutions that give both parties what they really want.

Player–Owner Disputes Are Unnecessary

POINT

It seems there's always a major sports league on the verge of a strike. In the past few years, Major League Baseball (MLB), the National Basketball Association (NBA), the National Hockey League (NHL), and the National Football League (NFL) have had major labor disputes. When greed meets greed, guess who loses? Yes, the fans.

A few years ago, an entire NHL season was canceled due to a labor dispute (NHL owners staged a work stoppage or "lock-out" that lasted 311 days). The main issue? How to divide the more than \$2 billion in revenues generated by the league. The average NHL player earns an annual salary of \$1.35 million, and that doesn't include income from endorsements, appearances, merchandise, and so on. The owners aren't hurting, either. Most are millionaires many times over. Los Angeles Kings owner Philip Anschutz is reported to have a net worth of \$7 billion.

The NFL is a variation on the same theme. During the 2011 lockout, during which the player's union temporarily disbanded so it could claim it wasn't a union, the owners and players fought over how to divide \$9 billion in revenues. The average player makes \$1.9 million a year. The average net worth of an NFL owner is \$1.4 billion. And each side squabbles over getting more.

Yes, players get injured. Some lives are permanently damaged. But do you think being a construction worker, farmer, police officer, fisher, or loading-dock worker is a piece of cake? How often do these groups strike? They earn far less than professional athletes (the average fisher earns 2 percent of the average salary of an NHL player!), but they do work year-round, which is much more dangerous.

Meanwhile, ticket prices for sports events continue to soar. In the past 20 years, major league ticket prices have increased at double the rate of inflation. But what are the owners and players focused on? How to line their pockets even further. Was it any surprise when Minnesota Vikings running back Adrian Peterson, fuming over the dispute, called NFL players "modern-day slaves"? (He earns more than \$10 million a year.)

Billionaires feuding with millionaires. These are unseemly—and unnecessary—conflicts.

COUNTERPOINT

Sports teams are an easy target.

It's true that most major league players are well rewarded for their exceptional talents and the risks they take. It's also true that owners who are able to invest in teams are wealthy—investors usually are. But do the resources on each side mean their conflict should just melt away? The reason these disputes happen is that real interests and real money is at stake.

The operation of major league sports is a complex business. The owners and players can be caricatured, but if you delve a bit deeper, you can see that their disputes are fairly natural. Let's look at hockey. NHL clubs spent 76 percent of their gross revenues on players' salaries and collectively lost \$273 million the year before the lockout. The NHL tried to convince players to accept a wage structure that linked player salaries to league revenues, guaranteeing the clubs "cost certainty." Understandably, the players' union resisted, arguing that "cost certainty" was nothing more than another term for a salary cap. They argued in favor of retaining the "market-based" system in which players individually negotiated contracts with teams, and teams had complete control over how much it spent on players.

The NFL lockout hinged on a number of issues that divided the owners and players, including the owners' desire for an 18-game season (with no increase in player compensation), the way costs are considered in revenue sharing, and pensions for retired players. These aren't trivial issues, and neither are they entirely different from issues that arise in other labor–management disputes.

Finally, it's easy to argue that major league sports have an unusual number of labor disputes, but that's not necessarily accurate. Did you hear about the 2011 Saskatchewan Teachers Federation strike? Sports interest us (which is why there's so much money involved), and thus we're more likely to notice major league sports labor disputes, but that doesn't prove they're more common.

Yes, owners are rich and players make a lot of money. We're the ones who helped them do it, and we shouldn't fault them for wanting more of what we gave them.

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QUESTIONS FOR REVIEW

- 1 What is conflict?
- 2 What are the differences among the traditional, interactionist, and managed-conflict views of conflict?
- 3 What are the steps of the conflict process?
- 4 What is negotiation?
- 5 What are the differences between distributive and integrative bargaining?
- 6 What are the five steps in the negotiation process?
- 7 How do the individual differences of personality and gender influence negotiations?
- 8 What are the roles and functions of third-party negotiations?

EXPERIENTIAL EXERCISE A Negotiation Role-Play

This role-play is designed to help you develop your negotiating skills. The class is to break into pairs. One person will play the role of Alex, the department supervisor. The other person will play C. J., Alex's boss. Both participants should read "The Situation," "The Negotiation," and then their role only.

The Situation

Alex and C. J. work for Nike in Beaverton, Oregon. Alex supervises a research laboratory. C. J. is the manager of research and development. Alex and C. J. are former college runners who have worked for Nike for more than 6 years. C. J. has been Alex's boss for 2 years. One of Alex's employees has greatly impressed Alex. This employee is Lisa Roland. Lisa was hired 11 months ago. She is 24 years old and holds a master's degree in mechanical engineering. Her entry-level salary was \$57,500 per year. Alex told her that, in accordance with corporation policy, she would receive an initial performance evaluation at 6 months and a comprehensive review after 1 year. Based on her performance record, Lisa was told she could expect a salary adjustment at the time of the 1-year evaluation.

Alex's evaluation of Lisa after 6 months was very positive. Alex commented on the long hours Lisa was putting in, her cooperative spirit, the fact that others in the lab enjoyed working with her, and that she was making an immediate positive impact on the project assigned to her. Now that Lisa's first anniversary is coming up, Alex has again reviewed Lisa's performance. Alex thinks Lisa may be the best new person the R&D group has ever hired. After only a year, Alex has ranked Lisa as the number-3 performer in a department of 11.

Salaries in the department vary greatly. Alex, for instance, has a base salary of \$86,000, plus eligibility for a bonus that might add another \$7,000 to \$12,000 a year. The salary range of the 11 department members is \$48,400 to \$76,350. The individual with the lowest salary is a recent hire with a bachelor's degree in physics. The

two people whom Alex has rated above Lisa earn base salaries of \$69,200 and \$76,350. They're both 27 years old and have been at Nike for 3 and 4 years, respectively. The median salary in Alex's department is \$64,960.

Alex's Role

You want to give Lisa a big raise. Although she's young, she has proven to be an excellent addition to the department. You don't want to lose her. More importantly, she knows in general what other people in the department are earning, and she thinks she's underpaid. The company typically gives 1-year raises of 5 percent, although 10 percent is not unusual, and 20 to 30 percent increases have been approved on occasion. You'd like to get Lisa as large an increase as C. J. will approve.

C. J.'s Role

All your supervisors typically try to squeeze you for as much money as they can for their people. You understand this because you did the same thing when you were a supervisor, but your boss wants to keep a lid on costs. He wants you to keep raises for recent hires generally in the 5 to 8 percent range. In fact, he's sent a memo to all managers and supervisors saying this. He also said that managers will be evaluated on their ability to maintain budgetary control. However, your boss is also concerned with equity and paying people what they're worth. You feel assured that he will support any salary recommendation you make, as long as it can be justified. Your goal, consistent with cost reduction, is to keep salary increases as low as possible.

The Negotiation

Alex has a meeting scheduled with C. J. to discuss Lisa's performance review and salary adjustment. Take a couple of minutes to think through the facts in this exercise and to prepare a strategy. Then take up to 15 minutes to conduct your negotiation. When your negotiation is complete, the class will compare the various strategies used and pair outcomes.

ETHICAL DILEMMA The Lowball Applicant

Consider this real-life scenario:

A freelance project manager, I was hired to find someone to fill a highly specialized job. When I asked an impressive candidate her pay rate, she named a figure far below the industry standard. I could have rejected her for this lack of sophistication or exploited her low bid. Instead, I coached her to a figure nearly twice her bid yet about 30 percent below my client's budget. I did not inform my client about the discrepancy, and she was hired at the rate I recommended. Did I do wrong by either party?

—NAME WITHHELD, *New York*

Source: R. Cohen, "The Ethicist," *New York Times Magazine* (July 18, 2010), p. 19.

Questions

1. In coaching the applicant to request a higher salary, did the project manager work against the interests of the client organization by which he or she is employed? Why or why not?
2. Could the manager have avoided this dilemma by proposing a salary figure that was the industry norm? Would that be in the interests of the client organization?
3. If you were in the project manager's situation, would you have handled this negotiation differently? If so, how so?

CASE INCIDENT 1 Choosing Your Battles

While much of this chapter has discussed methods for achieving harmonious relationships and getting out of conflicts, it's also important to remember there are situations in which too little conflict can be a problem. As we noted, in creative problem-solving teams, some level of task conflict early in the process of formulating a solution can be an important stimulus to innovation.

However, the conditions must be right for productive conflict. In particular, individuals must feel psychologically safe in bringing up issues for discussion. If people fear that what they say is going to be held against them, they may be reluctant to speak up or rock the boat. Experts suggest that effective conflicts have three key characteristics: they should (1) speak to what is possible, (2) be compelling, and (3) involve uncertainty.

So how should a manager "pick a fight?" First, ensure that the stakes are sufficient to actually warrant a disruption. Second, focus on the future, and on how to resolve the conflict rather than on whom to blame. Third, tie the conflict to fundamental values. Rather than concentrating on winning or losing, encourage both parties to see how successfully exploring and resolving the conflict will lead to optimal outcomes for all. If managed successfully, some degree of open disagreement can be an important way for companies to manage simmering and potentially destructive conflicts.

Do these principles work in real organizations? The answer is yes. Dropping its old ways of handling scheduling

and logistics created a great deal of conflict at Burlington Northern Santa Fe railroad, but applying these principles to managing the conflict helped the railroad adopt a more sophisticated system and recover its competitive position in the transportation industry. Doug Conant, CEO of Campbell Soup, increased functional conflicts in his organization by emphasizing a higher purpose to the organization's efforts rather than focusing on whose side was winning a conflict. Thus, a dysfunctional conflict environment changed dramatically and the organization was able to move from one of the world's worst-performing food companies to one that was recognized as a top performer by both the Dow Jones Sustainability Index and *Fortune* 500 data on employee morale.

Questions

1. How would you ensure sufficient discussion of contentious issues in a work group? How can managers bring unspoken conflicts into the open without making them worse?
2. How can negotiators utilize conflict management strategies to their advantage so that differences in interests lead not to dysfunctional conflicts but rather to positive integrative solutions?
3. Can you think of situations in your own life in which silence has worsened a conflict between parties? What might have been done differently to ensure that open communication facilitated collaboration instead?

Sources: Based on S. A. Joni and D. Beyer, "How to Pick a Good Fight," *Harvard Business Review* (December 2009), pp. 48–57; and B. H. Bradley, B. E. Postlewaite, A. C. Klotz, M. R. Hamdani, and K. G. Brown., "Reaping the Benefits of Task Conflict in Teams: The Critical Role of Team Psychological Safety Climate," *Journal of Applied Psychology*, Advance publication (July 4, 2011), doi: 10.1037/a0024200.

CASE INCIDENT 2 Mediation: Master Solution to Employment Disputes?

We typically think of mediation as the province of marital counselors and labor strife. More organizations use mediation to resolve conflicts than you might think. In fact, in the United States, Canada, Great Britain, Ireland, and India, mediation is growing rapidly as a means to settle employment disputes. We introduced mediation in this chapter; let's look at some examples when it has succeeded and when it has failed.

Mediation has often succeeded:

- Many states have experimented with mediation as an alternative to traditional trials to resolve legal disputes. The state of Maryland found in a pilot program that 58 percent of appellate cases could be resolved through mediation and that mediation was both cheaper and faster than a traditional courtroom resolution.
- The Equal Employment Opportunity Commission (EEOC), the federal agency that oversees employment discrimination complaints in the United States, uses mediation extensively. Safeway, the third-largest U.S. supermarket chain, uses the EEOC to mediate numerous employment disputes. Says Donna Gwin, Safeway's Director of Human Resources, "Through mediation, we have had the opportunity to proactively resolve issues and avoid potential charges in the future. We have seen the number of charges filed with EEOC against us actually decline. We believe that our participating in mediation and listening to employees' concerns has contributed to that decline."

However, mediation doesn't always work:

- In 2008, the Screen Actors Guild (SAG) and the Alliance of Motion Picture and Television Producers (AMPTP), representing some 350 studios and production companies, engaged in prolonged negotiations over a new labor agreement. The negotiations failed, and the parties agreed to mediation. However, mediation also failed, and in response SAG asked its members to approve a strike authorization.
- When David Kuchinsky, the former driver for New York Knicks center Eddy Curry, sued Curry for sexual harassment, discrimination, and failure to pay \$93,000 in wages and reimbursements, the parties agreed to mediation. However, after the sides failed to reach a settlement during mediation, Kuchinsky reinstated his lawsuit, and Curry filed a \$50,000 countersuit.

Questions

1. Drawing from these examples, what factors do you think differentiate occasions when mediation was successful and when it failed?
2. One successful mediator, Boston's Paul Finn, argues that if the disputing parties are seeking justice, "It's best to go somewhere else." Why do you think he says that?
3. Do you think a mediator should find out *why* the parties want what they want? Why or why not?
4. The EEOC reports that whereas 85 percent of employees agree to mediate their charges, employers agree to mediate only 30 percent of the time. Why do you think this disparity exists?

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LEARNING OBJECTIVES

After studying this chapter, you should be able to:

- 1 Identify the six elements of an organization's structure.
- 2 Identify the characteristics of a bureaucracy.
- 3 Describe a matrix organization.
- 4 Identify the characteristics of a virtual organization.
- 5 Show why managers want to create boundaryless organizations.
- 6 Demonstrate how organizational structures differ, and contrast mechanistic and organic structural models.
- 7 Analyze the behavioral implications of different organizational designs.

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DISMANTLING A BUREAUCRACY

Though at one time it was the largest, most successful, and most admired company in the world, today General Motors (GM) serves as a reminder to many of a staid company caught in a bureaucratic structure and culture of mediocrity that it created.

The reasons for GM's decline into bankruptcy are many. The company was heavily unionized and negotiated uncompetitive wage and pension structures for its union members. It was caught off-guard by the rise of Japanese automakers and their emphasis on quality. It was similarly blindsided by rising fuel costs and the push for fuel-efficient cars. Whenever a shock or innovation occurred, it seemed GM was poorly prepared and nearly always lagged behind competitors in anticipating, or even reacting to, a rapidly changing environment.

As in any story of organizational decline, we can't trace these missed opportunities to one cause. However, a source as likely as any is GM's organizational structure. That was the point of attack for Terry J. Woychowski.

Woychowski is vice president of the Global Vehicle Program Management at GM. He was promoted shortly after GM emerged from bankruptcy in 2009. In thinking strategically about GM and its future, Woychowski kept coming back to GM's bureaucracy. It led, he felt, to conservative, risk-averse, and analytical reactions rather than to innovative strategic risk taking. "We measured ourselves ten ways from Sunday," Woychowski says. "But as soon as everything is important, nothing is important."

Woychowski was not alone in his perceptions about the stifling effects of GM's bureaucracy. As far back as 1988, when the firm still dominated the world auto market, a GM senior executive sounded a note of caution about GM's bureaucracy that fell on deaf ears: "We have not achieved the success that we must because of severe limitations on our organization's ability to execute in a timely manner."

Woychowski is committed to changing that. In the past, any design alterations to a car required review by as many as 70 managers, with decisions often taking months and even years to wend their way through the bureaucracy. An ally of Woychowski, Jon Lauckner, head of Global Product Planning, significantly streamlined that process. Decisions that used to take months now take a few weeks.

Other aspects of GM's structure have been changed. Previously, managers were required to rate their tasks as green, yellow, or red, depending on whether the job had been completed, needed work, or should be frozen until a major problem was resolved. Mark Reuss, head of GM's global engineering group, says, "If you had a red issue and stood up, it was very punitive." So GM managers developed a risk-averse attitude and carefully sought approval

Foundations of Organization Structure

15

Every revolution evaporates and leaves behind only the slime of a new bureaucracy. —Franz Kafka



Photo: General Motors employees cheer as the nine-millionth vehicle rolls down the line. Source: Paul Moseley/MCT/Newscom.

from as many sources as possible before acting. Woychowski, Lauckner, and Reuss are working hard to make GM less bureaucratic, more informal, and less reactive and risk averse.

Can GM recover? This is not the first transformation it has attempted. Ironically, Reuss' father was dismissed as president of GM in a large restructuring in 1992. "This is an opportunity my dad never had," says Reuss. "I don't want to waste it."

Sources: B. Vlasic, "Culture Shock," *The New York Times* (November 13, 2009), pp. BU1, BU4; P. Brown, "According to Bob: How GM Cars Got Better," *AutoWeek* (May 23, 2011), downloaded June 30, 2011, from www.autoweek.com/; and A. Taylor, "GM vs. Ford: The Hundred-Year War," *Fortune* (March 23, 2011), downloaded June 29, 2011, from <http://money.cnn.com/>.

Structural decisions like the reconfiguration of GM are arguably the most fundamental ones a leader has to make. Before we delve into the elements of an organization's structure and how they can affect behavior, consider how you might react to one type of organizational structure—the bureaucratic structure—by taking the following self-assessment.



Do I Like Bureaucracy?

In the Self-Assessment Library (available on CD and online), take assessment IV.F.2 (Do I Like Bureaucracy?) and answer the following questions.

1. Judging from the results, how willing are you to work in a bureaucratic organization?
2. Do you think scores on this measure matter? Why or why not?
3. Do you think people who score very low (or even very high) on this measure should try to adjust their preferences based on where they are working?

What Is Organizational Structure?

- 1 Identify the six elements of an organization's structure.

An **organizational structure** defines how job tasks are formally divided, grouped, and coordinated. Managers need to address six key elements when they design their organization's structure: work specialization, departmentalization, chain of command, span of control, centralization and decentralization, and formalization.¹ Exhibit 15-1 presents each of these elements as answers to an important structural question, and the following sections describe them.

Work Specialization

Early in the twentieth century, Henry Ford became rich by building automobiles on an assembly line. Every Ford worker was assigned a specific, repetitive task such as putting on the right-front wheel or installing the right-front door. By dividing jobs into small standardized tasks that could be performed over and over, Ford was able to produce a car every 10 seconds, using employees who had relatively limited skills.

Exhibit 15-1**Key Design Questions and Answers for Designing the Proper Organizational Structure**

The Key Question	The Answer Is Provided by
1. To what degree are activities subdivided into separate jobs?	Work specialization
2. On what basis will jobs be grouped together?	Departmentalization
3. To whom do individuals and groups report?	Chain of command
4. How many individuals can a manager efficiently and effectively direct?	Span of control
5. Where does decision-making authority lie?	Centralization and decentralization
6. To what degree will there be rules and regulations to direct employees and managers?	Formalization

Ford demonstrated that work can be performed more efficiently if employees are allowed to specialize. Today, we use the term **work specialization**, or *division of labor*, to describe the degree to which activities in the organization are subdivided into separate jobs. The essence of work specialization is to divide a job into a number of steps, each completed by a separate individual. In essence, individuals specialize in doing part of an activity rather than the entirety.

By the late 1940s, most manufacturing jobs in industrialized countries featured high work specialization. Because not all employees in an organization have the same skills, management saw specialization as a means of making the most efficient use of its employees' skills and even successfully improving them through repetition. Less time is spent in changing tasks, putting away tools and equipment from a prior step, and getting ready for another. Equally important, it's easier and less costly to find and train workers to do specific and repetitive tasks, especially in highly sophisticated and complex operations. Could Cessna produce one Citation jet a year if one person had to build the entire plane alone? Not likely! Finally, work specialization increases efficiency and productivity by encouraging the creation of special inventions and machinery.

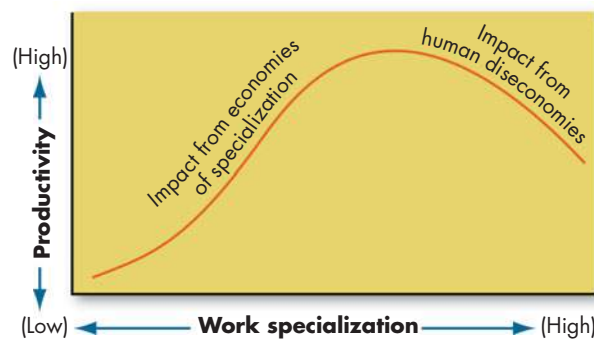
Thus, for much of the first half of the twentieth century, managers viewed work specialization as an unending source of increased productivity. And they were probably right. When specialization was not widely practiced, its introduction almost always generated higher productivity. But by the 1960s, it increasingly seemed a good thing can be carried too far. Human diseconomies from specialization began to surface in the form of boredom, fatigue, stress, low productivity, poor quality, increased absenteeism, and high turnover, which more than offset the economic advantages (see Exhibit 15-2). Managers could increase productivity now by enlarging, rather than narrowing, the scope of job activities. Giving employees a variety of activities to do, allowing them to do a whole and complete job, and putting them into teams with interchangeable skills often achieved significantly higher output, with increased employee satisfaction.

organizational structure The way in which job tasks are formally divided, grouped, and coordinated.

work specialization The degree to which tasks in an organization are subdivided into separate jobs.

Exhibit 15-2

Economies and Diseconomies of Work Specialization



Most managers today recognize the economies specialization provides in certain jobs and the problems when it's carried too far. High work specialization helps McDonald's make and sell hamburgers and fries efficiently and aids medical specialists in most health maintenance organizations. Amazon's Mechanical Turk program, TopCoder, and others like it have facilitated a new trend in microspecialization in which extremely small pieces of programming, data processing, or evaluation tasks are delegated to a global network of individuals by a program manager who then assembles the results.² For example, a manager who has a complex but routine computer program to write might send a request for specific subcomponents of the code to be written and tested by dozens of subcontracted individuals in the network (which spans the entire globe), enabling the project to be completed far more quickly than if a single programmer were writing the parts. This emerging trend suggests there still may be advantages to be had in specialization.

Departmentalization

Once jobs have been divided through work specialization, they must be grouped so common tasks can be coordinated. The basis by which jobs are grouped is called **departmentalization**.

One of the most popular ways to group activities is by *functions* performed. A manufacturing manager might organize a plant into engineering, accounting, manufacturing, personnel, and supply specialists departments. A hospital might have departments devoted to research, surgery, intensive care, accounting, and so forth. A professional football franchise might have departments entitled player personnel, ticket sales, and travel and accommodations. The major advantage of this type of functional departmentalization is efficiencies gained from putting like specialists together.

We can also departmentalize jobs by the type of *product* or *service* the organization produces. Procter & Gamble places each major product—such as Tide, Pampers, Charmin, and Pringles—under an executive who has complete global responsibility for it. The major advantage here is increased accountability for performance, because all activities related to a specific product or service are under the direction of a single manager.

When a firm is departmentalized on the basis of *geography*, or territory, the sales function, for instance, may have western, southern, midwestern, and eastern regions, each, in effect, a department organized around geography. This form is valuable when an organization's customers are scattered over a large geographic area and have similar needs based on their location.

At Microsoft, customer departmentalization allows the company to better understand customers and respond to their needs. Microsoft is organized by four customer segments: consumers, software developers, small businesses, and large corporations. Products and services the company designs for consumers include Bing, Windows, Windows Phone 7, Xbox 360, and Microsoft retail stores, which give the company direct contact with consumers. This photo shows a boy playing the Kinect for Xbox 360 at a gaming store. Kinect, which has a full-body sensor, allows consumers to play Xbox games without using a controller and to interact with games in a real physical sense.



Source: AP Photo/Neil Redmond.

Process departmentalization works for processing customers as well as products. If you've ever been to a state motor vehicle office to get a driver's license, you probably went through several departments before receiving your license. In one typical state, applicants go through three steps, each handled by a separate department: (1) validation by motor vehicles division, (2) processing by the licensing department, and (3) payment collection by the treasury department.

A final category of departmentalization uses the particular type of *customer* the organization seeks to reach. Microsoft, for example, is organized around four customer markets: consumers, large corporations, software developers, and small businesses. Customers in each department have a common set of problems and needs best met by having specialists for each.

Chain of Command

While the chain of command was once a basic cornerstone in the design of organizations, it has far less importance today.³ But contemporary managers should still consider its implications. The **chain of command** is an unbroken line of authority that extends from the top of the organization to the lowest echelon and clarifies who reports to whom.

departmentalization *The basis by which jobs in an organization are grouped together.*

chain of command *The unbroken line of authority that extends from the top of the organization to the lowest echelon and clarifies who reports to whom.*

We can't discuss the chain of command without also discussing *authority* and *unity of command*. **Authority** refers to the rights inherent in a managerial position to give orders and expect them to be obeyed. To facilitate coordination, each managerial position is given a place in the chain of command, and each manager is given a degree of authority in order to meet his or her responsibilities. The principle of **unity of command** helps preserve the concept of an unbroken line of authority. It says a person should have one and only one superior to whom he or she is directly responsible. If the unity of command is broken, an employee might have to cope with conflicting demands or priorities from several superiors.

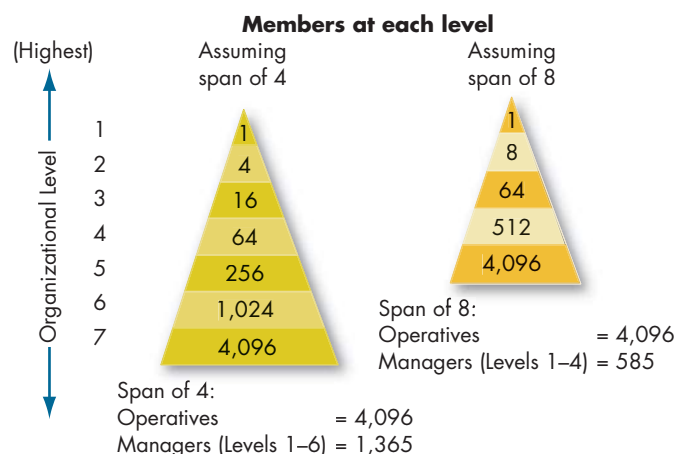
Times change, and so do the basic tenets of organizational design. A low-level employee today can access information in seconds that was available only to top managers a generation ago. Operating employees are empowered to make decisions previously reserved for management. Add the popularity of self-managed and cross-functional teams and the creation of new structural designs that include multiple bosses, and you can see why authority and unity of command hold less relevance. Many organizations still find they can be most productive by enforcing the chain of command. Indeed, one survey of more than 1,000 managers found that 59 percent of them agreed with the statement, "There is an imaginary line in my company's organizational chart. Strategy is created by people above this line, while strategy is executed by people below the line."⁴ However, this same survey found that buy-in to the organization's strategy by lower-level employees was inhibited by too much reliance on hierarchy for decision making.

Span of Control

How many employees can a manager efficiently and effectively direct? This question of **span of control** is important because it largely determines the number of levels and managers an organization has. All things being equal, the wider or larger the span, the more efficient the organization.

Assume two organizations each have about 4,100 operative-level employees. One has a uniform span of four and the other a span of eight. As Exhibit 15-3 illustrates, the wider span will have two fewer levels and approximately 800 fewer managers. If the average manager makes \$50,000 a year, the wider span will save

Exhibit 15-3 Contrasting Spans of Control



\$40 million a year in management salaries! Obviously, wider spans are more efficient in terms of cost. However, at some point when supervisors no longer have time to provide the necessary leadership and support, they reduce effectiveness and employee performance suffers.

Narrow or small spans have their advocates. By keeping the span of control to five or six employees, a manager can maintain close control.⁵ But narrow spans have three major drawbacks. First, they're expensive because they add levels of management. Second, they make vertical communication in the organization more complex. The added levels of hierarchy slow down decision making and tend to isolate upper management. Third, narrow spans encourage overly tight supervision and discourage employee autonomy.

The trend in recent years has been toward wider spans of control.⁶ They're consistent with firms' efforts to reduce costs, cut overhead, speed decision making, increase flexibility, get closer to customers, and empower employees. However, to ensure performance doesn't suffer because of these wider spans, organizations have been investing heavily in employee training. Managers recognize they can handle a wider span best when employees know their jobs inside and out or can turn to co-workers when they have questions.

Centralization and Decentralization

Centralization refers to the degree to which decision making is concentrated at a single point in the organization. In *centralized* organizations, top managers make all the decisions, and lower-level managers merely carry out their directives. In organizations at the other extreme, *decentralized* decision making is pushed down to the managers closest to the action.

The concept of centralization includes only formal authority—that is, the rights inherent in a position. An organization characterized by centralization is inherently different structurally from one that's decentralized. A decentralized organization can act more quickly to solve problems, more people provide input into decisions, and employees are less likely to feel alienated from those who make decisions that affect their work lives.

Management efforts to make organizations more flexible and responsive have produced a recent trend toward decentralized decision making by lower-level managers, who are closer to the action and typically have more detailed knowledge about problems than top managers. Sears and JCPenney have given their store managers considerably more discretion in choosing what merchandise to stock. This allows those stores to compete more effectively against local merchants. Similarly, when Procter & Gamble empowered small groups of employees to make many decisions about new-product development independent of the usual hierarchy, it was able to rapidly increase the proportion of new products ready for market.⁷ Research investigating a large number of Finnish organizations demonstrates that companies with decentralized research and development offices in multiple locations were better at producing innovation than companies that centralized all research and development in a single office.⁸

authority The rights inherent in a managerial position to give orders and to expect the orders to be obeyed.

unity of command The idea that a subordinate should have only one superior to whom he or she is directly responsible.

span of control The number of subordinates a manager can efficiently and effectively direct.

centralization The degree to which decision making is concentrated at a single point in an organization.



How Willing Am I to Delegate?

In the Self-Assessment Library (available on CD and online), take assessment III.A.2 (How Willing Am I to Delegate?).

Formalization

Formalization refers to the degree to which jobs within the organization are standardized. If a job is highly formalized, the incumbent has a minimal amount of discretion over what to do and when and how to do it. Employees can be expected always to handle the same input in exactly the same way, resulting in a consistent and uniform output. There are explicit job descriptions, lots of organizational rules, and clearly defined procedures covering work processes in organizations in which there is high formalization. Where formalization is low, job behaviors are relatively unprogrammed, and employees have a great deal of freedom to exercise discretion in their work. Standardization not only eliminates the possibility of employees engaging in alternative behaviors, but it even removes the need for employees to consider alternatives.

The degree of formalization can vary widely between and within organizations. Publishing representatives who call on college professors to inform them of their company's new publications have a great deal of freedom in their jobs. They have only a general sales pitch, which they tailor as needed, and rules and procedures governing their behavior may be little more than the requirement to submit a weekly sales report and suggestions on what to emphasize about forthcoming titles. At the other extreme, clerical and editorial employees in the same publishing houses may need to be at their desks by 8:00 a.m. and follow a set of precise procedures dictated by management.

Common Organizational Designs

2 Identify the characteristics of a bureaucracy.

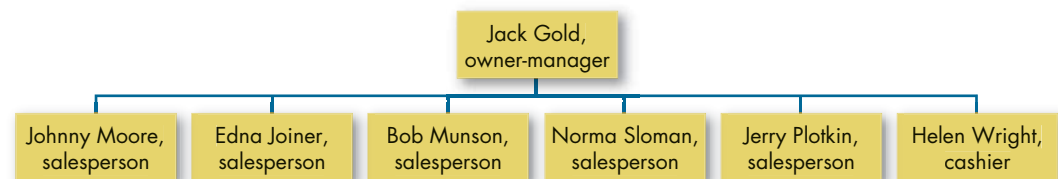
We now turn to three of the more common organizational designs: the *simple structure*, the *bureaucracy*, and the *matrix structure*.

The Simple Structure

What do a small retail store, an electronics firm run by a hard-driving entrepreneur, and an airline's "war room" in the midst of a pilot's strike have in common? They probably all use the **simple structure**.

We can think of the simple structure in terms of what it is *not* rather than what it is. The simple structure is not elaborate.⁹ It has a low degree of departmentalization, wide spans of control, authority centralized in a single person, and little formalization. It is a "flat" organization; it usually has only two or three vertical levels, a loose body of employees, and one individual in whom the decision-making authority is centralized.

The simple structure is most widely adopted in small businesses in which the manager and owner are one and the same. Exhibit 15-4 is an organization chart for a retail men's store owned and managed by Jack Gold. Although he employs five full-time salespeople, a cashier, and extra personnel for weekends and holidays, Jack "runs the show." Large companies, in times of crisis, often simplify their structures as a means of focusing their resources. When Anne Mulcahy

Exhibit 15-4 A Simple Structure (Jack Gold's Men's Store)


took over Xerox, its product mix and management structure were overly complex. She simplified both, cutting corporate overhead by 26 percent. “It’s a case of placing your bets in a few areas” she says.¹⁰

The strength of the simple structure lies in its simplicity. It’s fast, flexible, and inexpensive to operate, and accountability is clear. One major weakness is that it becomes increasingly inadequate as an organization grows, because its low formalization and high centralization tend to create information overload at the top. As size increases, decision making typically becomes slower and can eventually come to a standstill as the single executive tries to continue making all the decisions. This proves the undoing of many small businesses. If the structure isn’t changed and made more elaborate, the firm often loses momentum and can eventually fail. The simple structure’s other weakness is that it’s risky—everything depends on one person. One illness can literally destroy the organization’s information and decision-making center.

The Bureaucracy

Standardization! That’s the key concept that underlies all bureaucracies. Consider the bank where you keep your checking account; the department store where you buy clothes; or the government offices that collect your taxes, enforce health regulations, or provide local fire protection. They all rely on standardized work processes for coordination and control.

The **bureaucracy** is characterized by highly routine operating tasks achieved through specialization, very formalized rules and regulations, tasks grouped into functional departments, centralized authority, narrow spans of control, and decision making that follows the chain of command. As the opening quote to this chapter attests, *bureaucracy* is a dirty word in many people’s minds. However, it does have advantages. Its primary strength is its ability to perform standardized activities in a highly efficient manner. Putting like specialties together in functional departments results in economies of scale, minimum duplication of people and equipment, and employees who can speak “the same language” among their peers. Bureaucracies can get by with less talented—and hence less

formalization The degree to which jobs within an organization are standardized.

simple structure An organization structure characterized by a low degree of departmentalization, wide spans of control, authority centralized in a single person, and little formalization.

bureaucracy An organization structure with highly routine operating tasks achieved through specialization, very formalized rules and regulations, tasks that are grouped into functional departments, centralized authority, narrow spans of control, and decision making that follows the chain of command.

costly—middle- and lower-level managers because rules and regulations substitute for managerial discretion. Standardized operations and high formalization allow decision making to be centralized. There is little need for innovative and experienced decision makers below the level of senior executives.

Listen in on a dialogue among four executives in one company: “You know, nothing happens in this place until we *produce* something,” said the production executive. “Wrong,” commented the research and development manager. “Nothing happens until we *design* something!” “What are you talking about?” asked the marketing executive. “Nothing happens here until we *sell* something!” The exasperated accounting manager responded, “It doesn’t matter what you produce, design, or sell. No one knows what happens until we *tally up the results!*” This conversation highlights that bureaucratic specialization can create conflicts in which functional-unit goals override the overall goals of the organization.

The other major weakness of a bureaucracy is something we’ve all witnessed: obsessive concern with following the rules. When cases don’t precisely fit the rules, there is no room for modification. The bureaucracy is efficient only as long as employees confront familiar problems with programmed decision rules.

The Matrix Structure

You’ll find the **matrix structure** in advertising agencies, aerospace firms, research and development laboratories, construction companies, hospitals, government agencies, universities, management consulting firms, and entertainment companies.¹¹ It combines two forms of departmentalization: functional and product. Companies that use matrix-like structures include ABB, Boeing, BMW, IBM, and Procter & Gamble.

The strength of functional departmentalization is putting like specialists together, which minimizes the number necessary while allowing the pooling and sharing of specialized resources across products. Its major disadvantage is the difficulty of coordinating the tasks of diverse functional specialists on time and within budget. Product departmentalization has exactly the opposite benefits and disadvantages. It facilitates coordination among specialties to achieve on-time completion and meet budget targets. It provides clear responsibility for all

Hospitals benefit from standardized work processes and procedures common to a bureaucratic structure because they help employees perform their jobs efficiently. When

faced with financial problems, management at Crouse Hospital in Syracuse, New York, decided that its structure was too bureaucratic and hierarchical. Top managers gathered employees from all levels and areas and asked them to find innovative solutions needed to improve every aspect of the hospital, from creating a new mission statement to designing new work processes. With more employee involvement, Crouse raised its revenues and quality, provided more community services, and improved its relationship with employees such as the registered nurse shown here.



Source: Syracuse Newspapers/H Bragman/The Image Works.

3 Describe a matrix organization.

The Global Organization

One of the most significant trends in organizational structure is the emergence of truly global organizations with leadership and development functions located all around the world.

In organizations that offshore many functions, a central office located in one country sends business processes to facilities in another country, like a U.S. computer company (think of Dell or Apple) that designs computers in California, manufactures all the parts in China, and assembles them in Texas. Such companies are global in the sense that their operations span multiple nations, but the central culture of the organization is based in a home country.

In a “stateless” corporation, in contrast, all divisions share a common management culture, and operations are standardized for all locations. Managers

are drawn from a variety of national backgrounds and placed wherever their functional expertise will be most valuable. Reckitt Benckiser (maker of Clearasil, Lysol, and Woolite) assigns managers to a variety of global offices to ensure they get a picture of border-spanning trends that might produce innovations in other countries. As a result, an Italian is running the UK business, an American the German business, an Indian the Chinese operation, and a Dutch executive the U.S. business.

Although these international strategies may produce advantages like cost savings and centralization of decision making, some observers feel the future is more likely to belong to truly cosmopolitan organizations that produce and market products and services particular to each country in which they operate. This strategy gives local

offices maximal control over their own particular areas and takes the greatest advantage of specialized, local knowledge of markets.

It’s not yet clear whether it’s better to pursue a strategy based on offshoring, stateless corporations, or cosmopolitan organizations, but it’s likely there is no universal best configuration. The best structure is likely to depend heavily on the type of products and market the company is targeting.

Sources: Based on J. Lampel and A. Bhalla, “Living with Offshoring: The Impact of Offshoring on the Evolution of Organizational Configurations,” *Journal of World Business* 46, (2011), pp. 346–358; P. Gehmawat, “The Cosmopolitan Corporation,” *Harvard Business Review* (May 2011), pp. 92–99; and B. Becht, “Building a Company Without Borders,” *Harvard Business Review* (April 2010), pp. 103–106.

activities related to a product, but with duplication of activities and costs. The matrix attempts to gain the strengths of each while avoiding their weaknesses.

The most obvious structural characteristic of the matrix is that it breaks the unity-of-command concept. Employees in the matrix have two bosses: their functional department managers and their product managers.

Exhibit 15-5 shows the matrix form in a college of business administration. The academic departments of accounting, decision and information systems, marketing, and so forth are functional units. Overlaid on them are specific programs (that is, products). Thus, members in a matrix structure have a dual chain of command: to their functional department and to their product groups. A professor of accounting teaching an undergraduate course may report to the director of undergraduate programs as well as to the chairperson of the accounting department.

The strength of the matrix is its ability to facilitate coordination when the organization has a number of complex and interdependent activities. Direct and frequent contacts between different specialties in the matrix can let information permeate the organization and more quickly reach the people who need it. The matrix reduces “bureaupathologies”—the dual lines of authority reduce people’s tendency to become so busy protecting their little worlds that

matrix structure An organization structure that creates dual lines of authority and combines functional and product departmentalization.

Exhibit 15-5 Matrix Structure for a College of Business Administration

Programs Academic Departments	Undergraduate	Master's	Ph.D.	Research	Executive Development	Community Service
Accounting						
Finance						
Decision and Information Systems						
Management						
Marketing						

the organization’s goals become secondary. A matrix also achieves economies of scale and facilitates the allocation of specialists by providing both the best resources and an effective way of ensuring their efficient deployment.

The major disadvantages of the matrix lie in the confusion it creates, its tendency to foster power struggles, and the stress it places on individuals.¹² Without the unity-of-command concept, ambiguity about who reports to whom is significantly increased and often leads to conflict. It’s not unusual for product managers to fight over getting the best specialists assigned to their products. Bureaucracy reduces the potential for power grabs by defining the rules of the game. When those rules are “up for grabs” in a matrix, power struggles between functional and product managers result. For individuals who desire security and absence from ambiguity, this work climate can be stressful. Reporting to more than one boss introduces role conflict, and unclear expectations introduce role ambiguity. The comfort of bureaucracy’s predictability is replaced by insecurity and stress.

New Design Options

Senior managers in a number of organizations have been developing new structural options with fewer layers of hierarchy and more emphasis on opening the boundaries of the organization.¹³ In this section, we describe two such designs: the *virtual organization* and the *boundaryless organization*. We’ll also discuss how efforts to reduce bureaucracy and increase strategic focus have made downsizing routine.

The Virtual Organization

4 Identify the characteristics of a virtual organization.

Why own when you can rent? That question captures the essence of the **virtual organization** (also sometimes called the *network*, or *modular*, organization), typically a small, core organization that outsources its major business functions.¹⁴ In structural terms, the virtual organization is highly centralized, with little or no departmentalization.

The prototype of the virtual structure is today's movie-making organization. In Hollywood's golden era, movies were made by huge, vertically integrated corporations. Studios such as MGM, Warner Brothers, and 20th Century Fox owned large movie lots and employed thousands of full-time specialists—set designers, camera people, film editors, directors, and even actors. Today, most movies are made by a collection of individuals and small companies who come together and make films project by project.¹⁵ This structural form allows each project to be staffed with the talent best suited to its demands, rather than just the people employed by the studio. It minimizes bureaucratic overhead because there is no lasting organization to maintain. And it lessens long-term risks and their costs because there is no long term—a team is assembled for a finite period and then disbanded.

Philip Rosedale runs a virtual company called LoveMachine that lets employees send brief electronic messages to one another to acknowledge a job well done that can be then used to facilitate company bonuses. The company has no full-time software development staff—instead, LoveMachine outsources assignments to freelancers who submit bids for projects like debugging software or designing new features. Programmers come from around the world, including Russia, India, Australia, and the United States.¹⁶ Similarly, Newman's Own, the food products company founded by Paul Newman, sells hundreds of millions of dollars in food every year yet employs only 28 people. This is possible because it outsources almost everything: manufacturing, procurement, shipping, and quality control.

Exhibit 15-6 shows a virtual organization in which management outsources all the primary functions of the business. The core of the organization is a small group of executives whose job is to oversee directly any activities done in-house and to coordinate relationships with the other organizations that manufacture, distribute, and perform other crucial functions for the virtual organization. The dotted lines represent the relationships typically maintained under

Exhibit 15-6

A Virtual Organization



virtual organization A small, core organization that outsources major business functions.

As a network organization, Boeing outsourced the production of about 70 percent of the components for its new 787 Dreamliner passenger jet aircraft. Boeing used some 100 suppliers at more than 100 sites in different countries, including Alenia Aeronautica of Italy to produce the plane's rear fuselage and Mitsubishi Motors of Japan to create the wings. Although global outsourcing helped Boeing reduce the plane's development and production costs, the extreme complexities of such a structure was also responsible for delays in bringing the cutting-edge aircraft to market. Shown here is the plane's assembly line surrounded by rows of workers at their computers as the planes are built at Boeing's plant in Everett, Washington.



Source: Robert Sorbo/Reuters/Landov Media.

contracts. In essence, managers in virtual structures spend most of their time coordinating and controlling external relations, typically by way of computer network links.

The major advantage of the virtual organization is its flexibility, which allows individuals with an innovative idea and little money to successfully compete against larger, more established organizations. Virtual organizations also save a great deal of money by eliminating permanent offices and hierarchical roles.¹⁷

Virtual organizations' drawbacks have become increasingly clear as their popularity has grown.¹⁸ They are in a state of perpetual flux and reorganization, which means roles, goals, and responsibilities are unclear, setting the stage for political behavior. Cultural alignment and shared goals can be lost because of the low degree of interaction among members. Team members who are geographically dispersed and communicate infrequently find it difficult to share information and knowledge, which can limit innovation and slow response time. Ironically, some virtual organizations are less adaptable and innovative than those with well-established communication and collaboration networks. A leadership presence that reinforces the organization's purpose and facilitates communication is thus especially valuable.

The Boundaryless Organization

General Electric's former chairman, Jack Welch, coined the term **boundaryless organization** to describe what he wanted GE to become: a "family grocery store."¹⁹ That is, in spite of GE's monstrous size (2010 revenues were \$150 billion), Welch wanted to eliminate *vertical* and *horizontal* boundaries within it and break down *external* barriers between the company and its customers and suppliers. The boundaryless organization seeks to eliminate the chain of command, have limitless spans of control, and replace departments with empowered teams. Although GE has not yet achieved this boundaryless state—and probably never will—it has made significant progress toward that end. So have other companies, such as Hewlett-Packard, AT&T, Motorola, and 3M. Let's see what a boundaryless organization looks like and what some firms are doing to make it a reality.²⁰

By removing vertical boundaries, management flattens the hierarchy and minimizes status and rank. Cross-hierarchical teams (which include

- 5 Show why managers want to create boundaryless organizations.

top executives, middle managers, supervisors, and operative employees), participative decision-making practices, and the use of 360-degree performance appraisals (in which peers and others above and below the employee evaluate performance) are examples of what GE is doing to break down vertical boundaries. At Oticon A/S, a \$160-million-per-year Danish hearing aid manufacturer, all traces of hierarchy have disappeared. Everyone works at uniform mobile workstations, and project teams, not functions or departments, coordinate work.

Functional departments create horizontal boundaries that stifle interaction among functions, product lines, and units. The way to reduce them is to replace functional departments with cross-functional teams and organize activities around processes. Xerox now develops new products through multidisciplinary teams that work on a single process instead of on narrow functional tasks. Some AT&T units prepare annual budgets based not on functions or departments but on processes, such as the maintenance of a worldwide telecommunications network. Another way to lower horizontal barriers is to rotate people through different functional areas using lateral transfers. This approach turns specialists into generalists.

When fully operational, the boundaryless organization also breaks down geographic barriers. Today, most large U.S. companies see themselves as global corporations; many, like Coca-Cola and McDonald's, do as much business overseas as in the United States, and some struggle to incorporate geographic regions into their structure. The boundaryless organization provides one solution because it considers geography more of a tactical, logistical issue than a structural one. In short, the goal is to break down cultural barriers.

BMW Group operates as a boundaryless organization in designing, developing, and producing its BMW, Rolls-Royce, and Mini cars. The automaker uses virtual tools such as computer-aided design and simulation models and a flexible global production network to respond quickly to fluctuations in the market and individual customer preferences. BMW's boundaryless structure drives innovative ideas by eliminating vertical and horizontal barriers among workers and creating an environment of learning and experimentation. From their first day on the job, employees are encouraged to build a network of relationships from all functional areas and across all divisions to speed innovation and problem-solving.



Source: Eckehard Schulz/AP Images.

boundaryless organization *An organization that seeks to eliminate the chain of command, have limitless spans of control, and replace departments with empowered teams.*

One way to do so is through strategic alliances.²¹ Firms such as NEC Corporation, Boeing, and Apple each have strategic alliances or joint partnerships with dozens of companies. These alliances blur the distinction between one organization and another as employees work on joint projects. And some companies allow customers to perform functions previously done by management. Some AT&T units receive bonuses based on customer evaluations of the teams that serve them. Finally, telecommuting is blurring organizational boundaries. The security analyst with Merrill Lynch who does her job from her ranch in Montana or the software designer in Boulder, Colorado, who works for a San Francisco firm are just two of the millions of workers operating outside the physical boundaries of their employers' premises.

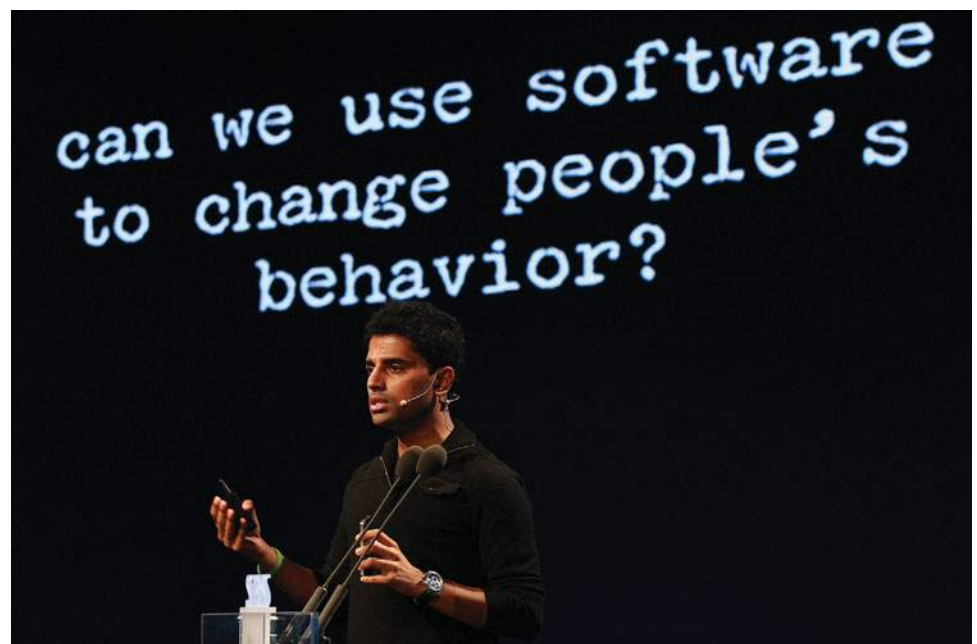
The Leaner Organization: Downsizing

The goal of the new organizational forms we've described is to improve agility by creating a lean, focused, and flexible organization. *Downsizing* is a systematic effort to make an organization leaner by closing locations, reducing staff, or selling off business units that don't add value.

The radical shrinking of Chrysler and General Motors in recent years was a case of downsizing to survive, due to loss of market share and changes in consumer demand. Other firms, including Research in Motion (makers of the BlackBerry) and Cisco, downsize to direct all their efforts toward their core competencies. After a series of costly acquisitions, VeriSign decided to divest itself of most of its business units and resume its original focus on e-commerce security and online identity protection.²² Some companies focus on lean management techniques to reduce bureaucracy and speed decision making. Park Nicollet Health Services in Minneapolis eliminated fixed budgets and pushed managers to reduce costs as part of a transformation to lean production; it was able to save at least \$15 million per year²³ and adapt to changes in the health care market much more quickly.

Despite the advantages of being a lean organization, the impact of downsizing on organizational performance has been very controversial.²⁴ Reducing

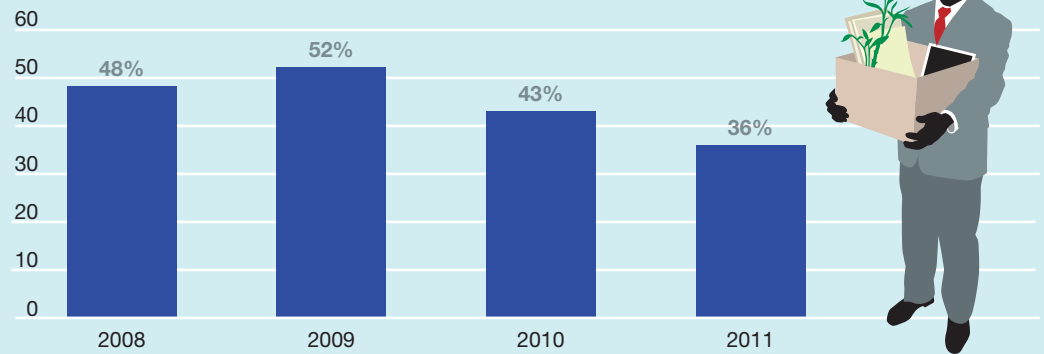
Foursquare transfers its inputs into outputs by using a location-based mobile platform. The social networking Web site provides a service for consumers and businesses. Founded by Dennis Crowley and Naveen Selvadurai, the service allows people to connect with friends and update their location, and it provides businesses with tools to obtain, engage, and retain customers. Nonroutineness characterizes the work of employees at Foursquare, an organic organization that adapts quickly and flexibly to rapid changes. Foursquare co-founder Selvadurai is shown in this photo presenting an address at an annual digital technology forum in Seoul, South Korea.



Source: Park Jin Hee/Xinhua/Photoshot/Newscom.

OB Poll Downsizing Is Downsizing

Has your organization implemented layoffs in the last six months?



Source: Based on E. Fraenheim, "The Thought Police?" *Workforce Management* (March, 2010), pp. 28-31; "Companies Grapple with Viral Vents," *Workforce Management* (December, 2010), p. 6.

the size of the workforce has an immediately positive outcome in the form of lower wage costs. Companies downsizing to improve strategic focus often see positive effects on stock prices after the announcement. On the other hand, among companies that only cut employees but don't restructure, profits and stock prices usually decline. Part of the problem is the effect of downsizing on employee attitudes. Those who remain often feel worried about future layoffs and may be less committed to the organization.²⁵ Stress reactions can lead to increased sickness absences, lower concentration on the job, and lower creativity. In companies that don't invest much in their employees, downsizing can also lead to more voluntary turnover, so vital human capital is lost. The result is a company that is more anemic than lean.

Companies can reduce negative impacts by preparing in advance, thus alleviating some employee stress and strengthening support for the new direction.²⁶ Here are some effective strategies for downsizing. Most are closely linked to the principles for organizational justice we've discussed previously:

- **Investment.** Companies that downsize to focus on core competencies are more effective when they invest in high-involvement work practices afterward.
- **Communication.** When employers make efforts to discuss downsizing with employees early, employees are less worried about the outcomes and feel the company is taking their perspective into account.
- **Participation.** Employees worry less if they can participate in the process in some way. Voluntary early-retirement programs or severance packages can help achieve leanness without layoffs.
- **Assistance.** Severance, extended health care benefits, and job search assistance demonstrate a company cares about its employees and honors their contributions.

In short, companies that make themselves lean can be more agile, efficient, and productive—but only if they make cuts carefully and help employees through the process.

An Ethical Choice

Downsizing with a Conscience

Especially during economic down times, organizations may have to reduce headcount. The negative effects on those who remain are well documented and include increased sickness absence, withdrawal from work tasks, intentions to sue the organization, stress, dissatisfaction, and loss of commitment.

Do employers have a responsibility to help cushion the blow of downsizing? While ethicists debate how much organizations should help laid-off employees, they generally agree that firms that *can* afford to do something probably should. Indeed, this assistance can work in the organization's self-interest, by increasing commitment among those who remain and reducing stress and strain for all. Managing layoffs with an eye to the

organization's reputation may also be important for hiring new employees when economic prospects improve.

Here are some suggestions to minimize the negative impact of downsizing on employees:

1. Managers are often reticent to give out information about future company plans, but research clearly suggests that ample advance warning about downsizing can reduce employee distress. Open communication makes it much easier for employees to plan how they will respond.
2. Deliver the news about layoffs in a compassionate, personal manner. Let employees know face-to-face they are being let go. This can be hard for managers who would rather

avoid conflict or angry encounters, but most research suggests employees prefer to find out about a job loss in this manner (as opposed to e-mail).

3. Explore ways to help, such as by providing job search assistance or severance pay. This might not always be financially feasible, but it's ethically responsible to do everything you can to help departing employees land on their feet.

Sources: B. Weinstein, "Downsizing 101" *Bloomberg Businessweek* (September 12, 2008), www.businessweek.com; S. Randall, "Attracting Layoff-Wary Millennials," *Workforce Management Online* (February 2010), www.workforce.com; and D. K. Datta, J. P. Guthrie, D. Basuil, and A. Pandey, "Causes and Effects of Employee Downsizing: A Review and Synthesis," *Journal of Management* 36, no. 1 (2010), pp. 281–348.

Why Do Structures Differ?

- 6 Demonstrate how organizational structures differ, and contrast mechanistic and organic structural models.

We've described organizational designs ranging from the highly structured bureaucracy to the amorphous boundaryless organization. The other designs we discussed exist somewhere in between.

Exhibit 15-7 recaps our discussions by presenting two extreme models of organizational design. One we'll call the **mechanistic model**. It's generally synonymous with the bureaucracy in that it has highly standardized processes for work, high formalization, and more managerial hierarchy. The other extreme, the **organic model**, looks a lot like the boundaryless organization. It's flat, has fewer formal procedures for making decisions, has multiple decision makers, and favors flexible practices.²⁷

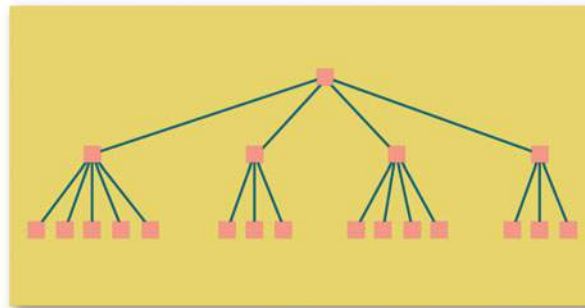
With these two models in mind, let's ask a few questions: Why are some organizations structured along more mechanistic lines whereas others follow organic characteristics? What forces influence the choice of design? In this section, we present the major causes or determinants of an organization's structure.²⁸

Organizational Strategy

Because structure is a means to achieve objectives, and objectives derive from the organization's overall strategy, it's only logical that structure should follow strategy. If management significantly changes the organization's strategy,

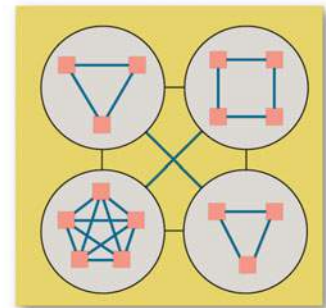
Exhibit 15-7 Mechanistic versus Organic Models

The Mechanistic Model



- High specialization
- Rigid departmentalization
- Clear chain of command
- Narrow spans of control
- Centralization
- High formalization

The Organic Model



- Cross-functional teams
- Cross-hierarchical teams
- Free flow of information
- Wide spans of control
- Decentralization
- Low formalization

MyManagementLab

For an interactive application of this topic, check out this chapter's simulation activity at www.mymanagementlab.com.

the structure must change to accommodate.²⁹ Most current strategy frameworks focus on three strategy dimensions—innovation, cost minimization, and imitation—and the structural design that works best with each.³⁰

To what degree does an organization introduce major new products or services? An **innovation strategy** strives to achieve meaningful and unique innovations. Obviously, not all firms pursue innovation. Apple and 3M do, but conservative retailer Marks & Spencer doesn't. Innovative firms will use competitive pay and benefits to attract top candidates and motivate employees to take risks. Some degree of mechanistic structure can actually benefit innovation. Well-developed communication channels, policies for enhancing long-term commitment, and clear channels of authority all may make it easier for rapid changes to occur smoothly.

An organization pursuing a **cost-minimization strategy** tightly controls costs, refrains from incurring unnecessary expenses, and cuts prices in selling a basic product. This describes the strategy pursued by Walmart and the makers of generic or store-label grocery products. Cost-minimizing organizations pursue fewer policies meant to develop commitment among their workforce.

Organizations following an **imitation strategy** try to both minimize risk and maximize opportunity for profit, moving new products or entering new markets only after innovators have proven their viability. Mass-market fashion

mechanistic model A structure characterized by extensive departmentalization, high formalization, a limited information network, and centralization.

organic model A structure that is flat, uses cross-hierarchical and cross-functional teams, has low formalization, possesses a comprehensive information network, and relies on participative decision making.

innovation strategy A strategy that emphasizes the introduction of major new products and services.

cost-minimization strategy A strategy that emphasizes tight cost controls, avoidance of unnecessary innovation or marketing expenses, and price cutting.

imitation strategy A strategy that seeks to move into new products or new markets only after their viability has already been proven.

Exhibit 15-8 The Strategy–Structure Relationship

Strategy	Structural Option
Innovation	Organic: A loose structure; low specialization, low formalization, decentralized
Cost minimization	Mechanistic: Tight control; extensive work specialization, high formalization, high centralization
Imitation	Mechanistic and organic: Mix of loose with tight properties; tight controls over current activities and looser controls for new undertakings

manufacturers that copy designer styles follow this strategy, as do firms such as Hewlett-Packard and Caterpillar. They follow smaller and more innovative competitors with superior products, but only after competitors have demonstrated the market is there.

Exhibit 15-8 describes the structural option that best matches each strategy. Innovators need the flexibility of the organic structure, whereas cost minimizers seek the efficiency and stability of the mechanistic structure. Imitators combine the two structures. They use a mechanistic structure to maintain tight controls and low costs in their current activities but create organic subunits in which to pursue new undertakings.

Organization Size

An organization's size significantly affects its structure.³¹ Organizations that employ 2,000 or more people tend to have more specialization, more departmentalization, more vertical levels, and more rules and regulations than do small organizations. However, size becomes less important as an organization expands. Why? At around 2,000 employees, an organization is already fairly mechanistic; 500 more employees won't have much impact. But adding 500 employees to an organization of only 300 is likely to significantly shift it toward a more mechanistic structure.

Technology

Technology describes the way an organization transfers inputs into outputs. Every organization has at least one technology for converting financial, human, and physical resources into products or services. Ford Motor Company uses an assembly-line process to make its products. Colleges may use a number of instructional technologies—the ever-popular lecture method, case analysis, the experiential exercise, programmed learning, and online instruction and distance learning. Regardless, organizational structures adapt to their technology.³²

Numerous studies have examined the technology–structure relationship.³² What differentiates technologies is their *degree of routineness*. Routine activities are characterized by automated and standardized operations. Examples are injection-mold production of plastic knobs, automated transaction processing of sales transactions, and the printing and binding of this book. Nonroutine activities are customized and require frequent revision and updating. They include furniture restoring, custom shoemaking, genetic research, and the writing and editing of this book. In general, organizations engaged in nonroutine activities tend to prefer organic structures, while those performing routine activities prefer mechanistic structures.

These employees of a restaurant in Urumqi, China, stand in formation while attending a meeting before they start their jobs. It's a common practice in China for employers to gather employees before they begin work to give them a pep talk and instructions for their work day.

This daily ritual is acceptable to Chinese employees because power distance is high in China and workers are much more accepting of mechanistic structures than those from lower power-distance cultures. Research suggests that a nation's culture and its employees' preference for structure will influence worker performance and satisfaction.



Source: Li Ziheng /Newscom.

Environment

An organization's **environment** includes outside institutions or forces that can affect its performance, such as suppliers, customers, competitors, government regulatory agencies, and public pressure groups. Dynamic environments create significantly more uncertainty for managers than do static ones. To minimize uncertainty, managers may broaden their structure to sense and respond to threats. For example, most companies, including Pepsi and Southwest Airlines, have added social networking departments to counter negative information posted on blogs. Or companies may form strategic alliances, such as when Microsoft and Yahoo! joined forces to better compete with Google.

Any organization's environment has three dimensions: capacity, volatility, and complexity.³³ *Capacity* refers to the degree to which the environment can support growth. Rich and growing environments generate excess resources, which can buffer the organization in times of relative scarcity.

Volatility describes the degree of instability in the environment. A dynamic environment with a high degree of unpredictable change makes it difficult for management to make accurate predictions. Because information technology changes at such a rapid pace, for instance, more organizations' environments are becoming volatile.

Finally, *complexity* is the degree of heterogeneity and concentration among environmental elements. Simple environments—like the tobacco industry—are homogeneous and concentrated. Environments characterized by heterogeneity and dispersion—like the broadband industry—are complex and diverse, with numerous competitors.

technology The way in which an organization transfers its inputs into outputs.

environment Institutions or forces outside an organization that potentially affect the organization's performance.

Myth or Science?

“Employees Resent Outsourcing”

Surprisingly, this statement appears to be false.

Two relatively new ways organizations restructure themselves are *outsourcing* (moving work to another domestic company) and *offshoring* (moving work to another country). For example, a Denver-based company that contracts with a call center vendor in Cleveland is outsourcing those operations. If the same company decides to contact with a call center in Bangalore, India, it is offshoring.

Like downsizing, outsourcing and offshoring are restructuring efforts primarily pursued for cost-saving

reasons; some companies might undertake all three. All result in job loss for the organization.

Yet, a recent study of 13,683 U.S. employees (all of whom retained their jobs) suggests that employees react differently to these three restructuring efforts. Predictably, where downsizing and offshoring occurred, employees reacted negatively, reporting significantly lower job satisfaction and organizational commitment than in matched organizations where they did not occur. Surprisingly, however, this study found no negative effects of outsourcing on these attitudes.

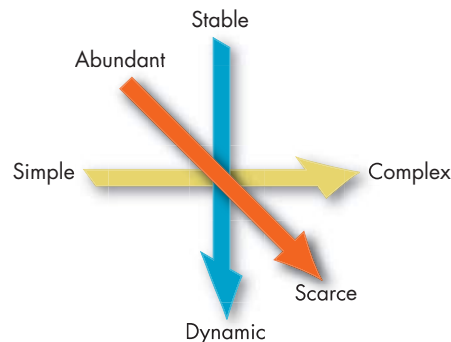
The authors speculate that employees may view outsourcing less negatively because they see it as less of a threat to their jobs. Future research is needed to test this explanation.

Sources: C. P. Maertz, J. W. Wiley, C. LeRouge, and M. A. Campion, “Downsizing Effects on Survivors: Layoffs, Offshoring, and Outsourcing,” *Industrial Relations* 49, no. 2 (2010), pp. 275–285; and L. H. Nishii, D. P. Lepak, and B. Schneider, “Employee Attributions of the ‘Why’ of HR Practices: Their Effects on Employee Attitudes and Behaviors, and Customer Satisfaction,” *Personnel Psychology* 61, no. 3 (2008), pp. 503–545.

Exhibit 15-9 summarizes our definition of the environment along its three dimensions. The arrows indicate movement toward higher uncertainty. Thus, organizations that operate in environments characterized as scarce, dynamic, and complex face the greatest degree of uncertainty because they have high unpredictability, little room for error, and a diverse set of elements in the environment to monitor constantly.

Given this three-dimensional definition of *environment*, we can offer some general conclusions about environmental uncertainty and structural arrangements. The more scarce, dynamic, and complex the environment, the more organic a structure should be. The more abundant, stable, and simple the environment, the more the mechanistic structure will be preferred.

Exhibit 15-9 Three-Dimensional Model of the Environment



Organizational Designs and Employee Behavior

7 Analyze the behavioral implications of different organizational designs.

We opened this chapter by implying that an organization's structure can have significant effects on its members. What might those effects be?

A review of the evidence leads to a pretty clear conclusion: you can't generalize! Not everyone prefers the freedom and flexibility of organic structures. Different factors stand out in different structures as well. In highly formalized, heavily structured, mechanistic organizations, the level of fairness in formal policies and procedures is a very important predictor of satisfaction. In more personal, individually adaptive organic organizations, employees value interpersonal justice more.³⁴ Some people are most productive and satisfied when work tasks are standardized and ambiguity minimized—that is, in mechanistic structures. So, any discussion of the effect of organizational design on employee behavior has to address individual differences. To do so, let's consider employee preferences for work specialization, span of control, and centralization.³⁵

The evidence generally indicates that *work specialization* contributes to higher employee productivity—but at the price of reduced job satisfaction. However, work specialization is not an unending source of higher productivity. Problems start to surface, and productivity begins to suffer, when the human diseconomies of doing repetitive and narrow tasks overtake the economies of specialization. As the workforce has become more highly educated and desirous of jobs that are intrinsically rewarding, we seem to reach the point at which productivity begins to decline more quickly than in the past.

There is still a segment of the workforce that prefers the routine and repetitiveness of highly specialized jobs. Some individuals want work that makes minimal intellectual demands and provides the security of routine; for them, high work specialization is a source of job satisfaction. The question, of course, is whether they represent 2 percent of the workforce or 52 percent. Given that some self-selection operates in the choice of careers, we might conclude that negative behavioral outcomes from high specialization are most likely to surface in professional jobs occupied by individuals with high needs for personal growth and diversity.

It is probably safe to say no evidence supports a relationship between *span of control* and employee satisfaction or performance. Although it is intuitively attractive to argue that large spans might lead to higher employee performance because they provide more distant supervision and more opportunity for personal initiative, the research fails to support this notion. Some people like to be left alone; others prefer the security of a boss who is quickly available at all times. Consistent with several of the contingency theories of leadership discussed in Chapter 12, we would expect factors such as employees' experiences and abilities and the degree of structure in their tasks to explain when wide or narrow spans of control are likely to contribute to their performance and job satisfaction. However, some evidence indicates that a *manager's* job satisfaction increases as the number of employees supervised increases.

We find fairly strong evidence linking *centralization* and job satisfaction. In general, less centralized organizations have a greater amount of autonomy. And autonomy appears positively related to job satisfaction. But, again, while one employee may value freedom, another may find autonomous environments frustratingly ambiguous.

Our conclusion: to maximize employee performance and satisfaction, managers must take individual differences, such as experience, personality, and the work task, into account. Culture should factor in, too.

We can draw one obvious insight: other things equal, people don't select employers randomly. They are attracted to, are selected by, and stay with organizations that suit their personal characteristics.³⁶ Job candidates who prefer predictability are likely to seek out and take employment in mechanistic structures, and those who want autonomy are more likely to end up in an organic structure. Thus, the effect of structure on employee behavior is undoubtedly reduced when the selection process facilitates proper matching of individual characteristics with organizational characteristics.

Although research is slim, it does suggest national culture influences the preference for structure.³⁷ Organizations that operate with people from high power-distance cultures, such as Greece, France, and most of Latin America, find their employees are much more accepting of mechanistic structures than are employees from low power-distance countries. So consider cultural differences along with individual differences when predicting how structure will affect employee performance and satisfaction.

MyManagementLab

Now that you have finished this chapter, go back to www.mymanagementlab.com to continue practicing and applying the concepts you've learned.

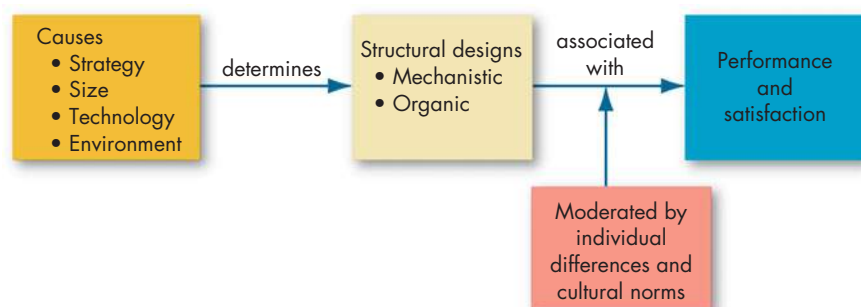
Summary and Implications for Managers

The theme of this chapter is that an organization's internal structure contributes to explaining and predicting behavior. That is, in addition to individual and group factors, the structural relationships in which people work has a bearing on employee attitudes and behavior. What's the basis for this argument? To the degree that an organization's structure reduces ambiguity for employees and clarifies concerns such as "What am I supposed to do?" "How am I supposed to do it?" "To whom do I report?" and "To whom do I go if I have a problem?" it shapes their attitudes and facilitates and motivates them to higher levels of performance. Exhibit 15-10 summarizes what we've discussed. There are a few other take-home messages worth considering:

- Although specialization can bring efficiency, excessive specialization also can breed dissatisfaction and reduced motivation.

Exhibit 15-10

Organization Structure: Its Determinants and Outcomes



The End of Management

POINT

Management—at least as we know it—is dying. Formal organizational structures are giving way to flatter, less bureaucratic, less formal structures. And that's a good thing.

Today, leaders are celebrated for triumphing *over* structure rather than for working well within it. Innovative companies like Apple, Google, Facebook, Twitter, and Groupon were born and thrive thanks not to a multilayered bureaucracy but to an innovative idea that was creatively executed by a flexible group of people freely collaborating. Management in those companies exists to facilitate, rather than control.

Only 100 of today's *Fortune* 500 companies existed in 1957. Yet management theory and practice continue to hew to a 1957 mode of thinking. As one future-minded expert noted, "The single biggest reason companies fail is that they overinvest in what is, as opposed to what might be." How does a traditional, formal, bureaucratic structure foster "what might be" thinking? It doesn't.

Inertia can cause even innovative companies to become bureaucratized. Google co-founder Larry Page replaced ex-CEO Eric Schmidt when Page's "desire to move quickly on ambitious ideas was stifled by company bureaucracy." Page and co-founder Sergey Brin know traditional, bureaucratic structures are Google's greatest threats.

Some enlightened leaders have learned from their mistakes. Early in his career, says Cristóbal Conde, president and CEO of IT company SunGard, "I was very command-and-control, very top-down. I felt I was smart, and that my decisions would be better." After some of his best people left because they felt constrained, Conde decided to flatten and loosen the structure. He says: "A CEO needs to focus more on the platform that enables collaboration. . . . By having technologies that allow people to see what others are doing, share information, collaborate, brag about their successes—that is what flattens the organization."

COUNTERPOINT

There is no "right size fits all" approach to organizational structure. How flat, informal, and collaborative an organization should be depends on many factors. Let's consider two cases.

People lauded how loosely and informally Warren Buffett structured his investment firm, Berkshire Hathaway. Buffett spends most of his day reading and talking informally "with highly gifted people whom he trusts and who trust him." This all sounded wonderful until it was discovered Buffett's CFO and heir apparent David Sokol was on the take. Sokol made \$3 million when he successfully lobbied for Berkshire Hathaway to acquire a firm in which he had secretly acquired a significant stake. His insider maneuvers discovered, Sokol was forced to resign. Wouldn't Buffett have known Sokol was compromised if he supervised more closely or had structures in place to check such "freedom"? It's hard to argue with Berkshire Hathaway's past successes, but they don't prove the company is ideally structured.

Berkshire Hathaway is a cautionary example of the perils of a structure that's *too* flat and informal. For the benefits of a formal, complex structure, look no further than Boeing. Boeing's 787 "Dreamliner"—built of composite materials and 20 percent more fuel efficient than comparable passenger planes—is one of the most innovative products in the history of aviation and the fastest-selling ever. How was the Dreamliner invented and produced? Through an enormously complex planning, design, engineering, production, and testing process. To build the Dreamliner, Boeing has contracted with 40 different suppliers at 135 sites around the world—a feat it could not accomplish without an organizational structure to support it. Boeing's organizational structure is quite formal, complex, and even bureaucratic. The Dreamliner proves innovation does not need to come from radical organizational structures.

Sources: A. Bryant, "Structure? The Flatter the Better," *The New York Times* (January 17, 2010), p. BU2; A. R. Sorkin, "Delegator in Chief," *The New York Times* (April 24, 2011), p. B4; A. Murray, "The End of Management," *The Wall Street Journal* (August 21, 2010), p. W3; and A. Efrati and S. Morrison, "Chief Seeks More Agile Google," *The Wall Street Journal* (January 22, 2011), pp. B1, B4.

- Formal hierarchies offer advantages like unification of mission and goals, while employees in excessively rigid hierarchies can feel they have no power or autonomy. As with specialization, the key is striking the right balance.
- Virtual and boundaryless forms are changing the face of many organizations. Contemporary managers should thoroughly understand their implications and recognize advantages and potential pitfalls.
- Organizational downsizing can lead to major cost savings and focus organizations around their core competencies, but it can leave workers dissatisfied and worried about the future of their jobs.
- When determining an appropriate organizational form, managers will need to consider scarcity, dynamism, and complexity of the environment and balance the organic and mechanistic elements appropriate to their organization's environment.

QUESTIONS FOR REVIEW

- 1 What are the six key elements that define an organization's structure?
- 2 What is a bureaucracy, and how does it differ from a simple structure?
- 3 What is a matrix organization?
- 4 What are the characteristics of a virtual organization?
- 5 How can managers create a boundaryless organization?
- 6 Why do organizational structures differ, and what is the difference between a mechanistic structure and an organic structure?
- 7 What are the behavioral implications of different organizational designs?

EXPERIENTIAL EXERCISE Dismantling a Bureaucracy

Pre-work

In order to understand how to improve an organizational structure, it is important to start with a clear understanding of how an organization is currently structured. For this exercise, you will perform research on the college or university you are attending or another organization that your professor identifies. Using the organization's Web site, find out about different administrative units, paying special attention to different noncore functions like finance, information technology, and human resources. While doing this research, assemble a list of five features that resemble a bureaucracy and five features that you think might be successfully managed by an external partner.

Create Groups

Your instructor will form you into groups of at least four individuals at the start of class.

Assess Bureaucracy

Your initial task will be to share your assessments of the features of the organization that seem bureaucratic in nature. What are the common functions that tend to be run in a bureaucratic manner? Try to identify standardized work practices that enhance coordination and control. In particular, think of systems of rules, regulations, departments, and offices that have highly specific and specialized roles. Collectively, your team will take about 15 minutes to accomplish this task.

Dismantle Bureaucracy

To dismantle a bureaucracy, it is important to consider both the advantages and disadvantages of the current system. Thus, the goal of the second part of the exercise is to employ techniques related to boundaryless and virtual organizations to reduce bureaucracy in a debate format, with one person arguing for why changes can be good,

while the other person argues for why changes might be disruptive.

The team will start by dividing into two subgroups and will work in these groups independently for about 10 minutes. One member will have the responsibility to identify alternative mechanisms that might be able to replace the current bureaucratic structure while still keeping all the same functions “in-house” by creating a boundaryless organization. How can the organizations get the same results but with a different set of control systems? Another member will identify reasons it might be difficult to transition from a bureaucracy to the system you advocated in point #2. What are the potential sources of resistance to change? These two members should work together to arrive at a consensus for how bureaucracy might be minimized without damaging organizational productivity and efficiency.

At the same time, the second group of two individuals will work on a different task. One member will consider how each organization can take on elements of a virtual organization as a way to become less bureaucratic. Identify elements of the organization that might be downsized or outsourced. Another member will identify why

“going virtual” might be a bad idea, looking to potential loss of control and poor information exchange as possible obstacles. These two members will arrive at a consensus for how the organization can be made as lean as possible without damaging organizational productivity and efficiency.

Finally, all four members of the team will come together to arrive at a consensus for how to limit bureaucracy by either (1) using new systems that are consistent with a boundaryless organization or (2) using elements of a lean, virtual organization to strip off unnecessary bureaucratic layers. This final combination process should take about 10 minutes.

Debriefing

After each group has come to a consensus for how to limit bureaucracy, the instructor will lead an all-class discussion in which each group will describe its eventual approach to minimizing bureaucracy in its organization. Your instructor will provide additional insight into why it may be difficult to change a bureaucracy, as well as suggesting areas where bureaucracy can be effectively limited through either boundarylessness or virtuality.

ETHICAL DILEMMA Directing the Directors

One critical structural element of most corporations is the board of directors. In principle, chief executives report to the directors. In practice, however, boards do not always function as you might expect. Boards were implicated in many corporate scandals of the past decade—either because they actively condoned unethical behavior or because they turned a blind eye to it. Many also blamed lax board oversight for the financial meltdown and ensuing recession. Business media have called boards “absolutely useless” and “a sham.”

One of the keys to reforming board behavior is ensuring that boards function independently of the CEO. The Securities and Exchange Commission (SEC) and the New York Stock Exchange (NYSE) have set guidelines for the independence of directors—who should not be otherwise affiliated with, employed by, or connected to the organization they direct. The more independent the structure and composition of the board, the better the corporation will be governed, and the more effective it will be.

One example of nonindependence came to light in 2010. In addition to \$225,000 in cash and deferred stock he was paid to function as a member of Citibank’s board, Robert Joss earned \$350,000 in consulting fees for advising the bank on projects “from time to time.” When asked

to comment, Joss replied, “I’m comfortable that I can handle that.”

Such examples seem egregious violations of independence in board structures. Yet, evidence on the link between board independence and firm performance is surprisingly weak. One recent review concluded, “There is no evidence of systematic relationships between board composition and corporate financial performance.”

Another structural issue is how the roles of the CEO and chairperson are filled—for instance, whether these positions are held by different people. Most argue that for the board to function independently, the roles must be separate, and *Bloomberg Businessweek* estimates that 37 percent of the 500 largest U.S. corporations do split them. Yet here, too, the evidence is weak: it doesn’t appear that corporations with separate CEOs and chairs perform any better than those where the CEO and chairperson are one and the same.

Questions

1. Do you think Citibank’s consulting arrangement with Robert Joss was unethical? Or is it possible to justify the arrangement?

2. Why do you think board structure doesn't appear to matter to corporate performance?
3. Do you think the roles of CEO and chairperson of the board of directors should always be separate? Why or why not?

Sources: D. R. Dalton and C. M. Dalton, "Integration of Micro and Macro Studies in Governance Research: CEO Duality, Board Composition, and Financial Performance," *Journal of Management* 37, no. 2 (2011), pp. 404–411; T. J. Neff and R. Charan, "Separating the CEO and Chairman Roles," *Bloomberg Businessweek* (January 15, 2010), downloaded July 5, 2011, from www.businessweek.com/; B. Keoun, "Citigroup to Pay Director \$350,000 for Weeks of Consulting," *Bloomberg News* (May 10, 2010), downloaded July 5, 2011, from www.bloomberg.com/news/.

CASE INCIDENT 1 Creative Deviance: Bucking the Hierarchy?

One of the major functions of an organizational hierarchy is to increase standardization and control for top managers. Using the chain of command, managers can direct the activities of subordinates toward a common purpose. If the right person with a creative vision is in charge of a hierarchy, the results can be phenomenal. Until Steve Jobs' regrettable passing in October of 2011, Apple had used a strongly top-down creative process in which most major decisions and innovations flowed directly through Jobs and then were delegated to sub-teams as specific assignments to complete.

Then there is creative deviance, in which individuals create extremely successful products despite being told by senior management to stop working on them. The electrostatic displays used in more than half of Hewlett-Packard's instruments, the tape splitter that was one of the most important process innovations in 3M's history, and Nichia's development of multi-billion-dollar LED bright lighting technology were all officially rejected by the management hierarchy. In all these cases, an approach like Apple's would have shut down some of the most successful products these companies ever produced. Doing "business as usual" can become such an imperative in a hierarchical organization that new ideas are seen as threats rather than opportunities for development.

It's not immediately apparent why top-down decision making works so well for one highly creative company like

Apple, while hierarchy nearly ruined innovations at several other organizations. It may be that Apple's structure is actually quite simple, with relatively few layers and a great deal of responsibility placed on each individual for his or her own outcomes. Or it may be that Apple simply had a very unique leader who was able to rise above the conventional strictures of a CEO to create a culture of constant innovation.

Questions

1. Do you think it's possible for an organization to deliberately create an "anti-hierarchy" to encourage employees to engage in more acts of creative deviance? What steps might a company take to encourage creative deviance?
2. What are the dangers of an approach that encourages creative deviance?
3. Why do you think a company like Apple is able to be creative with a strongly hierarchical structure, whereas other companies find hierarchy limiting?
4. Do you think Apple's success has been entirely dependent upon Steve Jobs' role as head of the hierarchy? What are the potential liabilities of a company that is so strongly connected to the decision-making of a single Individual?

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CASE INCIDENT 2 Siemens' Simple Structure—Not

There is perhaps no tougher task for an executive than to restructure a European organization. Ask former Siemens CEO Klaus Kleinfeld.

Siemens—with €76 billion in revenue in financial year 2009/2010, some 405,000 employees, and branches in 190 countries—is one of the largest electronics companies

in the world. Although the company has long been respected for its engineering prowess, it's also derided for its sluggishness and mechanistic structure. So when Kleinfeld took over as CEO, he sought to restructure the company, making the structure less bureaucratic so decisions are made more quickly. He spun off underperforming businesses and simplified the company's structure.

One of the challenges of transforming European organizations is the customary participation of employees in executive decisions. Half the seats on the Siemens board of directors are allocated to labor representatives. Not surprisingly, labor did not react positively to Kleinfeld's restructuring efforts, and picket lines became a constant presence outside his corporate offices. In his efforts to speed the restructuring, labor groups alleged, Kleinfeld secretly bankrolled a business-friendly workers' group to try to undermine Germany's main industrial union.

Due to this and other allegations, Kleinfeld was forced out in June 2007 and replaced by Peter Löscher. Löscher has found the same tensions between inertia and the need for restructuring. Only a month after becoming CEO, he faced the decision whether to spin off the firm's underperforming €10 billion auto parts unit, VDO. He had to weigh the forces for stability, which want to protect worker interests, against U.S.-style pressures for financial performance. One of VDO's possible buyers was a U.S. company, TRW, the controlling interest of which is held by Blackstone, a U.S. private equity firm. German labor representatives scorn such firms as "locusts." When Löscher decided to sell VDO to German tire giant Continental Corporation, Continental promptly began to downsize and restructure the unit's operations.

Löscher has continued to restructure Siemens. In mid-2008, he announced elimination of nearly 17,000 jobs

worldwide. He also announced plans to consolidate more business units and reorganize the company's operations geographically. "The speed at which business is changing worldwide has increased considerably, and we're orienting Siemens accordingly," Löscher said.

Under Löscher, Siemens has experienced its ups and downs. In 2008, its stock price fell 26 percent on the European stock exchange and 31 percent on the New York Stock Exchange. In 2009, however, Siemens' earnings were up 32 percent, despite an ongoing global recession, and most indicators suggested 2011 would be an equally profitable year.

Though Löscher's restructuring efforts have generated far less controversy than Kleinfeld's, that doesn't mean they went over well with all constituents. Of the 2008 job cuts, Werner Neugebauer, regional director for a union representing many Siemens employees, said, "The planned job cuts are incomprehensible nor acceptable for these reasons, and in this extent, completely exaggerated."

Questions

1. What do Kleinfeld's efforts at Siemens tell you about the difficulties of restructuring organizations?
2. Why do you think Löscher's restructuring decisions have generated less controversy than did Kleinfeld's?
3. Assume a colleague read this case and concluded, "This case proves restructuring efforts do not necessarily improve a company's financial performance." How would you respond?
4. Do you think a CEO who decides to restructure or downsize a company takes the well-being of employees into account? Should he or she do so? Why or why not?

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