

OB IN ACTION

Building Trust

The following actions, in order of importance, help build one's trustworthiness.

- **Integrity**—built through **honesty** and **truthfulness**.
- **Competence**—demonstrated by technical and interpersonal **knowledge** and **skills**.
- **Consistency**—shown by **reliability**, **predictability**, and **good judgment** in handling situations.
- **Loyalty**—one's willingness to **protect** and **stand up** for another person.
- **Openness**—one's willingness to **share ideas** and **information** freely.

Source: P. L. Schindler and C. C. Thomas, "The Structure of Interpersonal Trust in the Workplace," *Psychological Reports*, October 1993, pp. 563–573.

Recent research suggests that women may make better team leaders than men. "The more women participating equally in a project, the better the outcome," suggests Professor Jennifer Berdahl, of the Joseph L. Rotman School of Management at the University of Toronto.²⁶ Berdahl's research, which looked at 169 students enrolled in her organizational behaviour courses, found that in predominantly female teams, women shared leadership roles and were more egalitarian in how they worked. Male-led teams, whether they were predominantly male groups or mixed-gender groups, received poorer grades on their projects than teams where women shared leadership roles.²⁷

Sometimes teams need coaches more than they need leaders. Though workplace teams often report that they receive little coaching compared with leadership,²⁸ productivity-related coaching may help teams perform more effectively. In particular, coaching may be best at three particular stages in the team's history: "at the beginning for effort-related (motivational) interventions, near the midpoint for strategy-related (consultative) interventions, and at the end of a task cycle for (educational) interventions that address knowledge and skill."²⁹

Teams do not always need a leader. For instance, the evidence indicates that self-managed work teams often perform better than teams with formally appointed leaders.³⁰ Leaders can also obstruct high performance when they interfere with self-managed teams.³¹ On self-managed teams, team members absorb many of the duties typically assumed by managers.

Climate of Trust

Members of effective teams trust each other. For team members to do this, they must feel that the team is capable of getting the task done and they must believe that "the team will not harm the individual or his or her interests."³² Interpersonal trust among team members facilitates cooperation, reduces the need to monitor one another's behaviour, 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. *OB in Action—Building Trust* shows the dimensions that underlie the concept of trust.

Team members must also trust their leaders.³³ Trust in leadership is important in that it allows the team to be willing to accept and commit to their leader's goals and decisions.

Performance Evaluation and Rewards

★ *Should individuals be paid for their "teamwork" or their individual performance?*

How do you get team members to be both individually and jointly accountable? The traditional individually oriented evaluation must be modified to reflect team performance.³⁴

Individual performance evaluations, fixed hourly wages, individual incentives, and the like are not consistent with the development of high-performance teams. So in addition to evaluating and rewarding employees for their individual contributions, management should consider group-based appraisals, profit sharing, gainsharing, small-group incentives, and other system modifications that will reinforce team effort and commitment. Ignoring these factors may affect the level of trust that develops in the team.³⁵

One additional consideration when deciding whether and how to reward team members is the effect of pay dispersion on team performance. Research by Nancy Langton,

your Vancouver-based author, shows that when there is a large discrepancy in wages among group members, collaboration is lowered.³⁶ A study of baseball players' salaries also found that teams where players were paid more similarly often outperformed teams with highly paid "stars" and lowly paid "scrubs."³⁷

Composition

★ *Why do some teams seem to get along better than others?*

This category includes variables that relate to how teams should be staffed. In this section, we address the skills, personality, and roles of team members, the diversity and size of the team, member flexibility, and members' preference for teamwork. This chapter's *CBC Video Case Incident* demonstrates how putting together a good team can lead to a very successful company.



Skills

To perform effectively, a team requires three different types of skills:

1. It needs people with *technical expertise*.
2. It needs people with the *problem-solving* and *decision-making skills* to be able to identify problems, generate alternatives, evaluate those alternatives, and make competent choices.
3. It needs people with good listening, feedback, conflict resolution, and other *interpersonal skills*.³⁸

No team can achieve its performance potential without developing all three types of skills. The right mix is crucial. Too much of one at the expense of others will result in lower team performance. But teams don't need to have all the complementary skills in place at the beginning. It's not uncommon for one or more members to take responsibility to learn the skills in which the group is deficient, thereby allowing the team to reach its full potential.

Personality

Teams have different needs, and people should be selected for the team on the basis of their personalities and preferences, as well as the team's needs for diversity and specific roles. We demonstrated in Chapter 2 that personality has a significant influence on individual employee behaviour. Personality also influences team behaviour. Many of the dimensions identified in the Big Five model of personality have been shown to be relevant to team effectiveness. Specifically, teams that rate higher in mean levels of extraversion, agreeableness, conscientiousness, and emotional stability tend to receive higher managerial ratings for team performance.³⁹

Very interestingly, the evidence indicates that the variance in personality characteristics may be more important than the mean.⁴⁰ So, for example, although higher mean levels of conscientiousness on a team are desirable, mixing both conscientious and not-so-conscientious members tends to lower performance. Including just one person who is low on agreeableness, conscientiousness, or extraversion can result in strained internal processes and decreased overall performance.⁴¹

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Being a gracious team member can make a difference. When Atlanta-based CNN decided to revise its morning program *American Morning* in summer 2005, CNN/US President Jonathan Klein decided to replace co-anchor Bill Hemmer, who had held the anchor position for several years. In explaining the decision, Klein noted that he wanted a male anchor who would work with female co-anchor Soledad O'Brien and help her look good too, rather than trying to take all the attention himself.

role A set of expected behaviours of a person in a given position in a social unit.

task-oriented roles Roles performed by group members to ensure that the tasks of the group are carried out.

maintenance roles Roles performed by group members to maintain good relations within the group.

individual roles Roles performed by group members that are not productive for keeping the team on task.

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

role conflict A situation in which an individual finds that complying with one role requirement may make it more difficult to comply with another.

group diversity The heterogeneous mix of individuals within a group.

Roles

In groups, each individual fills a particular **role**. By this term, we mean a set of expected behaviour patterns of a person in a given position in a social unit. Within almost any group, two sets of role relationships need to be considered: task-oriented roles and maintenance roles. **Task-oriented roles** are performed by group members to ensure that the tasks of the group are accomplished. These roles include initiators, information seekers, information providers, elaborators, summarizers, and consensus makers. **Maintenance roles** are carried out to ensure that group members maintain good relations. These roles include harmonizers, compromisers, gatekeepers, and encouragers. You may recall from this chapter's vignette that Beatrice Sze was an encourager—helping team members achieve their best.

Effective teams maintain some balance between task orientation and maintenance of relations. Exhibit 5-5 on page 165 identifies a number of task-oriented and maintenance behaviours in the key roles that you might find in a team.

On many teams, there are individuals who will be flexible enough to play multiple roles and/or complete each other's tasks. This is an obvious plus to a team because it greatly improves its adaptability and makes it less reliant on any single member.⁴² Selecting members who themselves value flexibility, and then cross-training them to be able to do one another's jobs, should lead to higher team performance over time.

Occasionally within teams, you will see people take on **individual roles** that are not productive for keeping the team on task. When this happens, the individual is demonstrating more concern for himself or herself than the team as a whole.

Most roles, whether in the workplace or in our personal lives, are governed by **role expectations**, that is, how others believe a person should act in a given situation. **Role conflict** exists when an individual finds that complying with one role requirement may make it more difficult to comply with another.⁴³ At the extreme, it can include situations in which two or more role expectations are mutually contradictory! *Case Incident—Role Conflict Among Telephone Service Employees* on the CD-ROM that accompanies this textbook looks at how role conflict affects one's work life.

Diversity

Group diversity refers to the presence of a heterogeneous mix of individuals within a group.⁴⁴ Individuals can be different not only in functional characteristics (jobs, positions, expertise, or work experiences) but also in demographic or cultural characteristics (age, race, sex, and citizenship).



RESEARCH FINDINGS Team Diversity

Managing diversity on teams is a balancing act (see Exhibit 5-6 on page 166).⁴⁵ On the one hand, a number of researchers have suggested that diversity brings a greater number of ideas, perspectives, knowledge, and skills to the group, which can be used to perform at a higher level.⁴⁶ On the other hand, researchers have suggested that diversity can lead people to recall stereotypes and therefore bring bias into their evaluations of people who are different from them.⁴⁷ Diversity can thus make it more difficult to unify the team and reach agreements.⁴⁸ We consider some of the evidence to help us resolve these opposing views.

In a study examining the effectiveness of teams of strangers and teams of friends on bargaining, researchers found that teams of strangers gained greater profit than teams of friends, when teams reported to a supervisor.⁴⁹ However, teams of friends were more cohesive than teams of strangers. Another study of 60 teams found that in effective teams, about 50 percent of the individuals considered themselves friends, which underscores the importance of teams'

★ *Is building a team just from people who are friends a good idea?*

EXHIBIT 5-5 Roles Required for Effective Team Functioning

	Function	Description	Example
Roles that build task accomplishment	<i>Initiating</i>	Stating the goal or problem, making proposals about how to work on it, setting time limits.	"Let's set up an agenda for discussing each of the problems we have to consider."
	<i>Seeking information and opinions</i>	Asking group members for specific factual information related to the task or problem, or for their opinions about it.	"What do you think would be the best approach to this, Jack?"
	<i>Providing information and opinions</i>	Sharing information or opinions related to the task or problems.	"I worked on a similar problem last year and found . . ."
	<i>Clarifying</i>	Helping one another understand ideas and suggestions that come up in the group.	"What you mean, Sue, is that we could . . . ?"
	<i>Elaborating</i>	Building on one another's ideas and suggestions.	"Building on Don's idea, I think we could . . ."
	<i>Summarizing</i>	Reviewing the points covered by the group and the different ideas stated so that decisions can be based on full information.	Appointing a recorder to take notes on a blackboard.
	<i>Consensus testing</i>	Providing periodic testing on whether the group is nearing a decision or needs to continue discussion.	"Is the group ready to decide about this?"
Roles that build and maintain a team	<i>Harmonizing</i>	Mediating conflict among other members, reconciling disagreements, relieving tensions.	"Don, I don't think you and Sue really see the question that differently."
	<i>Compromising</i>	Admitting error at times of group conflict.	"Well, I'd be willing to change if you provided some help on . . ."
	<i>Gatekeeping</i>	Making sure all members have a chance to express their ideas and feelings and preventing members from being interrupted.	"Sue, we haven't heard from you on this issue."
	<i>Encouraging</i>	Helping a group member make his or her point. Establishing a climate of acceptance in the group.	"I think what you started to say is important, Jack. Please continue."

Source: "Team Processes," in *Managing for the Future*, ed. D. Ancona, T. Kochan, M. Scully, J. Van Maanen, and D. E. Westney (Cincinnati, OH: South-Western College Publishing, 1996), p. 9.

developing friendships.⁵⁰ However, the researchers also found that in teams that reported almost 100 percent friendship, performance was much lower. These groups tended to isolate themselves from others and not seek outside influences. The research on friendships in teams suggests that teams of friends may be less concerned with productivity and more concerned with maintaining their relationship than are teams of strangers.

EXHIBIT 5-6 Advantages and Disadvantages of Diversity**Advantages**

Multiple perspectives
 Greater openness to new ideas
 Multiple interpretations
 Increased creativity
 Increased flexibility
 Increased problem-solving skills

Disadvantages

Ambiguity
 Complexity
 Confusion
 Miscommunication
 Difficulty in reaching a single agreement
 Difficulty in agreeing on specific actions

Source: Adapted from N. J. Adler, *International Dimensions of Organizational Behavior*, 4th ed., p. 109. Copyright © 2002. By permission of South-Western College Publishing, a division of International Thomson Publishing, Cincinnati, OH 45227.

Recent studies have examined the effect of heterogeneous values on performance and suggest that value differences may have a greater influence than functional, demographic, or cultural differences.⁵¹ Professor Margaret Neale of Stanford University's Graduate School of Business examined the impact of three types of diversity on group performance: informational, demographic, and value-goal diversity.⁵² She found that these different forms of diversity generate different types of conflict. Informational diversity is associated with constructive conflict, with team members debating about the best course of action. Neale considers this positive conflict. Demographic diversity can result in interpersonal conflict, which, if left unresolved, can destroy the group. Groups that have value-goal diversity may face the most damage from the diversity. When team members do not agree on values and goals, it is hard for them to function. However, if a team works through differences to reach consensus on values and goals, team members then know one another's intentions.

Overall, studies suggest that the strongest case for diversity on work teams can be made when these teams are engaged in problem-solving and decision-making tasks.⁵³ Heterogeneous teams may have qualities that lead to creative or unique solutions.⁵⁴ The lack of a common perspective also means diverse teams usually spend more time discussing issues, which decreases the possibility that a weak alternative will be chosen. Although diverse groups have more difficulty working together and solving problems, this fades with time as the members come to know one another. A recent study supports this idea; teams with high expertise diversity were found to perform better when team members were committed to the team than when team members showed low commitment.⁵⁵

Recent research suggests that when team members share a common belief that diversity will positively affect their performance, they set the foundation for the team to manage the diversity in a positive way. Specifically, if team members set out early to try to learn about one another in order to understand and make the most of their differences, this will have a positive effect on the team.⁵⁶ Laurie Milton, at the Haskayne School of Business at the University of Calgary, and several co-authors found that even 10 minutes spent sharing personal information when group members first started working together lowered group conflict and improved creative performance.⁵⁷ When group members didn't share personal information at the beginning of their work, they were less likely to do so later.

The research findings, taken as a whole, suggest that diversity can bring added benefits to the team, but to do so, team members must have some common values, and they need to be willing to share information about themselves early on. Thus we can expect that diversity begins to provide extra value to the team once team members get to know one another and the team becomes more cohesive. *Focus on Diversity* examines the impact of diversity on learning to work together in teams.

FOCUS ON DIVERSITY



Questioning the Impact of Diversity

Do diverse teams really have more difficulty learning how to work together? The late Professor Barbara Kelsey of Ryerson University studied groups of Caucasian and Chinese men living in Canada to see how being a token ethnic member in a group (the only Chinese or the only Caucasian) would affect participation and influence levels in groups.⁵⁸ Some groups worked face to face, others by computer only.

What Kelsey found in the face-to-face groups was that Caucasian males, whether tokens or dominants in their groups, had higher participation levels on average than Chinese males. However, in face-to-face groups dominated by Chinese males, the Chinese males also had relatively high participation rates. Only the token Chinese males scored low in participation or influence on their groups.

In the computer-only groups, the ethnicity of group members could be determined in some groups, while for others it could not. In those groups where the ethnicity of team members was unknown, there were no differences in the participation rates of Chinese and Caucasian men.

Kelsey's research suggests that participation and influence may be less a cultural issue, and more related to how individuals respond to visible differences when interacting with diverse team members. 

Size

Generally speaking, the most effective teams have fewer than 10 members. And experts suggest using the smallest number of people who can do the task. Unfortunately, there is a tendency for managers to make teams too large. While a minimum of four or five members may be necessary to develop a diversity of views and skills, managers seem to seriously underestimate how coordination problems can dramatically increase as team members are added. When teams have excess members, cohesiveness and mutual accountability decline, social loafing increases, and more and more people do less talking compared to others. So in designing effective teams, managers should try to keep the number of members at less than 10. If a work unit is larger and you want a team effort, consider breaking the unit into subteams. Uneven numbers in teams may help build in a mechanism to break ties and resolve conflicts, while an even number of team members may foster the need to create more consensus.

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Separated workstations, such as these at a Hong Kong toy factory, reduce work group interactions.

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

Size and Social Loafing One of the most important findings related to the size of a team has been labelled **social loafing**. Social loafing is the tendency of individuals to expend less effort when working collectively than when working individually.⁵⁹ It directly challenges the logic that the productivity of the team as a whole should at least equal the sum of the productivity of each individual in that team.

★ *Why don't some team members pull their weight?*

What causes this social loafing effect? It may be due to a belief that others in the team are not carrying their fair share. If you view others as lazy or inept, you can re-establish equity by reducing your effort. Another explanation is the dispersion of responsibility. Because the results of the team cannot be attributed to any single person, the relationship between an individual's input and the team's output is clouded. In such situations, individuals may be tempted to become "free riders" and coast on the team's efforts. In other words, there will be a reduction in efficiency when individuals believe that their contribution cannot be measured. To reduce social loafing, teams should not be larger than necessary, and individuals should be held accountable for their actions.

Member Flexibility

Teams made up of flexible individuals have members who can complete each other's tasks. This is an obvious plus to a team because it greatly improves its adaptability and makes it less reliant on any single member.⁶⁰ So selecting members who themselves value flexibility, then cross-training them to be able to do each other's jobs, should lead to higher team performance over time.

Members' Preference for Teamwork

Not every employee is a team player. Given the option, many employees will "select themselves out" of team participation. When people who would prefer to work alone are required to team up, there is a direct threat to the team's morale.⁶¹ This suggests that, when selecting team members, individual preferences should be considered, as well as abilities, personalities, and skills. High-performing teams are likely to be composed of people who prefer working as part of a team.

Work Design

Effective teams need to work together and take collective responsibility to complete significant tasks. They must be more than a "team-in-name-only."⁶² The work design category includes variables such as freedom and autonomy, the opportunity to use a variety of skills and talents, the ability to complete a whole and identifiable task or product, and the participation in a task or project that has a substantial impact on others. The evidence indicates that these characteristics enhance member motivation and increase team effectiveness.⁶³ These work design characteristics motivate teams because they increase members' sense of responsibility for and ownership of the work, and because they make the work more interesting to perform.⁶⁴ These recommendations are consistent with the job characteristics model we presented in Chapter 4.

Process

Process variables make up the final component of team effectiveness. The process category includes member commitment to a common purpose; establishment of specific goals; team efficacy; a managed level of conflict; and a system of accountability.

Common Purpose

Effective teams have a common and meaningful purpose that provides direction, momentum, and commitment for members.⁶⁵ This purpose is a vision. It's broader than specific goals.

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 the equivalent of what celestial navigation is to a ship's captain—it provides direction and guidance under any and all conditions.

Specific Goals

Successful teams translate their common purpose into specific, measurable, and realistic performance goals. Just as we demonstrated in Chapter 4 how goals lead individuals to higher performance, so goals also energize teams. These specific goals facilitate clear communication. They also help teams maintain their focus on achieving results.

Consistent with the research on individual goals, team goals should be challenging. Difficult goals have been found to raise team performance on those criteria for which they are set. So, for instance, goals for quantity tend to raise quantity, goals for speed tend to raise speed, goals for accuracy tend to raise accuracy, and so on.⁶⁶

Teams should also be encouraged to develop milestones—tangible steps toward completion of the project. This allows teams to focus on their goals and evaluate progress toward the goals. The milestones should be sufficiently important and readily accomplished that teams can celebrate some of their accomplishments along the way.

Team Efficacy

Effective teams have confidence in themselves. They believe they can succeed. We call this *team efficacy*.⁶⁷

Success breeds success. Teams that have been successful raise their beliefs about future success which, in turn, motivates them to work harder. One of the factors that helps teams build their efficacy is **cohesiveness**—the degree to which members are attracted to one another and are motivated to stay on the team.⁶⁸ Though teams differ in their cohesiveness, it is important because it has been found to be related to the team's productivity.⁶⁹

Studies consistently show that the relation between cohesiveness and productivity depends on the performance-related norms established by the group.⁷⁰ If performance-related norms are high (for example, high output, quality work, cooperation with individuals outside the group), a cohesive group will be more productive than a less cohesive group. 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. Where cohesiveness and performance-related norms are both low, productivity will tend to fall into the low-to-moderate range. These conclusions are summarized in Exhibit 5-7 on page 170. *OB in Action—Creating a Team Charter* provides a way for teams to develop productivity norms when the team first forms.

Most studies of cohesiveness focus on *socio-emotional cohesiveness*, the “sense of togetherness that develops when individuals derive emotional satisfaction from group

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A recent study of 23 National Basketball Association (NBA) teams found that “shared experience”—tenure on the team and time on court—tended to reduce turnover and boost win-loss performance significantly. Why do you think teams that stay together longer tend to play better?

cohesiveness The degree to which team members are attracted to one another and are motivated to stay on the team.

OB IN ACTION

Creating a Team Charter

When you form a new team, you may want to develop a team charter, so that everyone agrees on the basic norms for group performance. Consider including answers to the following in your charter:

- What are team members' **names and contact information** (phone, email)?
- How will **communication** among team members take place (phone, email)?
- What will the **team ground rules** be (where and when to meet, attendance expectations, workload expectations)?
- How will **decisions** be made (consensus, majority vote, leader rules)?
- What **potential conflicts** may arise within the team? Among team members?
- How will **conflicts be resolved** by the group?

Source: Submitted by Don Miskiman, Chair and U-C Professor of Management, Malaspina University College, Nanaimo, BC. With permission.

EXHIBIT 5-7 Relationship Among Team Cohesiveness, Performance Norms, and Productivity

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

participation.”⁷¹ There is also *instrumental cohesiveness*: the “sense of togetherness that develops when group members are mutually dependent on one another because they believe they could not achieve the group’s goal by acting separately.” Teams need to achieve a balance of these two types of cohesiveness to function well. *OB in Action—Increasing Group Cohesiveness* indicates how to increase both socio-emotional and instrumental cohesiveness.

OB IN ACTION**Increasing Group Cohesiveness***Increasing socio-emotional cohesiveness*

- Keep the group relatively **small**.
- Strive for a **favourable public image** to increase the status and prestige of belonging.
- Encourage **interaction** and **cooperation**.
- Emphasize members’ **common characteristics** and interests.
- **Point out environmental threats** (e.g., competitors’ achievements) to rally the group.

Increasing instrumental cohesiveness

- Regularly update and **clarify the group’s goal(s)**.
- Give every group member a **vital “piece of the action.”**
- Channel each group member’s special talents toward the **common goal(s)**.
- **Recognize** and equitably reinforce **every member’s contributions**.
- Frequently remind group members they **need one another** to get the job done.

Source: R. Kreitner and A. Kinicki, *Organizational Behavior*, 6th ed. (New York: Irwin, 2004), p. 460. Reprinted by permission of McGraw Hill Education.

What, if anything, can management do to increase team efficacy? Two possible options are helping the team to achieve small successes and skill training. Small successes build team confidence. As a team develops an increasingly stronger performance record, it also increases the collective belief that future efforts will lead to success. In addition, managers should consider providing training to improve members’ technical and interpersonal skills. The greater the abilities of team members, the greater the likelihood that the team will develop confidence and the capability to deliver on that confidence.

Managed Level of Conflict

Conflict on a team is not necessarily bad. Though relationship conflicts—those based on interpersonal incompatibilities, tension, and animosity toward others—are almost always dysfunctional, teams that are completely void of conflict are likely to be less effective, with the members becoming withdrawn and only superficially harmonious. Often, if there were no conflict, the alternative was not agreement, but apathy and disengagement. Teams that avoid conflict also tend to have lower performance levels, forget to consider key issues, or remain unaware of important aspects of their situation.⁷² So effective teams are characterized by an appropriate level of conflict.⁷³

Kathleen Eisenhardt of the Stanford Graduate School of Business and her colleagues studied top management teams in technology-based companies to understand how they manage conflict.⁷⁴ Their research identified six tactics that helped the teams successfully manage the interpersonal conflict that can accompany group interactions. These are presented in *OB in Action—Reducing Team Conflict*. By handling the interpersonal

conflict well, the teams were able to achieve their goals without letting conflict get in the way.

Groups need mechanisms by which they can manage the conflict, however. From the research reported above, we could conclude that sharing information and goals and striving to be open and get along are helpful strategies for negotiating our way through the maze of conflict. A sense of humour and a willingness to understand the points of others without insisting that everyone agree on all points are also important. Group members should try to focus on the issues rather than on personalities, and strive to achieve fairness and equity in the group process.

Accountability

Successful teams make members individually and jointly accountable for the team's purpose, goals, and approach.⁷⁵ They clearly define what they are individually responsible for and what they are jointly responsible for. *From Concepts to Skills* on pages 182–183 discusses how to conduct effective team meetings.

OB IN ACTION

Reducing Team Conflict

- Work with **more, rather than less, information**, and debate on the basis of **facts**.
- Develop **multiple alternatives** to enrich the level of debate.
- Develop commonly agreed-upon **goals**.
- Use **humour** when making tough decisions.
- Maintain a **balanced power** structure.
- Resolve issues **without forcing consensus**.

Source: Based on K. M. Eisenhardt, J. L. Kahwajy, and L. J. Bourgeois III, "How Management Teams Can Have a Good Fight," *Harvard Business Review*, July–August 1997, p. 78.

TWENTY-FIRST CENTURY TEAMWORK: VIRTUAL TEAMS

When we think of teams, we often picture face-to-face interactions. **Virtual teams**, however, seldom interact face-to-face and they use computer technology to tie together physically separated members in order to achieve a common goal.⁷⁶ They enable people to collaborate online—using communication links such as wide-area networks, videoconferencing, and email—whether team members are only a room away or continents apart. With the greater availability of technology and increasing globalization, virtual teams have become not only possible, but necessary. To the extent that work is knowledge-based rather than production-oriented, virtual teams are also becoming more common.

Providing that team members are comfortable with using technology, virtual teams can do all the things that other teams do—share information, make decisions, complete tasks. They can include members from the same organization or link an organization's members with employees from other organizations (suppliers and joint partners). They can convene for a few days to solve a problem, a few months to complete a project, or exist permanently.⁷⁷ Often they can be more efficient at tasks as well, because of the ease of sharing information through email and voice mail. Virtual teams also make it possible for people who are in different geographical and time zones to work together.

Virtual teams can suffer from the limited social contact of team members. This can lead to bonding problems, which the research on teams suggests is important for team performance. One recent meta-analysis of 27 studies of virtual teams questioned whether members of virtual teams ever bonded in the traditional sense.⁷⁸ Lack of bonding can lead to slower and less accurate performance than is the case for face-to-face teams.

Virtual teams can also suffer from the absence of *paraverbal* and *nonverbal* cues in their communications. In face-to-face conversation, people use paraverbal (tone of voice, inflection, voice volume) and nonverbal (eye movement, facial expression, hand gestures, and other body language) cues to provide increased meaning. In virtual communications, team members are not able to duplicate the normal give-and-take of face-to-face discussion. As a result, virtual team members often have less social rapport and are more at risk of misunderstanding one another.

5 How do virtual teams work?

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

Virtual Teams and Trust

There has been some concern that, because virtual teams lack face-to-face interaction, it may be more difficult to build trust among individuals. However, two recent studies examining how virtual teams work on projects indicate that virtual teams can develop close interaction and trust; these qualities simply evolve differently than in face-to-face groups.⁷⁹ In face-to-face groups, trust comes from direct interaction, over time. In virtual teams, trust is either established at the outset or it generally does not develop. The researchers found that initial electronic messages set the tone for how interactions occurred throughout the entire project. In one team, for instance, when the appointed

leader sent an introductory message that had a distrustful tone, the team suffered low morale and poor performance throughout the duration of the project. The researchers suggest that virtual teams should start with an electronic “courtship,” where members provide some personal information. Then the teams should assign clear roles to members, helping members to identify with each other. Finally, the researchers noted that teams whose members had a positive attitude (eagerness, enthusiasm, and intense action orientation in messages) did considerably better than teams that had one or more pessimists. The article by S. L. Jarvenpaa, K. Knoll, and D. E. Leidner cited in endnote 79 of this chapter provides more detail on this subject; you might find the team experience reported there interesting.

OB IN ACTION

Managing Virtual Teams

Establishing trust and commitment, encouraging communication, and assessing team members pose tremendous challenges for virtual team managers. Here are a few tips to make the process easier:

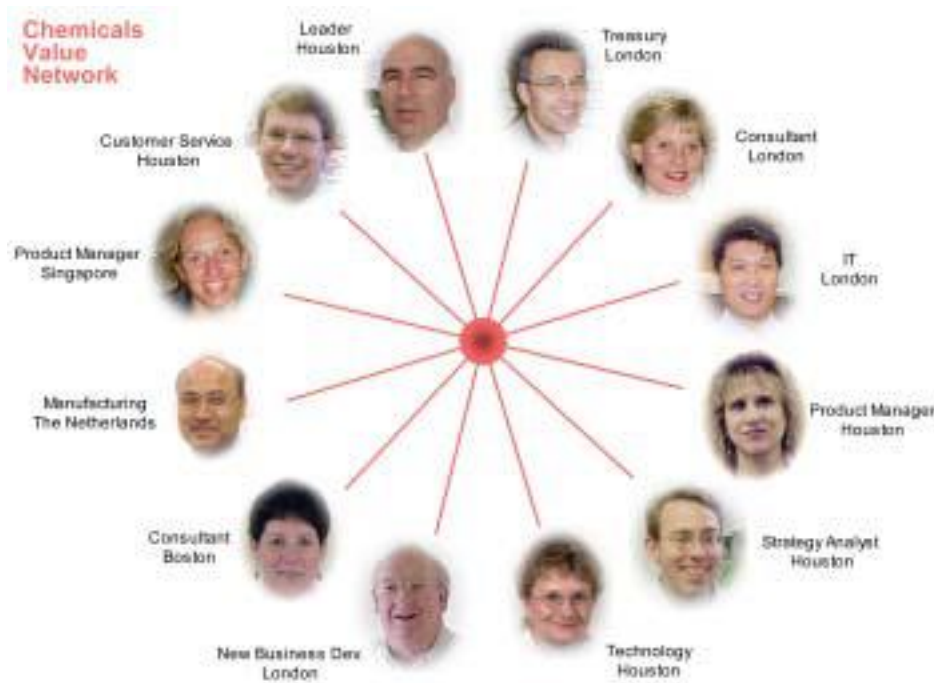
- Establish **regular times** for group interaction.
- Set up **firm rules** for communication.
- Use **visual forms of communication** where possible.
- **Copy** the good points of **on-site teams**. For example, allow time for informal chitchat and socializing, and celebrate achievements.
- **Give and receive feedback** and offer assistance on a regular basis. Be persistent with people who are not communicating with you or each other.
- Agree on **standard technology** so all team members can work together easily.
- Consider using **360-degree feedback** to better understand and evaluate team members. This type of feedback comes from the full circle of daily contacts that an employee might have, including supervisors, peers, subordinates, and clients.
- Provide a **virtual workspace** via an intranet, website, or bulletin board.
- Note which employees **effectively use email** to build team rapport.
- **Smooth the way for the next assignment** if membership on the team, or the team itself, is not permanent.
- **Be available** to employees, but don't wait for them to seek you out.
- Encourage **informal, off-line conversation** between team members.

Source: C. Joinson, “Managing Virtual Teams,” *HR Magazine*, June 2002, p. 71. Reprinted with the permission of *HR Magazine*, published by the Society for Human Resource Management, Alexandria, VA.

Creating Virtual Workspaces

It is obvious that virtual teams must rely on technology to communicate. But what is the best way to do this? Team members can be overwhelmed with email, drowning in messages to the point of failing to read them. To better understand the problem, a recent study looked at 54 teams from 26 companies operating in a wide variety of industries.⁸⁰ The researchers found that 83 percent of the teams they studied used virtual workspaces (also known as virtual meeting rooms) to communicate. The virtual workspace is a team website on a company's intranet, designed to help remind team members of their “decisions, rationales, and commitments.” The virtual workspace can have “walls” or links to information about each person, and discussion forums with topic threads that cover important issues and problems. The discussion forums can also serve as places to post work-in-progress to get feedback. Exhibit 5-8 on page 173 shows an example of a virtual workspace for a project at Shell.

Tips for managers who want to improve the way virtual teams function include the following: ensure that the team addresses feelings of isolation that members might have; ensure that team members have a mix of interpersonal and technical skills; and pay careful attention to evaluating performance and providing recognition and feedback.⁸¹ By engaging in spontaneous communication with virtual team members, managers can also reduce the likelihood and impact of conflict.⁸² For more tips on improving the way virtual teams function, see *OB in Action—Managing Virtual Teams*.

EXHIBIT 5-8 An Illustration of a Virtual Workspace

Source: Reprinted by permission of Shell Chemical LP.

Case Incident—A Virtual Team at T. A. Sterns on pages 180–181 further explores how virtual teams work.

BEWARE! TEAMS ARE NOT ALWAYS THE ANSWER

When the Glenforest Secondary School students got together to build a robot, it made sense for them to form a team. No student had all the knowledge and skills required to complete the task, as we saw in the opening vignette. But does every task need a team?

Despite considerable success in the use of teams, they are not necessarily appropriate in all situations, as Exhibit 5-9 on page 174 suggests. Teamwork takes more time and often more resources than individual work. Teams, for instance, have greater communication demands, conflicts to be managed, and meetings to be run. In their enthusiasm to enjoy the benefits of teams, some managers have introduced them into situations where the work is better done by individuals. A 2003 study done by Statistics Canada found that the introduction of teamwork lowered turnover in the service industries, for both high- and low-skilled employees. However, manufacturing companies experienced higher turnover if they introduced teamwork and formal teamwork training, compared with not doing so (15.8 percent vs. 10.7 percent).⁸³

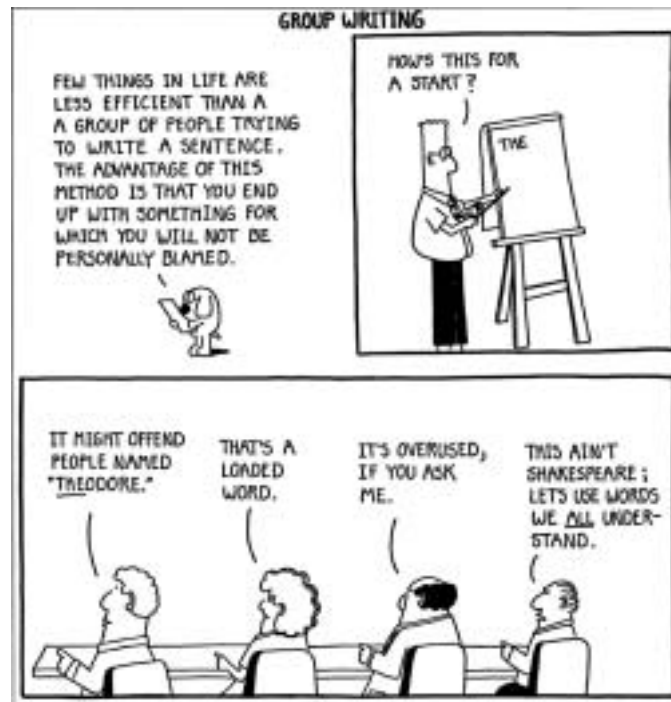
Another consideration is ethics. This chapter's *Ethical Dilemma Exercise* on page 180 asks you to think about whether it is ethical to force employees to be team players.

How do you know if the work of your group would be better done in teams? It has been suggested that three tests be applied to see if a team fits the situation:⁸⁴

- *Can the work be done better by more than one person?* Simple tasks that don't require diverse input are probably better left to individuals.

6 Are teams always the answer?

EXHIBIT 5-9



Source: S. Adams, *Build a Better Life by Stealing Office Supplies* (Kansas City: MO: Andrews and McMeal, 1991), p. 31. Dilbert reprinted with permission of United Features Syndicate.

- *Does the work create a common purpose or set of goals for the people in the group that is more than the sum of individual goals?* For instance, the service departments of many new-car dealers have introduced teams that link customer service personnel, mechanics, parts specialists, and sales representatives. Such teams can better manage collective responsibility for ensuring that customers' needs are properly met.
- *Are the members of the group interdependent?* Teams make sense where there is interdependence between tasks—where 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 because of the interdependence of the players. Swim teams, by contrast, are not really teams, but groups of individuals whose total performance is merely the sum of the individual performances. Others have outlined the conditions under which organizations would find teams more useful: “when work processes cut across functional lines; when speed is important (and complex relationships are involved); when the organization mirrors a complex, differentiated, and rapidly changing market environment; when innovation and learning have priority; and when the tasks that have to be done require online integration of highly interdependent performers.”⁸⁵

SUMMARY AND IMPLICATIONS

- 1 **What are teams and groups?** Groups and teams differ. The output of a group is simply the sum of individual efforts. A team, because of the close collaboration among members, produces output that is greater than the sum of individual efforts.
- 2 **Does everyone use teams?** Teams have become an essential part of the way business is being done these days. A Conference Board of Canada report found that more than 80 percent of its 109 respondents used teams in the workplace. This finding is similar in the United States, where 80 percent of *Fortune* 500 companies have half or more of their employees on teams. As well, 68 percent of small US manufacturers use teams in their production areas.
- 3 **Do groups and teams go through stages while they work?** Two different models illustrate how teams and groups develop. The first, the five-stage model, describes the standard sequence of stages groups pass through: forming, storming, norming, performing, and adjourning. Through these stages, group members learn how to settle conflicts and develop norms, which enable them to perform. The second, the punctuated-equilibrium model, describes the pattern of development specific to temporary groups with deadlines. In this model, the group shows two great periods of activity. The first peak in activity takes place after the midpoint of the project, a time in which the team performs at a higher level than it did previously. The second peak takes place right before the project comes due.
- 4 **How do we create effective teams?** For teams to be effective, careful consideration must be given to resources, the team's composition, work design, and process variables. The four contextual factors that appear to be most significantly related to team performance are the presence of adequate resources, effective leadership, a climate of trust, and a performance evaluation and reward system that reflects team contributions. Effective teams are neither too large nor too small—typically they range in size from 5 to 12 people. They have members who fill role demands, are flexible, and who prefer to be part of a group. Teams will be more effective if members have freedom and autonomy to do their tasks and believe that the task will have a substantial impact on others. Finally, effective teams have members committed to a common purpose and specific team goals.
- 5 **How do virtual teams work?** Virtual teams can do many of the same things face-to-face teams can, but they have more challenges, especially when it comes to team-member bonding and building trust. To help build understanding among teammates, members should provide some personal information early on, and they should also be clear on each other's roles from the outset. Researchers have found that virtual teams with members who have positive attitudes do better than teams with pessimistic members. Often, virtual teams communicate, discuss ideas, post work-in-progress, and exchange feedback through a virtual workspace via an intranet, website, or bulletin board.
- 6 **Are teams always the answer?** Teams are not necessarily appropriate in every situation. How do you know if the work of your group would be better done in teams? It's been suggested that three tests be applied to see if a team fits the situation: (1) Can the work be done better by more than one person? (2) Does the work create a common purpose or set of goals for the people in the group that is more than the sum of individual goals? and (3) Are the members of the group interdependent? This third test asks whether 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.

SNAPSHOT SUMMARY

- 1 **Team vs. Groups: What's the Difference?**
- 2 **Why Have Teams Become So Popular?**
- 3 **Stages of Group and Team Development**
The Five-Stage Model
The Punctuated-Equilibrium Model
- 4 **Creating Effective Teams**
Context
Composition
Work Design
Process
- 5 **Twenty-First Century Teamwork: Virtual Teams**
Virtual Teams and Trust
Creating Virtual Workspaces
- 6 **Beware! Teams Are Not Always the Answer**

For Review

1. How can teams increase employee motivation?
2. Describe the five-stage model of group development.
3. Describe the punctuated-equilibrium model of group development.
4. What are the characteristics of an effective team?
5. How can team members harm their team?
6. What is the difference between task-oriented roles and maintenance roles?
7. What are the effects of team size on performance?
8. How can a team minimize social loafing?
9. Contrast virtual and face-to-face teams.
10. What conditions favour creating a team, rather than letting an individual perform a given task?

For Critical Thinking

1. How could you use the punctuated-equilibrium model to understand group behaviour better?
2. Have you experienced social loafing as a team member? What did you do to prevent this problem?
3. Would you prefer to work alone or as part of a team? Why? How do you think your answer compares with that of others in your class?
4. What effect, if any, do you expect that workforce diversity has on a team's performance and satisfaction?

OB for You

- Know that you will be asked to work on teams and groups both during your post-secondary years and later in life, so understanding how teams work is an important skill to have.
- Think about the roles that you play on teams. Teams need task-oriented people to get the job done, but they also need maintenance-oriented people who help keep people working together and feeling committed to the team.
- Help your team set specific, measurable, realistic goals, as this leads to more successful outcomes.



POINT

Sports Teams Are Good Models for Workplace Teams

Studies from hockey, football, soccer, basketball, and baseball have found a number of elements in successful sports teams that can be applied to successful work teams.⁸⁶

Successful teams integrate cooperation and competition. Effective team coaches get athletes to help one another but also push one another to perform at their best. Sports teams with the best win-loss records had coaches who promoted a strong spirit of cooperation and a high level of healthy competition among their players.

Successful teams score early wins. Early successes build teammates' faith in themselves and their capacity as a team. For instance, research on hockey teams of relatively equal ability found that 72 percent of the time the team that was ahead at the end of the first period went on to win the game. So managers should provide teams with early tasks that are simple and provide "easy wins."

Successful teams avoid losing streaks. Losing can become a self-fulfilling prophecy. A couple of failures can lead to a downward spiral if a team becomes demoralized and believes it is helpless to end its losing streak. Managers need to instill the confidence in team members that they can turn things around when they encounter setbacks.

Practice makes perfect. Successful sports teams execute on game day but learn from their mistakes in practice. A wise manager carves out time and space in which work teams can experiment and learn.

Successful teams use halftime breaks. The best coaches in basketball and football use halftime during a game to reassess what is working and what is not. Managers of work teams should build in similar assessments at about the halfway point in a team project to evaluate how the team can improve.

Winning teams have a stable membership. Studies of professional basketball teams have found that the more stable a team's membership, the more likely the team is to win. The more time teammates have together, the more able they are to anticipate one another's moves and the clearer they are about one another's roles.

Successful teams debrief after failures and successes. The best sports teams study the game video. Similarly, work teams need to take time to routinely reflect on both their successes and failures and to learn from them.



COUNTERPOINT

Sports Teams Are Not the Model for All Teams

There are flaws in using sports as a model for developing effective work teams. Here are just four caveats.⁸⁷

All sport teams are not alike. In baseball, for instance, there is little interaction among teammates. Rarely are more than two or three players directly involved in a play. The performance of the team is largely the sum of the performance of its individual players. In contrast, basketball has much more interdependence among players. Usually all players are involved in every play, team members have to be able to switch from offence to defence at a moment's notice, and there is continuous movement by all, not just the player with the ball. The performance of the team is more than the sum of its individual players. So when using sports teams as a model for work teams, you have to make sure you are making the correct comparison.

Work teams are more varied and complex. In an athletic league, teams vary little in their context, the design of the team, and the design of the task. But from one work team to the next, these factors can vary tremendously. As a result, coaching plays a much more significant part in a sports team's performance than in the workplace. Performance of work teams is more a function of getting the team's structural and design variables right. So, in contrast to sports, managers of work teams should focus less on coaching and more on getting the team set up for success.

A lot of employees cannot relate to sports metaphors. Not everyone on work teams is conversant in sports. Team members from different cultures also may not know the sports metaphors you are using. Most Canadians, for instance, are unfamiliar with the rules and terminology of Australian football.

Work team outcomes are not easily defined in terms of wins and losses. Sports teams usually measure success in terms of wins and losses. Such measures of success are rarely as clear for work teams. Managers who try to define success in wins and losses imply that the workplace is ethically no more complex than the playing field, which is rarely true.

LEARNING ABOUT YOURSELF EXERCISE

How Good Am I at Building and Leading a Team?

Use the following rating scale to respond to the 18 questions on building and leading an effective team:

Strongly Disagree 1	Disagree 2	Slightly Disagree 3	Slightly Agree 4	Agree 5	Strongly Agree 6
1. I am knowledgeable about the different stages of development that teams can go through in their life cycles.				1 2 3 4 5 6	
2. When a team forms, I make certain that all team members are introduced to one another at the outset.				1 2 3 4 5 6	
3. When the team first comes together, I provide directions, answer team members' questions, and clarify goals, expectations, and procedures.				1 2 3 4 5 6	
4. I help team members establish a foundation of trust among themselves and between themselves and me.				1 2 3 4 5 6	
5. I ensure that standards of excellence, not mediocrity or mere acceptability, characterize the team's work.				1 2 3 4 5 6	
6. I provide a great deal of feedback to team members regarding their performance.				1 2 3 4 5 6	
7. I encourage team members to balance individual autonomy with interdependence among other team members.				1 2 3 4 5 6	
8. I help team members become at least as committed to the success of the team as to their own personal success.				1 2 3 4 5 6	
9. I help team members learn to play roles that assist the team in accomplishing its tasks, as well as building strong interpersonal relationships.				1 2 3 4 5 6	
10. I articulate a clear, exciting, passionate vision of what the team can achieve.				1 2 3 4 5 6	
11. I help team members become committed to the team vision.				1 2 3 4 5 6	
12. I encourage a win-win philosophy in the team; that is, when one member wins, every member wins.				1 2 3 4 5 6	
13. I help the team avoid making the group's survival more important than accomplishing its goal.				1 2 3 4 5 6	
14. I use formal process-management procedures to help the group become faster, more efficient, and more productive, and to prevent errors.				1 2 3 4 5 6	
15. I encourage team members to represent the team's vision, goals, and accomplishments to outsiders.				1 2 3 4 5 6	
16. I diagnose and capitalize on the team's core competence.				1 2 3 4 5 6	
17. I encourage the team to achieve dramatic breakthrough innovations, as well as small continuous improvements.				1 2 3 4 5 6	
18. I help the team work toward preventing mistakes, not just correcting them after the fact.				1 2 3 4 5 6	

Scoring Key:

The authors of this instrument propose that it assesses team development behaviours in five areas: diagnosing team development (items 1, 16); managing the forming stage (items 2–4); managing the storming stage (items 10–12, 14, 15); managing the norming stage (items 6–9, 13); and managing the performing stage (items 5, 17, 18). Add up your score. Your total score will range between 18 and 108.

Based on a norm group of 500 business students, the following can help estimate where you are relative to others:

95 or above = You are in the top quartile of being able to build and lead a team

72–94 = You are in the second quartile

60–71 = You are in the third quartile

Below 60 = You are in the bottom quartile

Source: Adapted from D. A. Whetten and K. S. Cameron, *Developing Management Skills*, 3rd ed. © 1995, pp. 534–535. Adapted by permission of Pearson Education, Inc., Upper Saddle River, NJ.

BREAKOUT GROUP EXERCISES

Form small groups to discuss the following topics, as assigned by your instructor:

1. One of the members of your team continually arrives late for meetings and does not turn drafts of assignments in on time. In general this group member is engaging in social loafing. What can the members of your group do to reduce social loafing?
2. Consider a team with which you've worked. Using the information in Exhibit 5-5, consider whether there were more task-oriented or maintenance-oriented roles in the group. What impact did this have on the group's performance?
3. Identify 4 or 5 norms that a team could put into place near the beginning of its life to help it function better over time.

WORKING WITH OTHERS EXERCISE

The Paper Tower Exercise

- Step 1** Each group will receive 20 index cards, 12 paper clips, and 2 marking pens. Groups have 10 minutes to plan a paper tower that will be judged on the basis of 3 criteria: height, stability, and beauty. No physical work (building) is allowed during this planning period.
- Step 2** Each group has 15 minutes for the actual construction of the paper tower.
- Step 3** Each tower will be identified by a number assigned by your instructor. Each student is to individually examine all the paper towers. Your group is then to come to a consensus as to which tower is the winner (5 minutes). A spokesperson from your group should report its decision and the criteria the group used in reaching it.
- Step 4** In your small groups, discuss the following questions (your instructor may choose to have you discuss only a subset of these questions):
- a. What percentage of the plan did each member of your group contribute, on average?
 - b. Did your group have a leader? Why or why not?
 - c. How did the group generally respond to the ideas that were expressed during the planning period?
 - d. To what extent did your group follow the five-stage model of group development?

continued

OB AT WORK

- e. List specific behaviours exhibited during the planning and building sessions that you felt were helpful to the group. Explain why you found them helpful.
- f. List specific behaviours exhibited during the planning and building sessions that you felt were dysfunctional to the group. Explain why you found them dysfunctional.

Source: This exercise is based on "The Paper Tower Exercise: Experiencing Leadership and Group Dynamics" by Phillip L. Hunsaker and Johanna S. Hunsaker, unpublished manuscript. A brief description is included in "Exchange," *Organizational Behavior Teaching Journal* 4, no. 2 (1979), p. 49. Reprinted by permission of the authors. The materials list was suggested by Sally Maitlis, Sauder School of Business, UBC.

ETHICAL DILEMMA EXERCISE

Pressure to Be a Team Player

"OK I admit it. I'm not a team player. I work best when I work alone and am left alone," says Zach Sanders.

Zach's employer, an office furniture manufacturer, recently reorganized around teams. All production in the company's Winnipeg factory is now done in teams. Zach's design department has been broken up into three design teams.

"I've worked here for four years. I'm very good at what I do. And my performance reviews confirm that. I've scored 96 percent or higher on my evaluations every year I've been here. But now everything is changing. I'm expected to be part of our modular-office design team. My evaluations and

pay raises are going to depend on how well the team does. And, get this, 50 percent of my evaluation will be on how well I facilitate the performance of the team. I'm really frustrated and demoralized. They hired me for my design skills. They knew I wasn't a social type. Now they're forcing me to be a team player. This doesn't play to my strengths at all."

Is it unethical for Zach's employer to force him to be a team player? Is Zach's employer breaking an implied contract that it made with him at the time he was hired? Does the employer have any responsibility to provide Zach with an alternative that would allow him to continue to work independently?

CASE INCIDENT

A Virtual Team at T. A. Stearns

T. A. Stearns is a national tax accounting firm whose main business is tax preparation services for individuals. Stearns' superior reputation is based on the high quality of its advice and the excellence of its service. Key to the achievement of its reputation are the state-of-the-art computer databases and analysis tools that its people use when counselling clients. These programs were developed by highly trained individuals.

The programs are highly technical, in terms of both the code in which they are written and the tax laws they cover. Perfecting them requires high levels of programming skill as well as the ability to understand the law. New laws and interpretations of existing laws have to be integrated quickly and flawlessly into the existing regulations and analysis tools.

The creation of these programs is carried out in a virtual environment by four programmers in the greater Vancouver area. The four work at home and are connected to each other and to the company by email, telephone, and conference software. Formal on-site meetings among all of the pro-

grammers take place only a few times a year, although the workers sometimes meet informally at other times. The four members of the team are Tom Andrews, Cy Crane, Marge Dector, and Megan Harris.

These four people exchange email messages many times every day. In fact, it's not unusual for them to step away from guests or family to log on and check in with the others. Often their emails are amusing as well as work-related. Sometimes, for instance, when they were facing a deadline and one of Marge's kids was home sick, they helped each other with the work. Tom has occasionally invited the others to visit his farm; and Marge and Cy have gotten their families together several times for dinner. About once a month the whole team gets together for lunch.

All four of these Stearns employees are on salary, which, consistent with company custom, is negotiated separately and secretly with management. Although each is required to check in regularly during every workday, they were told

when they were hired that they could work wherever they wanted. Clearly, flexibility is one of the pluses of these jobs. When the four get together, they often joke about the managers and workers who are tied to the office, referring to them as “face timers” and to themselves as “free agents.”

When the programmers are asked to make a major program change, they often develop programming tools called macros to help them do their work more efficiently. These macros greatly enhance the speed at which a change can be written into the programs. Cy in particular really enjoys hacking around with macros. On one recent project, for instance, he became obsessed with the prospect of creating a shortcut that could save him a huge amount of time. One week after turning in his code and his release notes to the company, Cy bragged to Tom that he had created a new macro that had saved him eight hours of work that week. Tom was skeptical of the shortcut, but after trying it out he found that it actually saved him many hours too.

Stearns has a suggestion program that rewards employees for innovations that save the company money. The program gives an employee 5 percent of the savings generated by his or her innovation over three months. The company also has a profit-sharing plan. Tom and Cy felt that the small amount of money that would be generated by a company reward would not offset the free time that they gained using their new macro. They wanted the time for leisure or consulting work. They also feared their group might suffer if management learned about the innovation. It would enable three people to do the work of four, which could lead to one of them being let go. So they didn't share their innovative macro with management.

Although Tom and Cy wouldn't share the innovation with management, they were concerned that they were entering their busy season and they knew everyone on the team would be stressed by the heavy workload. They decided to distribute the macro to the other members of their team and swore them to secrecy.

Over lunch one day, the team set itself a level of production that it felt would not arouse management's suspicion. Several months passed and the four used some of their extra time to push the quality of their work even higher. But they also now had more time to pursue their own personal interests.

Dave Regan, the in-house manager of the work group, picked up on the innovation several weeks after it was first implemented. He had wondered why production time had gone down a bit while quality had shot up, and he got his first inkling of an answer when he saw an email from Marge to Cy thanking him for saving her so much time with his “brilliant mind.” Not wanting to embarrass his employees, the manager hinted to Tom that he wanted to know what was happening, but he got nowhere. He did not tell his own manager about his suspicions, reasoning that since both quality and productivity were up he did not really need to pursue the matter further.

Dave very recently learned that Cy had boasted about his trick to a member of another virtual work group in the company. Suddenly, the situation seemed to have gotten out of control. Dave decided to take Cy to lunch. During the meal, Dave asked Cy to explain what was happening. Cy told him about the innovation, but he insisted the group's actions had been justified to protect itself.

Dave knew that his own boss would soon hear of the situation and that he would be looking for answers—from him.

Questions

1. Is this group a team?
2. What role have norms played in how this team acted?
3. Has anyone in this case acted unethically?
4. What should Dave do now?

Source: Adapted from “The Virtual Environment Work Team,” a case prepared by R. Andre, professor, Northeastern University. With permission.



VIDEO CASE INCIDENT

Earth Buddies

On December 11, 1998, Anton Rabie, Ronnen Harary, and Ben Varadi found themselves on the cover of *Canadian Business* magazine. In the article, they were referred to as “Marketing Maniacs,” examples of the young and enthusiastic entrepreneurs in today's marketplace.

Fresh out of business school in 1993 and based in Toronto, the partnership between Rabie, Harary, and Varadi quickly

flourished with the initial success of their product release: Earth Buddy, a small novelty head that sprouted grass hair when set in water. Thanks to successful negotiations with retail giants such as K-Mart, Canadian Tire, and Zellers, sales grew steadily for the first few years. In 1995, the partnership changed the company name to Spin Master Toys. After only four years of operating, Spin Master reported \$10 million in sales in 1998.

continued

OB AT WORK

Over the years, the friends have had their share of disagreements, triumphs, and failures. Together, they have recruited talented outsiders to join their executive committee, researched and successfully launched innovative toy products from Asia, and nurtured the company to where it is today. Although a private company, Spin Master reported \$103 million in sales in 2000.

Today, the executive team at Spin Master has grown to 12 members. Rabie is the president, Harary is the CEO, and Varadi is the executive vice-president. In 2002, the firm introduced a variety of new products, including the Air Hogs Helicopter, Air Hogs Radio Control, and Air Hogs Quick Charge. In addition, the company re-branded itself by changing the corporate logo and name. In 2004, Rabie, Harary, and Varadi celebrated Spin Master's 10-year anniversary, the achievements of their fledgling business, and what it truly means to work together as a team.

Questions

1. Describe the partnership norms at Spin Master Toys.
2. Describe the roles displayed by the firm's executive team members: Anton Rabie, Ronnen Harary, and Ben Varadi.
3. Using the five-stage model of group development, analyze the changes on the executive team. Be sure to address how the team's decision-making process was affected by the introduction of Michelle (Harary's sister) and Austin (Michelle's husband) to the team.

Sources: Based on "Earthbuddies," *CBC Venture*, July 21, 2002, VA2035H & I; Spin Master Toys, "Company History," <http://www.spinmaster.com>; and S. Steinberg and J. Chidley, "Fun for the Money," *Canadian Business*, December 11, 1998, pp. 44–52.

From Concepts to Skills

Conducting a Team Meeting

Team meetings have a reputation for inefficiency. For instance, noted Canadian-born economist John Kenneth Galbraith has said, "Meetings are indispensable when you don't want to do anything."

When you are responsible for conducting a meeting, what can you do to make it more efficient and effective? Follow these 12 steps:⁸⁸

1. *Prepare a meeting agenda.* An agenda defines what you hope to accomplish at the meeting. It should state the meeting's purpose; who will be in attendance; what, if any, preparation is required of each participant; a detailed list of items to be covered; the specific time and location of the meeting; and a specific finishing time.
2. *Distribute the agenda in advance.* Participants should have the agenda far enough in advance that they can adequately prepare for the meeting.
3. *Consult with participants before the meeting.* An unprepared participant cannot contribute to his or her full potential. It is your responsibility to ensure that members are prepared, so check with them ahead of time.
4. *Get participants to go over the agenda.* The first thing to do at the meeting is to have participants review the agenda, make any changes, and then approve the final agenda.
5. *Establish specific time limits.* Meetings should begin on time and have a specific time for completion. It is your responsibility to specify these times and to hold to them.
6. *Maintain focused discussion.* It is your responsibility to give direction to the discussion; to keep it focused on the issues; and to minimize interruptions, disruptions, and irrelevant comments.
7. *Encourage and support participation of all members.* To maximize the effectiveness of problem-oriented meetings, each participant must be encouraged to contribute. Quiet or reserved personalities need to be drawn out so their ideas can be heard.
8. *Maintain a balanced style.* The effective group leader pushes when necessary and is passive when need be.
9. *Encourage the clash of ideas.* You need to encourage different points of view, critical thinking, and constructive disagreement.

10. *Discourage the clash of personalities.* An effective meeting is characterized by the critical assessment of ideas, not attacks on people. When running a meeting, you must quickly intercede to stop personal attacks or other forms of verbal insult.
11. *Be an effective listener.* You need to listen with intensity, empathy, and objectivity, and do whatever is necessary to get the full intended meaning from each participant's comments.
12. *Bring proper closure.* You should close a meeting by summarizing the group's accomplishments; clarifying what actions, if any, need to follow the meeting; and allocating follow-up assignments. If any decisions are made, you also need to determine who will be responsible for communicating and implementing them.

Assessing Skills

After you've read this chapter, take the following Self-Assessment on your enclosed CD-ROM:

31. Do I Trust Others?
32. Do Others See Me as Trustworthy?

Practising Skills

Jameel Saumur is the leader of a five-member project team that has been assigned the task of moving his engineering firm into the booming area of high-speed intercity rail construction. Saumur and his team members have been researching the field, identifying specific business opportunities, negotiating alliances with equipment vendors, and evaluating high-speed rail experts and consultants from

around the world. Throughout the process, Tonya Eckler, a highly qualified and respected engineer, has challenged a number of things Saumur has said during team meetings and in the workplace. For example, at a meeting two weeks ago, Saumur presented the team with a list of 10 possible high-speed rail projects and started evaluating the company's ability to compete for them. Eckler contradicted virtually all of Saumur's comments, questioned his statistics, and was quite pessimistic about the possibility of getting contracts on these projects. After this latest display of displeasure, two other group members, Bryan Worth and Maggie Ames, are complaining that Eckler's actions are damaging the team's effectiveness. Eckler was originally assigned to the team for her unique expertise and insight. If you had to advise this team, what suggestions would you make to get the team on the right track to achieve its fullest potential?

Reinforcing Skills

1. Interview three managers at different organizations. Ask them about their experiences in managing teams. Have each describe teams that they thought were effective and why they succeeded. Have each also describe teams that they thought were ineffective and the reasons that might have caused this.
2. Contrast a team you have been in where members trusted one another with another team you have been in where members lacked trust in one another. How did the conditions in each team develop? What were the consequences in terms of interaction patterns and performance?

CHAPTER 6

Communication, Conflict, and Negotiation

What do you do when a group of former employees think they have been treated unfairly and current employees are thinking about joining a union? Will communication help reduce tensions?



- 1 How does communication work?
- 2 What are the barriers to communication?
- 3 What are other issues in communication?
- 4 What is conflict?
- 5 How can conflict be resolved?
- 6 How does one negotiate effectively?

In late 1997, mill employees of Hamilton, Ontario-based Dofasco were unhappy with the company.¹ The number of jobs had fallen from 10 300 to 7000 in the previous five years. Former employees had started a group called SHAFT (So How Many Are Fired Tomorrow) to press grievances against the company for what they claimed was unfair dismissal. The Canadian Auto Workers and the United Steelworkers unions were approached by employees with requests to form a union at Dofasco.

John Mayberry, then CEO, showed little respect for his employees. From his early days as a manager, he was not popular: He was disliked “for his habit of springing surprise inspections, and there were rumours that he had threatened to fire employees he thought were malingering.”

The culture at Dofasco in the early 1990s did not support open communication, and there was a great deal of conflict between Mayberry and his employees. Mayberry tended to use one-way communication: He would talk and employees were to listen. His concern that employees had been treated too kindly by the previous management meant that he was not open to negotiating resolutions to the challenges the company faced. Would Mayberry learn to work with his employees more effectively?

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In this chapter we explore the foundations of communication and then consider the effects of communication on conflict and negotiation.

THE COMMUNICATION PROCESS

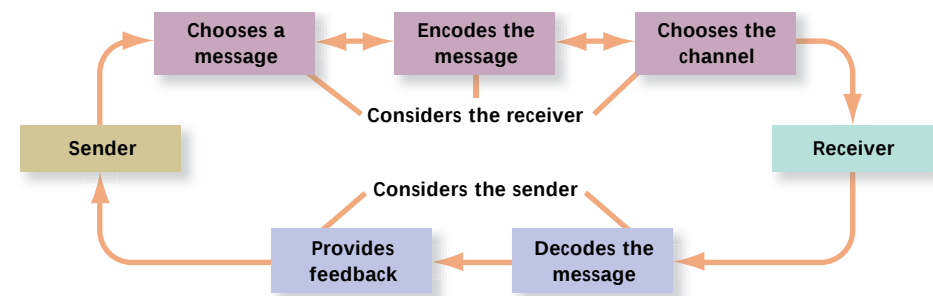
Research indicates that poor communication is probably the most frequently cited source of interpersonal conflict.² Individuals spend nearly 70 percent of their waking hours communicating—writing, reading, speaking, listening—which means that they have many opportunities in which to engage in poor communication. A WorkCanada survey of 2039 Canadians in six industrial and service categories explored the state of

1 How does communication work?

Dofasco
www.dofasco.ca

OB IS FOR EVERYONE

- * What information should be sent by which communication channel?
- * How can you communicate better when you're stressed out?
- * Ever notice that communicating via email can lead to misunderstandings?
- * Does body language really make a difference?
- * What factors hinder cross-cultural communication?
- * Is conflict always bad?
- * Should you try to win at any cost when you bargain?

EXHIBIT 6-1 The Communication Process Model

communication The transfer and understanding of a message between two or more people.

communication in Canadian businesses.³ The survey found that 61 percent of senior executives believed they did a good job of communicating with employees. However, those who worked below the senior executives did not share this feeling—only 33 percent of the managers and department heads believed that senior executives were effective communicators. Lower-level employees reported that communication was even worse:

Only 22 percent of hourly workers, 27 percent of clerical employees, and 22 percent of professional staff reported that senior executives did a good job of communicating with them. Moreover, a recent study found that Canadians reported less favourable perceptions about their companies' communications than did Americans.⁴

Despite these communication problems, no group can exist without **communication**, which is the transfer and understanding of a message between two or more people. Communication can be thought of as a process, or flow, as shown in Exhibit 6-1. The model indicates that communication is both an interactive and iterative process. The sender has to keep in mind the receiver (or audience) and in finalizing the communication, may decide to revisit decisions about the message, the encoding, and/or the feedback. For instance, a manager may want to convey a message face to face, and then may not be able to do so for some reason. The message sent by email or voice mail may need to be framed differently than the message that would have been delivered face to face. Similarly, you may decide on a message, and then realize the medium that you have chosen will make the message too complicated. Writing 10 emails to set up a simple lunch appointment may convince you midway through the process to pick up the telephone to finalize the details.

We discussed perception in Chapter 2. The communication process is significantly affected by the sender's perception of the receiver and the receiver's perception of the sender. For instance, if the receiver does not trust the sender, he or she may interpret intended positive statements in a negative manner.

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The former Canadian Alliance learned in its early days that it's easy to communicate unintended messages. The party's first choice of name, Canadian Conservative Reform Alliance Party, caused quite a stir for its acronym (CCRAP). People across the country wondered what the new party was trying to communicate about its objectives.

Encoding and Decoding

Messages are **encoded** (converting a message to symbolic form) by a sender and **decoded** (interpreting a sender's message) by a receiver. Four factors have been described that affect message encoding and decoding: skill, attitudes, knowledge, and the socio-cultural system. For example, our success in communicating to you depends on our writing skills and your reading skills. Communication success also includes speaking, listening, and reasoning skills. As we discussed in Chapter 3, our interactions with others are affected by our attitudes, values, and beliefs. Thus, the attitudes of the sender and receiver toward each other will affect how the message is transmitted. Clearly, the amount of knowledge the source and receiver hold about a subject will affect the clarity of the message that is transferred. Finally, our position in the social-cultural system affects our ability to successfully engage in communication. Messages sent and received by people of equal rank are sometimes interpreted differently than messages sent and received by people in very different positions.

encoding Converting a message to symbolic form.

decoding Interpreting a sender's message.

The Message

The **message** is the actual physical product from the source encoding. “When we speak, the speech is the message. When we write, the writing is the message. When we paint, the picture is the message. When we gesture, the movements of our arms, the expressions on our face are the message.”⁵ Our message is affected by the code, or group of symbols, that we use to transfer meaning; the content of the message itself; and the decisions that we make in selecting and arranging both codes and content. A poor choice of symbols, and confusion in the content of the message, can cause problems. McDonald's recently settled a lawsuit over its choice of words, as *Focus on Ethics* reveals.

message What is communicated.

FOCUS ON ETHICS



Vegetarian or Not Vegetarian?

Does “no beef” really mean what it implies? In March 2002, Oak Brook, Illinois-based McDonald's Corporation agreed to pay \$19 million (CDN) to settle lawsuits from vegetarians who suggested the company had deceived them about how it produced french fries.⁶ Under the agreement, McDonald's had to pay \$10 million to charities that support vegetarianism. The company was also ordered to publicly apologize and learn about vegetarian dietary issues.

McDonald's communication practices were questioned in the lawsuit. In 1990, the company had announced that its restaurants would no longer use beef fat to cook french fries. Instead, only pure vegetable oil would be used. What the company did not say was that it would continue to add beef tallow to the fries as a flavouring agent.

When vegetarians discovered that they had been unwittingly eating beef-flavoured fries, they were upset. McDonald's claimed that it never said the french fries were vegetarian. The company did apologize for any confusion its announcement caused, however. ✎

Messages can also get “lost in translation” when two parties formalize their understanding through contracts. Contracts are meant to be written in legal terms, for lawyers, but these may not always capture the underlying meaning of the parties' understandings. Collective agreements written between management and unions sometimes suffer from this problem as well. When either management or union leaders point to the collective agreement for every interaction in the workplace, they are relying on the encoding of their negotiations, but this may not permit some of the flexibility that was intended in some cases.

channel The medium through which a message travels.

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

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

The Channel

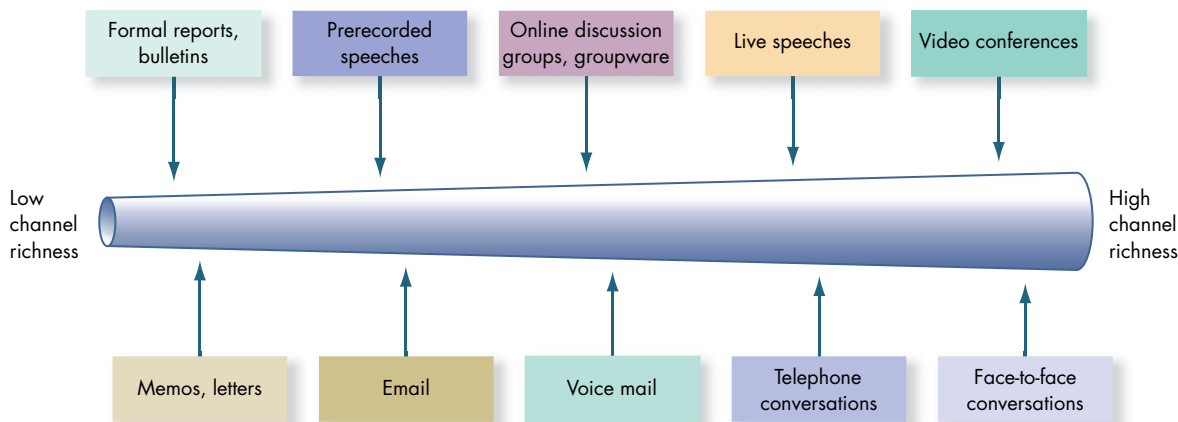
The **channel** is the medium through which a message travels. It is selected by the source, who must determine which channel is formal and which one is informal. Formal channels are established by organizations to transmit messages about the job-related activities of members. Traditionally, they follow the authority network within the organization. Other forms of messages, such as personal or social messages, follow the informal channels in the organization. Examples of channels include formal memos, voice mail, email, and meetings. Choosing a poor channel, or one with a high noise level, can distort communication.

Why do people choose one channel of communication over another—for instance, a phone call instead of a face-to-face talk? One answer might be anxiety! An estimated 5 to 20 percent of the population suffers from debilitating **communication apprehension**, or anxiety, which is undue tension and anxiety about oral communication, written communication, or both.⁷ We all know people who dread speaking in front of a group, but some people may find it extremely difficult to talk with others face to face or become extremely anxious when they have to use the telephone. As a result, they may rely on memos, letters, or email to convey messages when a phone call would not only be faster but also more appropriate.

But what about the 80 to 95 percent of the population who do not suffer from this problem? Is there any general insight we might be able to provide regarding choice of communication channel? The answer is a qualified “yes.” A model of media richness has been developed to explain channel selection among managers.⁸

Research has found that channels differ in their capacity to convey information. Some are rich in that they have the ability to (1) handle multiple cues at the same time, (2) allow rapid feedback, and (3) be very personal. Others are lean in that they score low on these three factors. As Exhibit 6-2 illustrates, face-to-face conversation scores highest in terms of **channel richness** because it provides for the maximum amount of information to be transmitted during a communication episode. That is, it offers multiple information cues (words, postures, facial expressions, gestures, intonations), immediate feedback (both verbal and nonverbal), and the personal touch of “being there.” Impersonal written media such as formal reports and bulletins rate lowest in richness.

EXHIBIT 6-2 Information Richness of Communication Channels



Sources: 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.

★ *What information should be sent by which communication channel?*

The choice of one channel over another depends on whether the message is routine or nonroutine. Routine messages tend to be straightforward and have a minimum of ambiguity. Nonroutine messages are likely to be complicated and have the potential for misunderstanding. Individuals can communicate routine messages efficiently through channels that are lower in richness. However, they can communicate nonroutine messages more effectively by

selecting rich channels. Evidence indicates that high-performing managers tend to be more media-sensitive than low-performing managers.⁹ In other words, they are better able to match appropriate media richness with the ambiguity involved in the communication.

A 1999 study at Boston University revealed that managers found it easier to deliver bad news (layoffs, promotion denials, and negative feedback) via email, and that the messages were delivered more accurately this way. This does not mean that sending negative information through email is always recommended. One of the co-authors of the study noted that “offering negative comments face-to-face is often taken as a sign that the news is important and the deliverer cares about the recipient.”¹⁰

The Feedback Loop

The final link in the communication process is the **feedback loop**. Feedback lets us know whether understanding has been achieved. If the feedback loop is to succeed in preventing miscommunication, the receiver needs to give feedback and the sender needs to check for it. Many receivers forget that there is a responsibility involved in communication: to give feedback. For instance, if you sit in a boring lecture, but never discuss with the instructor ways that the delivery could be improved, you have not engaged in communication with your instructor.

When either the sender or the receiver fails to engage in the feedback process, the communication is effectively one-way communication. Two-way communication involves both talking and listening. Many managers communicate badly because they fail to use two-way communication.¹¹

One of the greatest difficulties managers have is providing performance feedback. In *From Concepts to Skills*, on pages 217–218, we discuss strategies for providing performance feedback. We also provide some practice exercises for doing so.

The Context

All communication takes place within a context, and violations of that context may create additional problems in sending and receiving messages. For instance, the context of a workplace presents different expectations about how to interact with people than does the context of a bus stop. The workplace may demand more formal interaction, while communication at a bus stop is generally expected to be informal. In some situations, informal communication can look unprofessional, and thus be viewed negatively. In other situations, formal communication can make others feel awkward, if the formality is out of place. Thus, it is important to consider context in both encoding the message and choosing the channel.

feedback loop The final link in the communication process; it puts the message back into the system as a check against misunderstandings.

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Companies use the technique of 360-degree feedback to ensure that individuals get feedback from co-workers and subordinates. As a senior vice-president with Scotiabank, Claude Norfolk found that sometimes feedback hurts. “I was really surprised, for example, to find out that I needed to work on my listening skills, because I thought I was a pretty good listener.” Turns out his wife agreed with Norfolk’s colleagues. Still, he found value in the exercise. Feedback almost always brings with it valuable insights, which we can use for greater understanding.

BARRIERS TO EFFECTIVE COMMUNICATION

Dofasco's former CEO, John Mayberry, initially had difficulty communicating with his employees. He didn't really respect them, because he felt they represented an entitlement culture ("good day's work, a day's pay, nice retirement package").¹² Thus, he used selective perception when evaluating their concerns. Because he carried out surprise inspections, employees worried they would be fired for any little problem. This made them defensive. What are other ways that communication can be negatively affected?

2 What are the barriers to communication?

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

A number of factors have been identified as barriers to communication. The more prominent ones are filtering, selective perception, defensiveness, information overload, and language.

Filtering

Filtering occurs when a sender manipulates information so that the receiver will view it more favourably. For example, when a manager tells a senior executive what the manager thinks the executive wants to hear, the manager is filtering information. Does this happen much in organizations? Sure! As information is passed up to senior executives, employees must condense and summarize it so that those on top don't become overloaded with information. The personal interests and perceptions of what is important by those doing the summarizing will result in filtering.

The major determinant of filtering is the number of levels in an organization's structure. The more levels in an organization's hierarchy, the more opportunities there are for filtering information.

Selective Perception

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. For example, the employment interviewer who believes that young people are more interested in spending time on leisure and social activities than working extra hours to further their careers is likely to be influenced by that stereotype when interviewing young job applicants. As we discussed in Chapter 2, we do not see reality; rather, we interpret what we see and call it "reality."

Enron's former CEO, Jeff Skilling, is a good example of a person with selective perception. When he was interviewed in November 2001 as information about Enron's accounting problems was just starting to emerge, he refused to acknowledge that anything wrong had gone on at the company. To him, Enron represented "a totally different way of thinking about business—we got it," he said.¹³ His implication was that it was everyone else who was using selective perception in failing to recognize Enron's greatness. As the scandal continued to unfold, it became obvious that it was Skilling who was using selective perception.

Defensiveness

When people feel that they are being threatened, they tend to react in ways that reduce their ability to achieve mutual understanding. That is, they become defensive—engaging in behaviours such as verbally attacking others, making sarcastic remarks, being overly judgmental, and questioning others' motives. So when individuals interpret another's message as threatening, they often respond in ways that hinder effective communication. *OB in the Workplace* shows how defensiveness between the new head of FPI and the company's employees led to the breakdown of an acquisitions deal.

OB IN THE WORKPLACE



Seafood Companies Fail to Reach Acquisition Agreement

Why does defensiveness harm communication? John Risley, chair and co-founder of Halifax-based Clearwater Seafood, aimed to create a seafood giant by acquiring St. John's, Newfoundland-based Fishery Products International (FPI).¹⁴

Clearwater Seafood
www.clearwater.ca

At first Risley was successful in his goal, when in May 2001 he engineered a takeover of the FPI board. Immediately, he promised Newfoundlanders that they would lose no jobs. This was a relief to the fishery workers, who had seen jobs tumble by two-thirds in the past decades.

However, in January 2002 union representatives were told that to cut costs, up to 580 jobs would be lost from three rural Newfoundland plants. This announcement angered workers and politicians alike. Risley defensively argued that the culture of Newfoundland was the real problem: “This is a culture in which people think there’s value in the number of jobs that become eligible for unemployment insurance,” he said.

Allan Moulton, a union leader and employee at FPI’s Marystown plant for 30 years, spoke up at a public hearing on the FPI-Clearwater acquisition: “We’re not the only seasonal workers in Canada and it’s unfortunate Newfoundland really got pegged with this,” he added. “We worked long hours in this industry and every single worker worked hard to save Fishery Products International, and we were successful and we want to get back to doing that.”

During 2002, the acquisition was called off because the two companies could not reach agreement, and plans to modernize FPI’s plants were scrapped. In mid-2006, FPI was still having difficulties and hoping to sell off some of its holdings. More considerate communication by Risley might have led to fewer problems and less defensiveness, and might have allowed his planned acquisition to go through. ✕

Information Overload

Individuals have a finite capacity for processing data. When the information we have to work with exceeds our ability to process it, the result is **information overload**. With emails, phone calls, faxes, meetings, and the need to keep current in one’s field, more and more managers and professionals are complaining that they are suffering from too much information. A related issue is the question of how much information managers should share with employees.

information overload The state of having more information than one can process.

What happens when individuals have more information than they can sort out and use? They tend to select out, ignore, pass over, or forget information. Or they may put off further processing until the overload situation is over. Regardless, the result is lost information and less effective communication.

Language

Words mean different things to different people. “The meanings of words are not in the words; they are in us.”¹⁵ Age, education, and cultural background are three of the more obvious variables that influence the language a person uses and the definitions he or she gives to words. For instance, when Alanis Morissette sang “Isn’t It Irony?” middle-aged English professors complained that she completely misunderstood the meaning of “irony”—but the millions who bought her CD understood what she meant.

EXHIBIT 6-3



Source: The Far Side by Gary Larson, Copyright © 1994 for Works, Inc. All rights reserved. Used with permission.

Even with a common language, such as English, our usage of that language is far from uniform. For example, in many organizations, employees come from diverse backgrounds and, therefore, have different patterns of speech. Additionally, the grouping of employees into departments creates specialists who develop their own jargon or technical language. In large organizations, members are also often widely dispersed geographically—even operating in different countries—and individuals in each location will use terms and phrases that are unique to their area. In hierarchical organizations, sometimes the language of senior executives can be confusing to operative employees who are unfamiliar with management jargon.

Senders tend to assume that the words and terms they use mean the same to the receiver that they do to them. This, of course, is often incorrect and can create communication difficulties. The multicultural environment of many of today's workplaces makes communication issues even more complex. In many workplaces, there are people whose first language is something other than English. This means that even more opportunities arise for confusion about meaning. It is therefore important to be aware that your understanding of the particular meaning of a word or phrase may not be shared by all. Exhibit 6-3 shows individuals who have very different views on what words to use.

Communicating Under Stress

★ *How can you communicate better when you're stressed out?*

One of the most difficult times to communicate properly is when one is under stress. While stress can arise from any number of situations, it can be particularly stressful to have to communicate in something other than one's first language. One consultant has identified several tips for communicating under stress. These tips are also appropriate for less stressful communication.¹⁶

- *Speak clearly.* Be direct about what you want to say, and avoid hiding behind words. For instance, as difficult as it might be to say "You did not receive the position," the listener is better able to process the information when it is spoken that directly.
- *Be aware of the nonverbal part of communicating.* Tone, facial expression, and body language send signals that may or may not be consistent with your message. In a stressful situation, it is best to speak in a neutral manner.
- *Think carefully about how you state things.* In many situations, it is better to be restrained so that you do not offend your listener. For instance, when you threaten someone if they do not do exactly what you want ("I insist on speaking to your manager this minute"), you simply escalate the situation. It is better to state what you want calmly, so that you can be heard accurately.

CURRENT ISSUES IN COMMUNICATION

How are electronics changing the way people communicate with each other in organizations? How important is nonverbal communication? What does silence have to do with communicating? Why do men and women often have difficulty communicating with each other? How can individuals improve their cross-cultural communication? We address each of these issues below.

3 What are other issues in communication?

Electronic Communications

Since the early 1980s, we have been subjected to an onslaught of new electronic ways to communicate. Electronic communications (including pagers, fax machines, videoconferencing, electronic meetings, email, cellphones, voice mail, and BlackBerrys) make it possible for you to work even if you are away from your workstation. These technologies are largely reshaping the way we communicate in organizations.¹⁷ You can be reached when you are in a meeting; having a lunch break; visiting a customer's office across town; watching a movie in a crowded theatre; or playing golf on a Saturday morning. The line between an employee's work and nonwork life is no longer distinct, meaning all employees theoretically can be "on call" 24 hours a day.

Organizational boundaries become less relevant as a result of electronic communications. Why? Because networked computers allow employees to jump vertical levels within the organization, work full-time at home or someplace other than "the office," and have ongoing communications with people in other organizations.

Email

Email has added considerably to the number of hours worked per week, according to a recent study by Christina Cavanagh, professor of management communications at the Richard Ivey School of Business, University of Western Ontario. Between 2000 and 2002, business professionals and executives said they were working six more hours a week, responding to email.¹⁸ Researchers calculate that 141 billion email messages circulate the globe each day. Five years ago, that number was 5.1 billion email messages.¹⁹ One researcher suggests that knowledge workers devote about 28 percent of their days to email.²⁰

Despite the large investment of time, email is not always the best way to communicate. It does not provide either the verbal or nonverbal nuances that a face-to-face meeting does. There has been some attempt to remedy this through the development of "emoticons" (for example, the smiley face :-)) to indicate a friendly tone, and abbreviations (for example, *IMHO*, "in my humble opinion") to indicate that individuals are respectfully trying to convey their own viewpoints. There is also the standard warning not to write emails in ALL CAPS, as doing so is an indication that one is shouting. Exhibit 6-4 on page 194 illustrates some of the conventional symbols used in email.

***** Ever notice that communicating via email can lead to misunderstandings?

The information overload caused by the use of email in the workplace deserves greater consideration by managers and employees alike. Individuals may use email to hide from direct interaction, to protect their

Christina Cavanagh: Thinking Outside the Inbox
www.christinacavanagh.com

Image omitted due to copyright restrictions.

Investment bank Morgan Stanley uses the company's intranet to distribute data and information to employees at its 600 offices around the world. For example, the global network allows traders in Japan to receive up-to-the-minute information on securities transactions from colleagues in New York. Morgan Stanley has also connected its "hoot-and-holler" worldwide voice-messaging system to its intranet, allowing salespeople to receive messages from their workstation speakers on the trading floor.

EXHIBIT 6-4 Emoticons: Showing Emotions in Email

Electronic mail need not be emotion-free. Over the years, email users have developed a set of symbols (*emoticons*) for expressing emotions. For instance, the use of all caps (as in THIS PROJECT NEEDS YOUR IMMEDIATE ATTENTION!) is the email equivalent of shouting. The following highlights some emoticons:

:)	Smile	:-	Disappointed
<g>	Grin	:-@	Scream
:(	Frown	:-0	Yell
;)	Wink	:-D	Shock or surprise
:-[	Really sad face	:'(	Crying

Pfizer Canada
www.pfizer.ca

power, or to create a one-way communication tool. Email has also become a tool to create paper trails for interaction, allowing people to avoid face-to-face communication on difficult topics. Moreover, for people with a high need for social contact, a heavy reliance on electronic communications is likely to lead to lower job satisfaction.

Some managers are starting to respond to the negative effects of email in the workplace. At the beginning of 2005, Jon Coleman, vice-president and general manager of Markham, Ontario-based Pfizer Consumer Healthcare, asked his staff to cut the number of emails they sent by 25 percent over the next year. In July 2005, Coleman's group introduced Freedom Six to Six to help meet their goal. This program bans employees from sending email messages between 6 p.m. and 6 a.m., and on weekends. Coleman notes that employees should not measure their productivity based on the number of emails they handle. Rather, they should spend

more time doing their actual work.²¹

Considerations for Writing and Sending Email Despite many advantages to email, it is important to realize that it is virtually indestructible once it gets backed up on your company's server. Also, its very speed and accessibility can cause miscommunication and misdirected messages. Individuals often make stronger negative statements when using email than they would in holding a face-to-face conversation.²² Individuals often give little thought to how their emails might be interpreted, and assume that their intent will be readily apparent to the recipient, even though this is not always the case.²³

With these issues in mind, consider the following tips for writing and sending email offered by business professor Christina Cavanagh of the University of Western Ontario:²⁴

- Don't send emails without a subject line.
- Be careful in your use of emoticons and acronyms for business communication.
- Write your message clearly, and briefly.
- Copy emails to others only if they really need the information.
- Sleep on angry emails before sending to be sure you are sending the right message.

Case Incident—Emailing “Lazy” Employees on page 216 asks you to evaluate one manager's use of email to tell his employees to work harder.

Employees should also be aware that email is not necessarily private, and companies often take the position that they have the right to read your email. Some wonder, however, whether reading employee email is ethical. *Focus on Ethics* illustrates that employees cannot assume that their email is private.

FOCUS ON ETHICS



Your Email Can Get You Fired

Should your email be safe from your manager's eyes? The Canadian Auto Workers (CAW) union expressed outrage in early 1998 when it discovered that Montreal-based Canadian National Railway (CN) was reading employees' email messages.²⁵

Canadian Auto Workers (CAW)
www.caw.ca

Canadian National Railway (CN)
www.cn.ca

“Our people feel violated. You’re given an email address and you have a password, and it’s yours. It’s personal” is the view of Abe Rosner, a national CAW representative. CN, however, disagrees: “Email is to be used for CN business-approved activities only. Flowing from this is that any communication exchanged on the system is viewed as company property,” explains Mark Hallman, a CN spokesperson.

While most employees do not think managers should listen to their subordinates’ voice mail messages or read their emails, some managers disagree. More than 20 percent of managers surveyed recently said that they monitored their employees’ voice mail, email, and/or computer files. The managers argue that the company owns the systems used to produce this material, and therefore they should have access to the information.

Fred Jones (not his real name) was fired from a Canadian company for forwarding dirty jokes to his clients.²⁶ Until this incident, Jones had been a high-performing employee who sold network computers for his company. Jones thought that he was only sending the jokes to clients who liked them, and assumed the clients would tell him if they didn’t want to receive the jokes. Instead, a client complained to the company about receiving the dirty jokes. After an investigation, the company fired Jones. Jones is still puzzled about being fired. He views his email as private; to him, sending jokes is the same as telling them at the water cooler.

Jones was not aware that under current law, employee information, including email, is not necessarily private. Most federal employees, provincial public sector employees, and employees working for federally regulated industries are covered by the federal Privacy Act and Access to Information Act, in place since 1985. Many private sector employees are not covered by privacy legislation, however. 

Ann Cavoukian, Information and Privacy Commissioner of Ontario, notes that “employees deserve to be treated like adults and companies should limit surveillance to rare instances, such as when there is suspicion of criminal activity or harassment.”²⁷ She suggests that employers use respect and courtesy when dealing with employees’ email, and she likens email to office phone calls, which generally are not monitored by the employer. It is clearly important, in any event, that employees be aware of their companies’ policies on email.

Instant Messaging

Instant messaging (IM), which has been popular among teens for more than a decade, is now rapidly moving into business.²⁸

Instant messaging is essentially real-time email. Its growth has been spectacular. In 2002 Canadians sent 174 million text messages, in 2003 they sent 352 million text messages, and in 2004 they sent more than 710 million text messages.²⁹ Experts estimate that by 2005, more people will be using IM than email as their primary communication tool at work.³⁰

IM is a fast and inexpensive means for managers to stay in touch with employees and for employees to stay in touch with each other. It also provides several advantages over email. There’s no delay, no inbox clutter of messages, and no uncertainty as to whether the message was received. Managers also find that IM is an excellent means for monitoring employees’ physical presence at their workstations. “With a glance at their contact lists, users can tell who’s logged on and available right now.”³¹ Service technicians at Ajax, Ontario-based Pitney Bowes Canada started using IM rather than pagers, because “it’s cheaper and it’s two-way.”³² The company knows if messages are received.

IM isn’t going to replace email. Email is still probably a better device for conveying long messages that need to be saved. IM is preferred for sending one or two-line messages that would just clutter up an email inbox. On the downside, some IM users find the technology intrusive and distracting. IM’s continual online presence can make it

hard for employees to concentrate and stay focused. Managers also express concern that IM will be used by employees to chat with friends and colleagues about nonwork issues. Finally, because instant messages are easily broken into, many organizations are concerned about IM security.³³

Nonverbal Communication

Anyone who has ever paid a visit to a singles bar or a nightclub is aware that communication need not be verbal in order to convey a message. A glance, a stare, a smile, a frown, a provocative body movement—they all convey meaning. This example illustrates that no discussion of communication would be complete without a discussion of **nonverbal communication**. This includes body movements, facial expressions, and the physical distance between the sender and the receiver.

The academic study of body motions has been labelled **kinesics**. It refers to gestures, facial configurations, and other movements of the body. Because it is a relatively new field, there is not complete agreement on findings. Still, body movement is an important segment of the study of communication.

★ Does body language really make a difference?

It has been argued that every body movement has a meaning and that no movement is accidental.³⁴ Through body language, we can say “Help me, I’m confused,” or “Leave me alone, I’m really angry.” Rarely do we send our messages consciously. We act out our state of being with nonverbal body language, even if we are not aware of doing so. In North America, 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 one eye for intimacy, tap our fingers for impatience, slap our foreheads for forgetfulness.³⁵ Babies and young children provide another good illustration of effective use of nonverbal communication. Although they lack developed language skills, they often use fairly sophisticated body language to communicate their physical and emotional needs. Such use of body language underscores its importance in communicating needs throughout life.

While we may disagree on the specific meaning of these movements (and different cultures may interpret specific body movements differently), body language adds to and often complicates verbal communication. For instance, if you read the transcript of a meeting, you do not grasp the impact of what was said in the same way you would if you had been there or had seen the meeting on video. Why? There is no record of nonverbal communication. The *intonations*, or emphasis, given to words or phrases is missing.

The *facial expression* of a person also conveys meaning. A snarling face says something different from a smile. Facial expressions, along with intonations, can show arrogance, aggressiveness, fear, shyness, and other characteristics that would never be communicated if you read a transcript of the meeting.

Studies indicate that those who maintain *eye contact* while speaking are viewed with more credibility than those whose eye contact wanders. People who make eye contact are also deemed more competent than those who do not.

The way individuals space themselves in terms of *physical distance*, commonly called **proxemics**, also has meaning. What is considered proper spacing largely depends on cultural norms. For instance, studies have shown that those from “contact” cultures (e.g., Arabs, Latin Americans, southern Europeans) are more comfortable with body closeness and touch than those from “noncontact” cultures (Asians, North Americans, northern Europeans).³⁶ These differences can lead to confusion. If someone stands closer to you than expected according to your cultural norms, you may interpret the action as an expression of aggressiveness or sexual interest. However, if the person stands farther away than you expect, you might think he or she is displeased with you

nonverbal communication Messages conveyed through body movements, facial expressions, and the physical distance between the sender and the receiver.

kinesics The study of body motions, such as gestures, facial configurations, and other movements of the body.

proxemics The study of physical space in interpersonal relationships.

or uninterested. Someone whose cultural norms differ from yours might be very surprised by your interpretation.

Environmental factors such as seating arrangements or the conditions of the room can also send intended or unintended messages. A person whose desk faces the doorway demonstrates command of his or her physical space, while perhaps also conveying that one should not come too close.

It is important for the receiver to be alert to these nonverbal aspects of communication. You should look for nonverbal cues as well as listen to the literal meaning of a sender's words. In particular, you should be aware of contradictions between the messages. The manager may say that she is free to talk to you about that raise you have been seeking, but you may see nonverbal signals from her (such as looking at her watch) that suggest that this is not the time to discuss the subject. It is not uncommon for people to express one emotion verbally and another nonverbally. These contradictions often suggest that actions speak louder (and more accurately) than words.

We should monitor body language with some care. For instance, while it is often thought that individuals who cross their arms in front of their chests are showing resistance to a message, they might also do this if they are feeling cold, regardless of their reactions to a message.

Silence as Communication

Sherlock Holmes once solved a murder mystery based not on what happened but on what *didn't* happen. Holmes remarked to his assistant, Dr. Watson, about “the curious incident of the dog in the nighttime.” Watson, surprised, responds, “But the dog did nothing in the nighttime.” To which Holmes replied, “That was the curious incident.” Holmes concluded the crime had to be committed by someone with whom the dog was familiar because the watchdog did not bark.

The dog that did not bark in the night is often used as a metaphor for an event that is significant by reason of its absence. That story is also an excellent illustration of the importance of silence in communication.

Professors Craig Pinder of the University of Victoria and Karen Harlos of McGill University have noted that silence—defined here as an absence of speech or noise—generally has been ignored as a form of communication in organizational behaviour because it represents *inaction* or *nonbehaviour*. But silence is not necessarily inaction. Nor is it, as many believe, a failure to communicate. Silence can, in fact, be a powerful form of communication.³⁷ It can mean someone is thinking or contemplating a response to a question. It can mean a person is anxious and fearful of speaking. It can signal agreement, dissent, frustration, or anger.

In terms of organizational behaviour, we can see several links between silence and work-related behaviour. For instance, silence is a critical element of groupthink because it implies agreement with the majority. It can be a way for employees to express dissatisfaction, as when they “suffer in silence.” It can be a sign that someone is upset, as when a typically talkative person suddenly says nothing—“What’s the matter with him? Is he all right?” It’s a powerful tool used by individuals to signal disfavour by shunning or ignoring someone with “silent insults.” As well, it’s a crucial element of group decision making, allowing individuals to think over and contemplate what others have said.

Failing to pay close attention to the silent portion of a conversation can result in missing a vital part of the message. Astute communicators watch for gaps, pauses, and hesitations. They hear and interpret silence. They treat pauses, for instance, as analogous to a flashing yellow light at an intersection—they pay attention to what comes next. Is the person thinking, deciding how to frame an answer? Is the person suffering from communication apprehension? Sometimes the real message in a communication is buried in the silence.

Communication Barriers Between Women and Men

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due to
copyright
restrictions.

Research indicates that women use language to create connection while men use language to emphasize status and power. The businesswomen conversing here illustrate that women speak and hear a language of connection and intimacy.

Research by Deborah Tannen provides us with important insights into differences in the conversation styles of men and women.³⁸ In particular, Tannen has been able to explain why gender often creates oral communication barriers. Her research does not suggest that *all* men or *all* women behave the same way in their communication, but she illustrates some important generalizations.

The essence of Tannen's research is that men use talk to emphasize status, while women use it to create connection. According to Tannen, women speak and hear a language of connection and intimacy, while men speak and hear a language of status and independence. So, for many men, conversations are primarily a way to preserve independence and maintain status in a hierarchical social order. For many women, however, conversations are negotiations for closeness in which people try to seek and give confirmation and support. The following examples will illustrate Tannen's thesis.

Men often complain that women talk on and on about their problems. Women criticize men for not listening. What is happening is that when men hear a problem, they often assert their desire for independence and control by offering solutions. Many women, on the other hand, view telling a problem as a means to promote closeness. The women present the problem to gain support and connection, not to get the male's advice. Mutual understanding, as sought by women, is symmetrical. But giving advice is asymmetrical—it sets up the (male) advice giver as more knowledgeable, more reasonable, and more in control; this contributes to distancing men and women in their efforts to communicate.

Men often criticize women for seeming to apologize all the time. Men tend to see the phrase "I'm sorry" as a weakness because they interpret the phrase to mean the woman is accepting blame. However, women typically use "I'm sorry" to express empathy: "I know you must feel bad about this. I probably would too in the same position."

While Tannen has received wide acknowledgment of her work, some suggest that it is anecdotal and/or based on faulty research. Goldsmith and Fulfs argue that men and women have more similarities than differences as communicators, although they acknowledge that when communication difficulties do appear, it is appealing to attribute them to gender.³⁹ Despite this, Nancy Langton, your Vancouver-based author, has noted, based on evidence from role plays, that men and women make requests for raises differently, and men are more likely to state that men were more effective at making requests, while women are more likely to indicate that it was women who handled the interaction more favourably.⁴⁰

Cross-Cultural Communication

Effective communication is difficult under the best of conditions. Cross-cultural factors clearly create the potential for increased communication problems.

Cultural Barriers

★ *What factors hinder cross-cultural communication?*

One author has identified four specific problems related to language difficulties in cross-cultural communications.⁴¹ First, there are *barriers caused by semantics*. As we have noted previously, words mean different things to different people. This is particularly true for people from different national cultures. Some words, for instance, do not translate

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Ottawa-based Donna Cona made history when it designed and installed the computer network for the Government of Nunavut. Two-thirds of the firm's software engineers are Aboriginal. Peter Baril, Nunavut's director of informatics services, notes: "Donna Cona's quiet and knowledgeable approach was perhaps the most important skill brought to our project. No other style could have worked in this predominantly Aboriginal environment."

between cultures. For instance, the new capitalists in Russia may have difficulty communicating with their English-speaking counterparts because English terms such as *efficiency*, *free market*, and *regulation* cannot be translated directly into Russian.

Second, there are *barriers caused by word connotations*. Words imply different things in different languages. The Japanese word *hai* translates as "yes," but its connotation may be "yes, I am listening," rather than "yes, I agree." Western executives may be hampered in their negotiations if they do not understand this connotation.

Third are *barriers caused by tone differences*. In some cultures language is formal, and 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 in a situation where a more formal style is expected can be embarrassing and offensive.

Fourth, there are *barriers caused by differences in perceptions*. People who speak different languages actually view the world in different ways. The Inuit perceive snow differently because they have many words for it. They also perceive "no" differently from English speakers because the Inuit have no such word in their vocabulary.

Overcoming Cross-Cultural Difficulties

When communicating with people from a different culture, what can you do to reduce misperceptions, misinterpretations, and misevaluations? Following these four rules can be helpful:⁴²

- *Assume differences until similarity is proven.* Most of us assume that others are more similar to us than they actually are. But people from different countries often are very different from us. So you are far less likely to make an error if you assume others are different from you rather than assuming similarity until difference is proven.
- *Emphasize description rather than interpretation or evaluation.* Interpreting or evaluating what someone has said or done, in contrast with describing, is based more on the observer's culture and background than on the observed situation. As a result, delay judgment until you have had sufficient time to observe and interpret the situation from the differing viewpoints of all the cultures involved.

- *Be empathetic.* 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.
- *Treat your interpretations as a working hypothesis.* Once you have 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 provided by recipients to see if it confirms your hypothesis. For important decisions or communiqués, you can also check with other foreign and home-country colleagues to ensure that your interpretations are on target.

HOW COMMUNICATION BREAKDOWN LEADS TO CONFLICT

In response to massive layoffs in the 1990s, Dofasco's mill employees became unhappy and sought ways to press grievances against the company and protect their jobs. Employees were kept out of the loop, felt they were not respected, and looked to alternative arrangements to get their voices heard by management. The communication breakdown led to a major conflict between the employees and the company's CEO. What can be done about conflict to make sure it does not get out of control?

4 What is conflict?

Conflict can be a serious problem in *any* organization. It might not lead to co-CEOs going after each other in court, as happened when brothers Wallace and Harrison McCain battled over command of McCain Foods, the New Brunswick-based french-fry empire they had built together. Still, it can certainly hurt an organization's performance and lead to the loss of good employees.

Conflict Defined

Several common themes underlie most definitions of conflict.⁴³ Conflict must be *perceived* by the parties to it; if no one is aware of a conflict, it is generally agreed that no conflict exists. Conflict also involves opposition or incompatibility, and some form of interaction between the parties.⁴⁴ These factors set the conditions that determine the beginning point of the conflict process. We can define **conflict**, then, as 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.⁴⁵

This definition is deliberately broad. It describes that point in any ongoing activity when an interaction “crosses over” to become conflict. It includes the wide range of conflicts that people experience in groups and organizations—incompatibility of goals, differences over interpretations of facts, disagreements based on behavioural expectations, and the like. Finally, our definition is flexible enough to cover the full range of conflict levels—from subtle forms of disagreement to overt and violent acts.

Conflict has positive sides and negative sides, which we will discuss further when we cover functional and dysfunctional conflict. For more on this debate, refer to the *Point/Counterpoint* discussion on page 212.

Functional vs. Dysfunctional Conflict

Not all conflict is bad. Some conflicts support the goals of the group and improve its performance; these are **functional**, or constructive, forms of conflict. But there are conflicts that hinder group performance; these are **dysfunctional**, or destructive, forms of conflict. The criterion that differentiates functional from dysfunctional conflict is group performance. If a group is unable to achieve its goals because of conflict, then the conflict is dysfunctional.

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.

functional conflict Conflict that supports the goals of the group and improves its performance.

dysfunctional conflict Conflict that hinders group performance.

* Is conflict always bad?

Exhibit 6-5 provides a way of visualizing conflict behaviour. All conflicts exist somewhere along this continuum. At the lower part of the continuum, we have conflicts characterized by subtle, indirect, and highly controlled forms of tension. An illustration might be a student politely objecting to a point the instructor has just made in class. Conflict intensities escalate as they move upward along the continuum, until they become highly destructive. Strikes and lockouts, riots, and wars clearly fall into this upper range. For the most part, you should assume that 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. *Case Incident—Managing Conflict at Schneider National* on the CD-ROM that accompanies this textbook describes how functional conflict improves an organization.

EXHIBIT 6-5 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. Glasl, "The Process of Conflict Escalation and the Roles of Third Parties," in *Conflict Management and Industrial Relations*, ed. G. B. J. Bomers and R. Peterson (Boston: Kluwer-Nijhoff, 1982), pp. 119–140.

RESEARCH FINDINGS Conflict

Research on conflict has yet to clearly identify those situations in which conflict is more likely to be constructive than destructive. However, there is growing evidence that the source of the conflict is a significant factor determining functionality.⁴⁶ **Cognitive conflict**, which is task-oriented and occurs because of differences in perspectives and judgments, can often result in identifying potential solutions to problems. Thus it would be regarded as functional conflict. **Affective conflict**, which is emotional and aimed at a person rather than an issue, tends to be dysfunctional conflict.

One study of 53 teams found that cognitive conflict, because it generates more alternatives, led to better decisions, more acceptance of the decisions, and ownership of the decisions. Teams experiencing affective conflict, where members had personality incompatibilities and disputes, showed poorer decisions and lower levels of acceptance of the decisions.⁴⁷

Because conflict can involve our emotions in a variety of ways, it can also lead to stress. You may want to refer to the *OB on the Edge—Stress at Work* on pages 98–105 to get some ideas on how to manage the stress that might arise from conflicts you experience.



cognitive conflict Conflict that is task-oriented and related to differences in perspectives and judgments.

affective conflict Conflict that is emotional and aimed at a person rather than an issue.

CONFLICT RESOLUTION

Conflict in the workplace can affect the effectiveness of individuals, teams, and the entire organization.⁴⁸ One study found 20 percent of managers' time is spent managing conflict.⁴⁹

Once conflict arises, what can be done to resolve it? The way a conflict is defined goes a long way toward establishing the sort of outcomes that might settle it. For instance, if I define our salary disagreement as a zero-sum or *win-lose situation*—that is, 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 look for mutual solutions than if I frame the conflict as a potential *win-win situation*. So individual attitudes toward a conflict are important, because attitudes typically define the set of possible settlements.

5 How can conflict be resolved?

Conflict Management Strategies

Conflict researchers often use dual concern theory to describe people's conflict management strategies. Dual concern theory considers how one's degree of *cooperativeness* (the degree to which one tries to satisfy the other person's concerns) and *assertiveness* (the

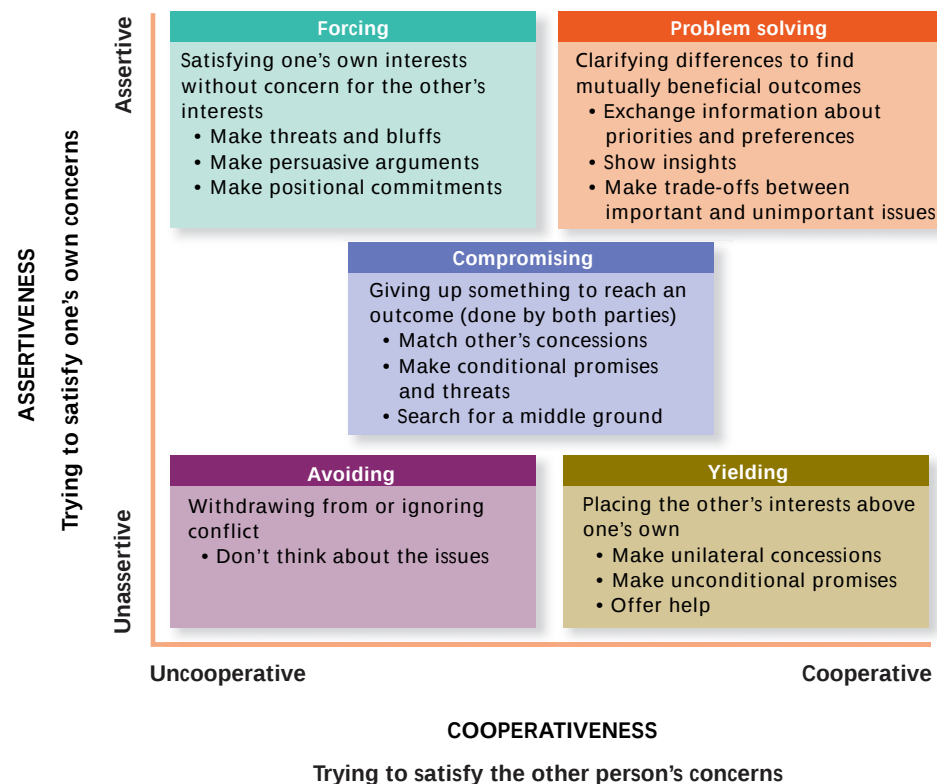
degree to which one tries to satisfy one's own concerns) determine how a conflict is handled.⁵⁰ The five conflict-handling strategies identified by the theory are as follows:⁵¹

- *Forcing.* Imposing one's will on the other party.
- *Problem solving.* Trying to reach an agreement that satisfies both one's own and the other party's aspirations as much as possible.
- *Avoiding.* Ignoring or minimizing the importance of the issues creating the conflict.
- *Yielding.* Accepting and incorporating the will of the other party.
- *Compromising.* Balancing concern for oneself with concern for the other party in order to reach a solution.

Forcing is a win-lose solution, as is yielding, while problem solving seeks a win-win solution. Avoiding conflict and pretending it does not exist, and compromising, so that neither person gets what they want, can yield lose-lose solutions. Exhibit 6-6 illustrates these five strategies, along with specific actions that one might take when using them.

Choosing a particular strategy for resolving conflict depends on a variety of factors. Research shows that while people may choose among the strategies, they have an underlying disposition to handle conflicts in certain ways.⁵² In addition, some situations call for particular strategies. For instance, when a small child insists on trying to run into the street, a parent may need a forcing strategy to restrain the child. Co-workers who are

EXHIBIT 6-6 Conflict-Handling Strategies and Accompanying Behaviours



Sources: Based on K. W. Thomas, "Conflict and Negotiation Processes in Organizations," in *Handbook of Industrial and Organizational Psychology*, vol. 3, 2nd ed., ed. M. D. Dunnette and L. M. Hough (Palo Alto, CA: Consulting Psychologists Press, 1992), p. 668; C. K. W. De Dreu, A. Evers, B. Beersma, E. S. Kluwer, and A. Nauta, "A Theory-Based Measure of Conflict Management Strategies in the Workplace," *Journal of Organizational Behavior* 22, no. 6 (September 2001), pp. 645–668; and D. G. Pruitt and J. Rubin, *Social Conflict: Escalation, Stalemate and Settlement* (New York: Random House, 1986).

having a conflict over setting deadlines to complete a project on time may decide that problem solving is the best strategy to use.

This chapter's *Learning About Yourself Exercise* on page 213–214 gives you the opportunity to discover your preferred conflict-handling strategy. As well, this chapter's *CBC Video Case Incident* shows two men's preference in handling their conflict. *OB in Action—Choosing Strategies to Deal With Conflicts* indicates the situations in which each strategy is best used.

The disagreement between the City of Vancouver and developer Peter Wall produced a compromise that could be called a lose-lose solution, as the following *OB in the Street* shows.



OB IN THE STREET



One Wall Centre Goes Two-Toned

Is compromise necessarily the best way to go? When developer Peter Wall hired architect Peter Busby to design One Wall Centre in downtown Vancouver, the two planned a massive glass skyscraper.⁵³ City council reviewed the plans and okayed the design, even granting a building height considerably higher than those in the surrounding neighbourhood.

The plans made the building look translucent, but as the tower went up, the glass looked black and impenetrable. Complaints started coming in to City Hall, because the assumption had been that the building would use clear glass. The architect said that Wall had changed his mind about the colour of the glass once construction started. Wall claimed, however, that the city had approved the darker glass sample in use. Unfortunately, no one could find the glass samples.

A planned lawsuit by the city was stopped for lack of evidence. So the two sides reached a compromise: The 48-storey building would have its lower levels in blackened glass, and the top 17 floors in lighter glass, rather than tearing down the building and starting over. Neither the city nor the developer obtained their preferred solution, and meanwhile residents of Vancouver will have the two-tone building, a visible reminder of the outcome of compromise, towering over them for many years to come. 🏠

What Can Individuals Do to Manage Conflict?

There are a number of conflict resolution techniques that individuals can use to try to defuse conflict inside and outside the workplace. These include the following:⁵⁴

- *Problem solving.* Requesting a face-to-face meeting to identify the problem and resolve it through open discussion.
- *Developing superordinate goals.* Creating a shared goal that requires both parties to work together, and motivates them to do so.
- *Smoothing.* Playing down differences while emphasizing common interests with the other party.

OB IN ACTION

Choosing Strategies to Deal With Conflicts⁵⁵

Forcing

- In emergencies
- On important but unpopular issues
- On vital issues when you know you are right
- Against people who take advantage of noncompetitive behaviour

Problem solving

- If both sets of concerns are too important to be compromised
- To merge different perspectives
- To gain commitment through a consensus
- To mend a relationship

Avoiding

- When an issue is trivial
- When your concerns won't be met
- When potential disruption outweighs the benefits of resolution
- To let people cool down and regain perspective

continued

Choosing Strategies to Deal With Conflicts (continued)

Yielding

- When you find you are wrong
- To show your reasonableness
- When issues are more important to others than yourself
- To build social credits for later issues
- When harmony and stability are especially important

Compromising

- When goals are important but not worth more assertive approaches
- When opponents are committed to mutually exclusive goals
- To achieve temporary settlements to complex issues
- To arrive at expedient solutions under time pressure

Sources: Based on K. W. Thomas, "Toward Multidimensional Values in Teaching: The Example of Conflict Behaviors," *Academy of Management Review*, July 1977, p. 487; and C. K. W. De Dreu, A. Evers, B. Beersma, E. S. Kluwer, and A. Nauta, "A Theory-Based Measure of Conflict Management Strategies in the Workplace," *Journal of Organizational Behavior* 22, no. 6 (September 2001), pp. 645–668.

- *Compromising.* Agreeing with the other party that each will give up something of value to reach an accord.
- *Avoidance.* Withdrawing from, or suppressing, the conflict. The choice of technique may depend on how serious the issue is to you, whether you take a win-win or a win-lose approach, and your preferred conflict management style.

When the conflict is specifically work-related, there are additional techniques that might be used:

- *Expansion of resources.* The scarcity of a resource—say, money, promotion opportunities, office space—can create conflict. Expansion of the resource can create a win-win solution.
- *Authoritative command.* Management can use its formal authority to resolve the conflict and then communicate its desires to the parties involved.
- *Altering the human variable.* Behavioural change techniques such as human relations training can alter attitudes and behaviours that cause conflict.
- *Altering the structural variables.* The formal organization structure and the interaction patterns of conflicting parties can be changed through job redesign, transfers, creation of coordinating positions, and the like.

Resolving Personality Conflicts

Personality conflicts are an everyday occurrence in the workplace. While there is no available data for Canada, supervisors in the United States spend about 18 percent of their time handling personality conflicts among employees.⁵⁶ A variety of factors leads to personality conflicts, including the following:⁵⁷

- Misunderstandings based on age, race, or cultural differences
- Intolerance, prejudice, discrimination, or bigotry
- Perceived inequities
- Misunderstandings, rumours, or falsehoods about an individual or group
- Blaming for mistakes or mishaps (finger-pointing)

Personality conflicts can result in lowered productivity when people find it difficult to work together. The individuals experiencing the conflict may seek sympathy from other members of the work group, causing co-workers to take sides. The ideal solution would be for the two people in conflict to work it out between themselves, without involving others, but this does not always happen. However, it is not always possible for people to talk things out, and it may be a Western cultural bias to expect that individuals should generally be able to do so.⁵⁷ *OB in Action—Handling Personality Conflicts* on page 205 suggests ways of dealing with personality conflicts in the workplace.

NEGOTIATION

When management-employee relations break down, it is not unusual that employees start to consider joining a labour union. If the employees are successful in their bid for unionization, then it is the labour union that negotiates with management over wage and working conditions. While Dofasco's mill employees did consider joining either the Canadian Auto Workers or the United Steelworkers

union, they have not done so yet. One reason might be that CEO John Mayberry worked hard to negotiate effectively with his employees and to foster a supportive environment for all. He did this by creating a performance culture, where employee bonuses and pay are tied to how well the company does. He also encouraged employees to learn from other companies, and even sent a few employees around the world to see what other companies do and how they do it. Mayberry organized employees into teams, getting them to be accountable and to work together to solve problems, make plans and schedules, and provide team members with feedback. In other words, Mayberry created a win-win situation. What steps can help ensure negotiations are effective?

When parties are potentially in conflict, they may choose to negotiate a resolution. Negotiation occurs in the interactions of almost everyone in groups and organizations: Labour bargains with management; managers negotiate with employees, peers, and senior management; salespeople negotiate with customers; purchasing agents negotiate with suppliers; employees agree to answer a colleague's phone for a few minutes in exchange for some past or future benefit. In today's team-based organizations, negotiation skills become critical so that teams can work together effectively.

We define **negotiation** as a process in which two or more parties try to agree on the exchange rate for goods or services they are trading.⁵⁹ Note that we use the terms *negotiation* and *bargaining* interchangeably.

Within a negotiation, one should be aware that individuals have *issues*, *positions*, and *interests*. *Issues* are items that are specifically placed on the bargaining table for discussion. *Positions* are the individual's stand on the issues. For instance, salary may be an issue for discussion. The salary you hope to receive is your position. Finally, *interests* are the underlying concerns that are affected by the negotiation resolution. For instance, the reason that you might want a six-figure salary is that you are trying to buy a house in Vancouver, and that is your only hope of being able to make mortgage payments.

Negotiators who recognize the underlying interests of themselves and the other party may have more flexibility in achieving a resolution. For instance, in the example just given, an employer who offers you a mortgage at a lower rate than the bank does, or who provides you with an interest-free loan that can be used against the mortgage, may be able to address your underlying interests without actually meeting your salary position. You may be satisfied with this alternative, if you understand what your interest is.

Interest-based bargaining enabled Vancouver-based NorskeCanada (now Catalyst Paper Corporation) to sign a mutually beneficial five-year contract with the Communications, Energy and Paperworkers Union of Canada in fall 2002, after just nine days of negotiations.⁶⁰ While the union and NorskeCanada had experienced bitter conflict in previous negotiations, in this particular situation both sides agreed to focus more on the interests of the parties, rather than on demands and concessions. Both sides were pleased with the outcome.

Bargaining Strategies

There are two general approaches to negotiation—*distributive bargaining* and *integrative bargaining*.⁶¹ These are compared in Exhibit 6-7 on page 206.

6 How does one negotiate effectively?

negotiation A process in which two or more parties exchange goods or services and try to agree upon the exchange rate for them.

OB IN ACTION

Handling Personality Conflicts

Tips for employees having a personality conflict

- **Communicate directly** with the other person to resolve the perceived conflict (emphasize problem solving and common objectives, not personalities).
- **Avoid dragging** co-workers into the conflict.
- If dysfunctional conflict persists, **seek help** from direct supervisors or human resource specialists.

Tips for third-party observers of a personality conflict

- **Do not take sides** in someone else's personality conflict.
- **Suggest the parties work things out** themselves in a constructive and positive way.
- If dysfunctional conflict persists, **refer the problem to the parties' direct supervisors**.

Tips for managers whose employees are having a personality conflict

- **Investigate and document** conflict.
- If appropriate, **take corrective action** (e.g., feedback or behaviour shaping).
- If necessary, **attempt informal dispute resolution**.
- **Refer difficult conflicts** to human resource specialists or hired counsellors for formal resolution attempts and other interventions.

Source: R. Kreitner and A. Kinicki, *Organizational Behavior*, 6th ed. (New York: McGraw Hill, 2004), p. 492, table 14-1. Reprinted by permission of McGraw Hill Education.

EXHIBIT 6-7 Distributive vs. Integrative Bargaining

Bargaining Characteristic	Distributive Bargaining	Integrative Bargaining
Available resources	Fixed amount of resources to be divided	Variable amount of resources to be divided
Primary motivations	I win, you lose	I win, you win
Primary interests	Opposed to each other	Convergent or congruent with each other
Focus of relationships	Short-term	Long-term

Source: Based on R. J. Lewicki and J. A. Litterer, *Negotiation* (Homewood, IL: Irwin, 1985), p. 280.

distributive bargaining

Negotiation that seeks to divide up a fixed amount of resources; a win-lose solution.

Distributive Bargaining

★ *Should you try to win at any cost when you bargain?*

Distributive bargaining is a negotiating strategy that operates under zero-sum (win-lose) conditions. That is, any gain I make is at your expense, and vice versa. Probably the most widely cited example of distributive bargaining is in labour-management negotiations over wages. Typically, management comes to the bargaining table determined to keep its labour costs as low as possible. Since every cent more that labour negotiates increases management's costs, each party bargains aggressively and treats the other as an opponent who must be defeated.

When engaged in distributive bargaining, a party focuses on trying to get the opponent to agree to a specific target point, or to get as close to it as possible. Examples of such tactics are persuading your opponent of the impossibility of reaching his or her target point and the advisability of accepting a settlement near yours; arguing that your target is fair, while your opponent's is not; and trying to get your opponent to feel emotionally generous toward you and thus accept an outcome close to your target point.

Integrative Bargaining

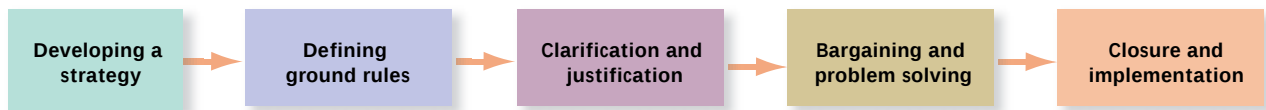
In contrast to distributive bargaining, **integrative bargaining** operates under the assumption that there exists one or more settlements that can create a win-win solution. In terms of intraorganizational behaviour, all things being equal, integrative bargaining is preferable to distributive bargaining. Why? Because the former builds long-term relationships and makes working together in the future easier. It bonds negotiators and allows both sides to leave the bargaining table feeling that they have achieved a victory. For instance, in union-management negotiations, both sides might sit down to figure out other ways to reduce costs within an organization, so that it is possible to have greater wage increases. Distributive bargaining, on the other hand, leaves one party a loser. It tends to build animosities and deepen divisions when people must work together on an ongoing basis.

How to Negotiate

Exhibit 6-8 on page 207 provides a simplified model of the negotiation process. It views negotiation as made up of five steps: (1) developing a strategy; (2) defining ground rules; (3) clarification and justification; (4) bargaining and problem solving; and (5) closure and implementation.

integrative bargaining

Negotiation that seeks one or more settlements that can create a win-win solution.

EXHIBIT 6-8 The Negotiation Process

Source: This model is based on R. J. Lewicki, "Bargaining and Negotiation," *Exchange: The Organizational Behavior Teaching Journal* 6, no. 2 (1981), pp. 39–40.

Developing a Strategy

Before you start negotiating, you need to do your homework. What is the nature of the conflict? What is the history leading up to this negotiation? Who is involved and what are their perceptions of the conflict? What do you want from the negotiation? What are *your* goals? 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.

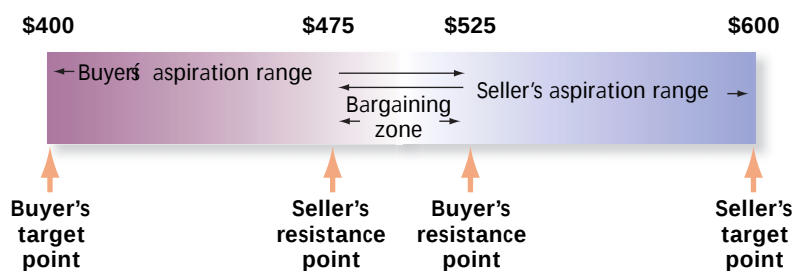
You also want to prepare an assessment of what you think the other party to your negotiation's goals are. What are they likely to ask for? How entrenched are they likely to be in their position? What intangible or hidden interests may be important to them? What might they be willing to settle for? When you can anticipate your opponent's position, you are better equipped to counter his or her arguments with the facts and figures that support your position.

In determining goals, parties are well advised to consider their “target and resistance” points, as well as their *best alternative to a negotiated agreement (BATNA)*.⁶² The buyer and the seller 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 outcome that is acceptable—the point below which each would break off negotiations rather than accept a less favourable settlement. The area between these two points makes up each negotiator's aspiration range. As long as there is some overlap between the buyer's and seller's aspiration ranges, there exists a **bargaining zone** where each side's aspirations can be met. Referring to Exhibit 6-9 on page 208, if the buyer's resistance point is \$450, and the seller's resistance point is \$500, then the two may not be able to reach agreement because there is no overlap in their aspiration ranges. Recent research suggests that having an attractive BATNA is particularly powerful to a negotiator when the bargaining zone is small.⁶³ The lengthy and bitter negotiations between the National Hockey League Players' Association and the National Hockey League owners underscored that there was no overlap in the bargaining zone on where the salary cap should be set, as the following *OB in the Workplace* shows.

BATNA The best alternative to a negotiated agreement; the outcome an individual faces if negotiations fail.

bargaining zone The zone between each party's resistance point, assuming there is overlap in this range.

Eric C. Gould's Negotiation Site
www.batna.com

EXHIBIT 6-9 Staking Out the Bargaining Zone

OB IN THE WORKPLACE



Hockey Union and Management Fail to Score a Goal

How could an entire hockey season be cancelled? In early February 2005, Gary Bettman, National Hockey League (NHL) commissioner, was signalling to hockey fans throughout North America that the 2004–2005 hockey season was about to be called off.⁶⁴ Hockey players had been trying to negotiate a new contract with NHL management since 2003, meeting 14 times in 2003, 14 in 2004, and 9 times by early February to try to resolve their differences. Little success had been made, despite all of those meetings.

Each side blamed the other for the stalemate and indicated that their BATNA—not playing any hockey at all for an entire season—was more desirable than ending the dispute.

“Their [the hockey players’] outright rejection of our proposal yesterday [February 9, 2005] I think speaks more to the fact that the union is never, ever, ever, ever—under any circumstances—prepared to play under any kind of cost-certain, economic partnership, salary cap—you pick the term—type of system,” said Bill Daly, executive vice-president and chief legal officer of the NHL.

Hockey players saw the issue somewhat differently. “They [management] have made it clear they have only one way of doing things, and that’s through their hard-cap system,” claimed National Hockey League Players’ Association (NHLPA) senior director Ted Saskin.

The NHL and the NHLPA settled their differences in July 2005, and the players agreed to a salary cap, something they had said they absolutely would not do throughout most of the negotiations. The 2004–2005 season’s 1230 regular-season games were cancelled and there was no Stanley Cup champion for the first time since 1919, when the final between Montreal and Seattle was cancelled because of a flu epidemic. 

Gary Bettman (left), the NHL commissioner, shakes hands with former head of the NHLPA, Bob Goodenow, after they finally reached an end to the stalemate that led to the cancellation of the 2004–2005 hockey season. Neither man seemed able to celebrate victory at the end of their lengthy negotiations.

Negotiation skills are critical in the buyer-seller relationship. At this open-air cheese market in Alkmaar, the Netherlands, two purchasing agents for food buyers taste a sample of Edam cheese before they negotiate prices with the seller of the cheese.

Image omitted
due to
copyright
restrictions.

One's BATNA represents the alternative that an individual will face if negotiations fail. For instance, during the winter 2005 hockey negotiations, for both hockey players and owners, the BATNA was the loss of the 2004–2005 season.

As part of your strategy, you should determine not only your BATNA but some estimate of the other side's as well.⁶⁵ If you go into your negotiation having a good idea of what the other party's BATNA is, you will have a better understanding of how far you can press to achieve the results you desire.

You can practise your negotiating skills in the *Working With Others Exercise* on page 214–215.

Defining Ground Rules

Once you have done your planning and developed a strategy, you are ready to begin defining the ground rules and procedures with the other party over 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 there be a specific procedure to follow if an impasse is reached? During this phase, the parties will also exchange their initial proposals or demands. The *Ethical Dilemma Exercise* on page 215 considers whether it is ever appropriate to lie during negotiations.

Clarification and Justification

When initial positions have been exchanged, both you and the other party will explain, amplify, clarify, bolster, and justify your original demands. This part of the process need not be confrontational. Rather, it is an opportunity for educating and informing each other on the issues, why they are important, and how each arrived at their initial demands. This is the point at which you might want to 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. It is here that concessions will undoubtedly need to be made by both parties. *OB in Action—Tips for Getting to Yes* gives you further ideas on how to make negotiating work for you, based on the popular book *Getting to Yes*.⁶⁶

Closure and Implementation

The final step in the negotiation process is formalizing the agreement that has been worked out and developing procedures that are necessary for implementation and monitoring. For major negotiations—which would include everything from labour-management negotiations such as in the National Hockey League situation, to bargaining over lease terms, to buying real estate, to negotiating a job offer for a senior management position—this will require hammering out the specifics in a formal contract. In most cases, however, closing of the negotiation process is nothing more formal than a handshake.

OB IN ACTION

Tips for Getting to Yes

R. Fisher and W. Ury present four principles for win-win negotiations in their book *Getting to Yes*:

- **Separate the people from the problem.** Work on the issues at hand, rather than getting involved in personality issues between the parties.
- Focus on **interests, not positions.** Try to identify what each person needs or wants, rather than coming up with an unmovable position.
- Look for ways to achieve **mutual gains.** Rather than focusing on one “right” solution for your position, brainstorm for solutions that will satisfy the needs of both parties.
- Use **objective criteria** to achieve a fair solution. Try to focus on fair standards, such as market value, expert opinion, norms, or laws to help guide decision making.

Source: R. Fisher and W. Ury, *Getting to Yes* (New York: Penguin Books, 1991).

SNAPSHOT SUMMARY

1 The Communication Process**2 Barriers to Effective Communication**

Filtering

Selective Perception

Defensiveness

Information Overload

Language

Communicating Under Stress

3 Current Issues in Communication

Electronic Communications

Nonverbal Communication

Silence as Communication

Communication Barriers Between Women and Men

Cross-Cultural Communication

4 How Communication Breakdown Leads to Conflict

Conflict Defined

Functional vs. Dysfunctional Conflict

5 Conflict Resolution

Conflict Management Strategies

What Can Individuals Do to Manage Conflict?

Resolving Personality Conflicts

6 Negotiation

Bargaining Strategies

How to Negotiate

SUMMARY AND IMPLICATIONS

- 1 How does communication work?** Findings in this chapter suggest that the goal of perfect communication is unattainable. Yet there is evidence that demonstrates a positive relationship between effective communication (which includes factors such as perceived trust, perceived accuracy, desire for interaction, top-management receptiveness, and upward information requirements) and employee productivity.⁶⁷ Therefore, choosing the correct channel, being a good listener, and using feedback well may make for more effective communication.
- 2 What are the barriers to communication?** Human beings will always be subject to errors in communication because of filtering, selective perception, defensiveness, information overload, and language. What is said may not be what is heard. Whatever the sender's expectations, the decoded message in the mind of the receiver represents his or her reality. This "reality" will determine the individual's reactions, including performance, motivation, and degree of satisfaction in the workplace.
- 3 What are other issues in communication?** The big topics in communication are electronic communications, the importance of nonverbal communication and silence, gender differences in communication, and cross-cultural differences in communication. As we saw in this chapter, email, among other electronic communications, has become far more prevalent, is causing more stress, and can be misused so that it is not always the most effective means of communication. Nonverbal cues help provide a clearer picture of what someone is trying to say. Silence can be an important communication clue, and failing to pay attention to silence can result in missing some or all of a message. Good communicators hear and interpret silence. We can make some generalizations about differences in the conversational style of men and women; men are more likely to use talk to emphasize status, while women use talk to create connection. We noted that there are a variety of barriers when communicating with someone from a different culture, and that it is best to assume differences until similarity is proven, emphasize description rather than *interpretation or evaluation*, practise empathy, and treat your interpretations as a working hypothesis.
- 4 What is conflict?** Conflict occurs when one person perceives that another person's actions will have a negative effect on something the first party cares about. Many people automatically assume that all conflict is bad. However, conflict can be either functional (constructive) or dysfunctional (destructive) to the performance of a group or unit. An optimal level of conflict encourages communication, prevents stagnation, stimulates creativity, allows tensions to be released, and plants the seeds of change, yet not so much as to be disruptive or to deter activities.
- 5 How can conflict be resolved?** The way a conflict is defined goes a long way toward establishing the sort of outcomes that might settle it. One can work toward a *win-lose solution* or a *win-win solution*. Conflict management strategies are determined by the extent to which one wants to cooperate with another party, and the extent to which one asserts his or her own concerns.
- 6 How does one negotiate effectively?** Negotiation is a process in which two or more parties try to agree on the exchange rate for goods or services they are trading. Negotiation is an ongoing activity in groups and organizations. Distributive bargaining can resolve disputes, but it often negatively affects one or more negotiators' satisfaction because it is focused on the short term and because it is confrontational. Integrative bargaining, by contrast, tends to provide outcomes that satisfy all parties and build lasting relationships.

For Review

1. Describe the communication process and identify its key components. Give an example of how this process operates with both oral and written messages.
2. Contrast encoding and decoding.
3. What are the advantages and disadvantages of email? Of instant messaging?
4. What is nonverbal communication? Does it aid or hinder verbal communication?
5. What does the phrase “sometimes the real message in a communication is buried in the silence” mean?
6. What are the managerial implications from the research contrasting male and female communication styles?
7. List four specific problems related to language difficulties in cross-cultural communication.
8. What is the difference between functional and dysfunctional conflict? What determines functionality?
9. What defines the bargaining zone in distributive bargaining?
10. How can you improve your negotiating effectiveness?

For Critical Thinking

1. “Ineffective communication is the fault of the sender.” Do you agree or disagree? Discuss.
2. Using the concept of channel richness, give examples of messages best conveyed by email, in face-to-face communication, and on the company bulletin board.
3. Why do you think so many people are poor listeners?
4. Assume one of your co-workers had to negotiate a contract with someone from China. What problems might he or she face? If the co-worker asked for advice, what suggestions would you make to help facilitate a settlement?
5. From your own experience, describe a situation you were involved in where the conflict was dysfunctional. Describe another example, from your experience, where the conflict was functional. Would the other parties in the conflicts agree with your assessment of what is functional or dysfunctional?

OB for You

- If you are having difficulty communicating with someone, you might consider that both you and the other person are contributing something to that breakdown. This tends to be true even if you are inclined to believe that the other person is the party more responsible for the breakdown.
- Often either selective perception or defensiveness gets in the way of communication. As you work in your groups on student projects, you may want to observe communication flows more critically to help you understand ways that communication can be improved and dysfunctional conflict avoided.
- It may seem easier, but avoiding conflict does not necessarily have a more positive outcome than working with someone to resolve the conflict.
- Trying to achieve a win-win solution in a conflict situation tends to lead to better relationships and greater trust.

**POINT**

Conflict Is Good for an Organization

We have made considerable progress in the last 25 years toward overcoming the negative stereotype given to conflict. Most behavioural scientists and an increasing number of practising managers now accept that the goal of effective management is not to eliminate conflict. Rather, it is to create the right intensity of conflict so as to reap its functional benefits.

Let's briefly review how stimulating conflict can provide benefits to the organization.⁶⁸

- *Conflict is a means by which to bring about radical change.* It is an effective device by which management can drastically change the existing power structure, current interaction patterns, and entrenched attitudes.
- *Conflict facilitates group cohesiveness.* While conflict increases hostility between groups, external threats tend to cause a group to pull together as a unit. Intergroup conflicts raise the extent to which members identify with their own group and increase feelings of solidarity, while, at the same time, internal differences and irritations dissolve.
- *Conflict improves group and organizational effectiveness.* The stimulation of conflict sparks the search for new means and goals and clears the way for innovation. The successful resolution of a conflict leads to greater effectiveness, to more trust and openness, to greater attraction of members for one another, and to the depersonalization of future conflicts. In fact, it has been found that as the number of minor disagreements increases, the number of major clashes decreases.
- *Conflict brings about a slightly higher, more constructive level of tension.* Constructive levels of tension improve the chances of solving the conflicts in a way satisfactory to all parties concerned. When the level of tension is very low, the parties are not sufficiently motivated to do something about a conflict.

These points are clearly not comprehensive. As noted in this chapter, conflict provides a number of benefits to an organization. However, groups or organizations that lack conflict are likely to suffer from apathy, stagnation, groupthink, and other debilitating problems. In fact, more organizations probably fail because they have too little conflict rather than too much.

**COUNTERPOINT**

All Conflicts Are Dysfunctional!

It may be true that conflict is an inherent part of any group or organization. It may not be possible to eliminate it completely. However, just because conflicts exist is no reason to worship them. All conflicts are dysfunctional, and it is one of management's major responsibilities to keep conflict intensity as low as humanly possible. A few points support this case:

- *The negative consequences from conflict can be devastating.* The list of negatives associated with conflict is impressive. Obvious negatives include increased turnover, decreased employee satisfaction, labour grievances and strikes, sabotage, physical aggression, and inefficiencies between work units.
- *Effective managers build teamwork.* A good manager builds a coordinated team. Conflict works against such an objective. A successful work group is like a successful sports team: Each member knows his or her role and supports his or her teammates. When a team works well, the whole becomes greater than the sum of the parts. Management creates teamwork by minimizing internal conflicts and facilitating internal coordination.
- *Competition is good for an organization, but not conflict.* Competition and conflict should not be confused with each other. Conflict is behaviour directed against another party, whereas competition is behaviour aimed at obtaining a goal without interference from another party. Competition is healthy; it is the source of organizational vitality. Conflict, on the other hand, is destructive.
- *Managers who accept and stimulate conflict don't survive in organizations.* The whole argument over the value of conflict may be open to question as long as most senior executives in organizations view conflict traditionally. In the traditional view, any conflict is seen as bad. Since the evaluation of a manager's performance is made by higher-level executives, those managers who do not succeed in eliminating conflicts are likely to be appraised negatively. This in turn will reduce opportunities for advancement. Any manager who aspires to move up in such an environment would be wise to follow the traditional view and eliminate any outward signs of conflict. Failure to follow this advice might result in the premature departure of the manager.

LEARNING ABOUT YOURSELF EXERCISE

What Is Your Primary Conflict-Handling Style?

Indicate how often you rely on each of the following tactics by circling the number you feel is most appropriate. When I have a conflict at work, I do the following:

	Not at All			Very Much	
	1	2	3	4	5
1. I give in to the wishes of the other party.	1	2	3	4	5
2. I try to realize a middle-of-the-road solution.	1	2	3	4	5
3. I push my own point of view.	1	2	3	4	5
4. I examine issues until I find a solution that really satisfies me and the other party.	1	2	3	4	5
5. I avoid a confrontation about our differences.	1	2	3	4	5
6. I concur with the other party.	1	2	3	4	5
7. I emphasize that we have to find a compromise solution.	1	2	3	4	5
8. I search for gains.	1	2	3	4	5
9. I stand for my own and the other party's goals and interests.	1	2	3	4	5
10. I avoid differences of opinion as much as possible.	1	2	3	4	5
11. I try to accommodate the other party.	1	2	3	4	5
12. I insist we both give in a little.	1	2	3	4	5
13. I fight for a good outcome for myself.	1	2	3	4	5
14. I examine ideas from both sides to find a mutually optimal solution.	1	2	3	4	5
15. I try to make differences loom less large.	1	2	3	4	5
16. I adapt to the other party's goals and interests.	1	2	3	4	5
17. I strive whenever possible toward a 50-50 compromise.	1	2	3	4	5
18. I do everything to win.	1	2	3	4	5
19. I work out a solution that serves my own as well as the other party's interests as well as possible.	1	2	3	4	5
20. I try to avoid a confrontation with the other party.	1	2	3	4	5

Scoring Key:

To determine your primary conflict-handling strategy, place the number 1 through 5 that represents your score for each statement next to the number for that statement. Then add up the columns.

continued

OB AT WORK

Yielding	Compromising	Forcing	Problem solving	Avoiding
1. _____	2. _____	3. _____	4. _____	5. _____
6. _____	7. _____	8. _____	9. _____	10. _____
11. _____	12. _____	13. _____	14. _____	15. _____
16. _____	17. _____	18. _____	19. _____	20. _____
Totals _____	_____	_____	_____	_____

Your primary conflict-handling style is the category with the highest total. Your fallback intention is the category with the second-highest total.

Source: C. K. W. De Dreu, A. Evers, B. Beersma, E. S. Kluwer, and A. Nauta, "A Theory-Based Measure of Conflict Management Strategies in the Workplace," *Journal of Organizational Behavior* 22, no. 6 (September 2001), pp. 645–668. With permission.

BREAKOUT GROUP EXERCISES

Form small groups to discuss the following topics, as assigned by your instructor:

1. Describe a situation in which you ignored someone. What impact did it have on that person's subsequent communication behaviours?
2. What differences have you observed in the ways that men and women communicate?
3. You and 2 other students carpool to school every day. The driver has recently taken to playing a new radio station quite loudly. You do not like the music, or the loudness. Using one of the conflict-handling strategies outlined in Exhibit 6-6, indicate how you might go about resolving this conflict. Identify a number of BATNAs (best alternative to a negotiated agreement) available to you, and then decide whether you should continue carpooling.

WORKING WITH OTHERS 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 Terry, the department supervisor. The other person will play Dale, Terry's boss.

The Situation: Terry and Dale work for hockey-equipment manufacturer Bauer. Terry supervises a research laboratory. Dale is the manager of research and development (R & D). Terry and Dale are former skaters who have worked for Bauer for more than 6 years. Dale has been Terry's boss for 2 years.

One of Terry's employees has greatly impressed Terry. 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 \$52 500 a year. She was told

by Terry 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.

Terry's evaluation of Lisa after 6 months was very positive. Terry commented on the long hours Lisa was working, her cooperative spirit, the fact that others in the lab enjoyed working with her, and her immediate positive impact on the project to which she had been assigned. Now that Lisa's first anniversary is coming up, Terry has again reviewed Lisa's performance. Terry thinks Lisa may be the best new person the R & D group has ever hired. After only a year, Terry has ranked Lisa third highest in a department of 11.

Salaries in the department vary greatly. Terry, for instance, has a basic salary of \$93 800, plus eligibility for a bonus that might add another \$7000 to \$11 000 a year. The salary range of the 11 department members is \$42 500 to \$79 000. The lowest salary is a recent hire with a bachelor's degree in physics. The two people that Terry has rated above Lisa earn base salaries of \$73 800 and \$78 900. They are both 27 years old and have been at Bauer for 3 and 4 years, respectively. The median salary in Terry's department is \$65 300.

Terry's Role: You want to give Lisa a big raise. While she is young, she has proven to be an excellent addition to the department. You don't want to lose her. More important, she knows in general what other people in the department are earning, and she thinks she is 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 would like to get Lisa as large an increase as Dale will approve.

Dale'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 range of 5 to 8 percent. In fact, he has sent a memo to all managers and supervisors stating this objective. However, your boss is also very concerned with equity and paying people what they are 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: Terry has a meeting scheduled with Dale to discuss Lisa's performance review and salary adjustment. In your role of either Dale or Terry, take a couple of minutes to think through the facts in this exercise and to prepare a strategy. Determine what your target and resistance points are and what your BATNA is. Then you have up to 15 minutes to conduct your negotiation. When your negotiation is complete, the class will compare the various strategies used and the outcomes that resulted.

ETHICAL DILEMMA EXERCISE

Is It Unethical to Lie and Deceive During Negotiations?

It has been said that the whole notion of negotiation is built on ethical quicksand: To succeed, you must deceive. Is this true? Apparently a lot of people think so. For instance, one study found that 28 percent of negotiators lied about a common interest issue during negotiations, while another study found that 100 percent of negotiators either failed to

reveal a problem or actively lied about it during negotiations if they were not directly asked about the issue.

Is it possible for someone to maintain high ethical standards and, at the same time, deal with the daily need to negotiate with bosses, peers, staff, people from other organizations, friends, and even relatives?

continued

OB AT WORK

We can probably agree that bald-faced lies during negotiation are wrong. At least most ethicists would probably agree. The universal dilemma surrounds the little lies—the omissions, evasions, and concealments that are often necessary to best an opponent.

During negotiations, when is a lie a lie? Is exaggerating benefits, downplaying negatives, ignoring flaws, or saying “I don’t know” when in reality you do considered lying? Is declaring that “this is my final offer and nonnegotiable” (even when you are posturing) a lie? Is pretending to bend over backward to make meaningful concessions lying? Rather than being unethical practices, the use of these

“lies” is considered by many as indicators that a negotiator is strong, smart, and savvy.

When are evasiveness and deception out of bounds? Is it naive to be completely honest and bare your soul during negotiations? Or are the rules of negotiations unique: Is any tactic that will improve your chance of winning acceptable?

Sources: Based on M. E. Schweitzer, “Deception in Negotiations,” in *Wharton on Making Decisions*, ed. S. J. Hoch and H. C. Kunreuther (New York: Wiley, 2001), pp. 187–200; and M. Diener, “Fair Enough,” *Entrepreneur*, January 2002, pp. 100–102.

CASE INCIDENT

Emailing “Lazy” Employees

Imagine receiving the following email from your CEO:

We are getting less than 40 hours of work from a large number of our EMPLOYEES. The parking lot is sparsely used at 8 a.m.; likewise at 5 p.m. As managers, you either do not know what your EMPLOYEES are doing or you do not CARE. In either case, you have a problem and you will fix it or I will replace you. :-{{

NEVER in my career have I allowed a team which worked for me to think they had a 40-hour job. I have allowed YOU to create a culture which is permitting this. NO LONGER. :-|

The note (paraphrased) continues: “Hell will freeze over before any more employee benefits are given out. I will be watching the parking lot and expect it to be substantially full at 7:30 a.m. and 6:30 p.m. on weekdays and half full on Saturdays. You have two weeks. Tick, tock. : (“

:-{{ = very angry :-| = disappointed : (= frowning

Questions

1. What impact would this message have on you if you received it?
2. Is email the best way to convey such a message?
3. What problems might arise if people outside the organization saw this email?
4. What suggestions, if any, would you make to the CEO to help improve communication effectiveness?
5. What conflict-handling style is this CEO using? What might be a more effective style? Why?

Sources: Based on E. Wong, “Stinging Office E-Mail Lights ‘Firestorm,’” *Globe and Mail*, April 9, 2001, p. M1; P. D. Broughton, “Boss’s Angry Email Sends Shares Plunging,” *Daily Telegraph of London*, April 6, 2001; D. Stafford, “Shattering the Illusion of Respect,” *Kansas City Star*, March 29, 2001, p. C1.



VIDEO CASE INCIDENT

Buggy Wars

Two friends and neighbours arrange to go into business together and then become bitter rivals: This is the story of Bob Bell and Michael Sharpe, who once lived just four houses apart on Oxford Street in Guelph, Ontario.

Bell and Sharpe thought they had a good idea for a new business venture—a bicycle trailer—but the good idea turned into a long, sizzling struggle.

Bell invented the bicycle trailer. Shortly after coming up with the idea, he began to design and build the bicycle trailer in his garage. Once he shared his idea with Sharpe, both thought they could form a successful partnership by drawing upon each other's expertise. Bell, an engineer by trade, would take on research and development; Sharpe, a former computer software sales manager and career manager, would focus on marketing. Sharpe put together the business plan—but before it was finalized, the deal fell apart.

The major point of conflict between Bell and Sharpe was royalties. Bell wanted to license the bicycle trailer design to Sharpe and collect a fee for each bicycle trailer produced. Sharpe wanted Bell to invest more in the venture and share the financial risk. However, Bell did not see any grounds for negotiation. Bell considered the bicycle trailer his idea. He had designed it, he had bought the materials to build it, and he had put in the time to develop the final product. When both parties hired lawyers and Bell demanded intellectual property rights, the great Canadian buggy war began.

Bell planned a slow, steady campaign, working from the basement of his home with one employee. He started selling his cargo trailer, the WIKE, at the local farmers' market. His goal was to sell 20 trailers the first year and 500 in the coming year. Bell continued his "go slow, get it right" campaign, selling locally and fine-tuning his trailer to carry children. However, he eventually decided that making every bicycle trailer himself was not a good strategy. By 2002, Bob Bell just wanted his life back.

Meanwhile, Sharpe had his own grand plan. He established his new company, Greenways, mortgaged his home,

took a bank loan, rented a factory, and hired five employees. Sharpe began mass production of his version of the trailer, the Wonder Wagon, which accommodated small children. He projected sales of 2500 nationwide for the coming year. By the spring of 1994, Sharpe was selling to big specialty retailers and Toronto's largest sporting goods store. Later, bike shops across the country and two national retailers were selling his wagon. He was even a corporate sponsor in Vancouver's Ride for Life.

So how did this end? Bell won the patent infringement case against Sharpe. Bell's company has expanded to six different versions of the bicycle trailer. It also has a licensed manufacturer in China, from whom Bell collects royalties. Sharpe eventually abandoned the whole buggy idea, and switched careers to . . . the fitness industry.

Questions

1. What were the sources of conflict between Bell and Sharpe?
2. Which of the five conflict resolution techniques does each man prefer in handling his conflict? Is there another conflict resolution approach you would recommend? Why?
3. How would you have handled the conflict? How would your personality have affected your approach to resolving the conflict?

Source: Based on "Buggy Wars," *CBC Venture*, August 18, 2002, 841.

From Concepts to Skills

Providing Performance Feedback

One of the most difficult communication challenges for individuals is providing feedback to others. For instance, in a study conducted by Watson Wyatt Worldwide, only 60 percent of Canadian employees said they understood the measures used to evaluate their performance; only 47 percent said that their managers clearly expressed goals and

assignments.⁶⁹ We review some of these communication difficulties below.

For many managers, few activities are more unpleasant than providing performance feedback to employees.⁷⁰ In fact, unless pressured by organizational policies and controls, managers are likely to ignore this responsibility.⁷¹

continued

OB AT WORK

Why the reluctance to give performance feedback? There seem to be at least three reasons. First, managers are often uncomfortable discussing performance weaknesses directly with employees. Given that almost every employee could undoubtedly improve in some areas, managers fear a confrontation when presenting negative feedback. This discomfort apparently applies even when people give negative feedback to a computer! Bill Gates reports that Microsoft conducted a project requiring users to rate their experience with a computer. "When we had the computer the users had worked with ask for an evaluation of its performance, the responses tended to be positive. But when we had a second computer ask the same people to evaluate their encounters with the first machine, the people were significantly more critical. Their reluctance to criticize the first computer 'to its face' suggested that they didn't want to hurt its feelings, even though they knew it was only a machine."⁷²

Second, many employees tend to become defensive when their weaknesses are pointed out. Instead of accepting the feedback as constructive and a basis for improving performance, some employees challenge the evaluation by criticizing the manager or redirecting blame to someone else.

Finally, employees tend to have an inflated assessment of their own performance. Statistically speaking, half of all employees must be below-average performers. But the evidence indicates that the average employee's estimate of his or her own performance level generally falls around the 75th percentile.⁷³ So even when managers are providing good news, employees are likely to perceive it as not good enough!

The solution to the performance feedback problem is not to ignore it, but to train managers in how to conduct constructive feedback sessions. An effective review in which the employee perceives the appraisal as fair, the manager as sincere, and the climate as constructive can result in the employee leaving the interview in an upbeat mood. The employee will be informed about the performance areas in which he or she needs to improve and feel determined to correct the deficiencies.⁷⁴ In addition, the performance review should be designed more as a counselling activity than a judgmental process. This can best be accomplished

by allowing the review to evolve out of the employee's own self-evaluation, but be aware that some individuals can over- or underestimate their performance and have a self-serving bias.

Managers can use the following tips to give more effective feedback:⁷⁵

- *Relate feedback to existing performance goals and clear expectations.*
- *Give specific feedback tied to observable behaviour or measurable results.*
- *Channel feedback toward key result areas.*
- *Give feedback as soon as possible.*
- *Give positive feedback for improvement, not just final results.*
- *Focus feedback on performance, not personalities.*
- *Base feedback on accurate and credible information.*

Assessing Skills

After you've read this chapter, take the following Self-Assessments on your enclosed CD-ROM:

27. What's My Face-to-Face Communication Style?
28. How Good Are My Listening Skills?
39. What's My Preferred Conflict-Handling Style?
40. What's My Negotiating Style?
43. How Good Am I at Giving Performance Feedback?

Practising Skills

Choose a person with whom you've worked as a member of a team, and practise giving feedback to each other. Person A should begin by identifying behaviours that directly helped meet the goals of the project, and then give feedback about what needs to be improved. Person B should summarize the feedback to demonstrate that the key points have been heard. Persons A and B should then switch roles. How comfortable did you feel in giving feedback? In receiving feedback?

Reinforcing Skills

1. In one of your classes practise giving feedback to your instructor. Talk with your instructor outside class, indicating what you like about the class, and what you think might make the class better. What was the instructor's response?
2. The next time you are working with someone, and their performance is really helpful, give them positive feedback.
3. If you are in a situation where someone's performance is bothering you, instead of getting upset, figure out a way of giving constructive feedback to that person.

CHAPTER 7

Power and Politics

How could Jamie Salé and David Pelletier first lose and later win the 2002 Winter Olympics gold medal for figure skating? Power and politics tell much of the story.



1 What is power?

2 How does one get power?

3 How does dependency affect power?

4 What tactics can be used to increase power?

5 What does it mean to be empowered?

6 How are power and harassment related?

7 Why do people engage in politics?
Are teams always the answer?

Any Canadian, and many Americans, watching the pairs figure skating competition in the 2002 Winter Olympics seemed sure they had watched a gold-medal performance when Jamie Salé and David Pelletier gave their final bow.¹ Moments later, however, fans looked on in horror as the gold medal was awarded to Russian skaters Yelena Berezhnaya and Anton Sikharulidze. North Americans were shocked: What they remembered was a flawed performance by the Russians, with Sikharulidze shaky on a double axel and Berezhnaya stiff in some of her landings, and a perfect performance by the Canadian duo.

Figure skating has long been considered a political rather than an artistic event, in which the Soviet Union influenced its allies to support Russian skaters while Western judges tended to side with US skaters. Thus it was not surprising that charges of politics and abuse of power surfaced quickly.

A major theme throughout this chapter is that power and politics are a natural process in any group or

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organization. Although you might have heard the saying “Power corrupts, and absolute power corrupts absolutely,” power is not always bad. Understanding how to use power and politics effectively makes organizational life more manageable, because it can help you gain the support you need to do your job effectively.

A DEFINITION OF POWER

Power refers to a capacity that A has to influence the behaviour of B, so that B acts in accordance with A's wishes.² This definition implies that there is a *potential* for power if someone is dependent on another. But one can have power and not impose it.

Probably the most important aspect of power is that it is a function of **dependency**. The more that B depends on A, the more power A has in the relationship. Dependence, in turn, is based on the alternatives that B perceives and the importance that B places on the alternative(s) that A controls. A person can have power over you only if he or she controls something you desire. If you are attending college or university on funds totally provided by your parents, you probably recognize the power that your parents hold over you. You are dependent on them for financial support. But once you are 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 the 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”?

1 What is power?

power A capacity that A has to influence the behaviour of B, so that B acts in accordance with A's wishes.

dependency B's relationship to A when A possesses something that B needs.

Jamie Salé and David Pelletier
Official Website
www.sale-pelletier.com/english/

OB IS FOR EVERYONE

* Have you ever wondered how you might increase your power?

* Do workplaces empower people?

* Why do some people seem to engage in politics more than others?

* In what situations does impression management work best?

Within larger organizations, the information technology (IT) group often has considerable power, because everyone, right up to the CEO, is dependent on this group keeping computers and networks running. Since few people have the technical expertise to do so, IT personnel end up being viewed as irreplaceable. This gives them a lot of power within the organization.

Power should not be considered a bad thing, however. “Power, if used appropriately, should actually be a positive influence in your organization,” says Professor Patricia Bradshaw of the Schulich School of Business at York University. “Having more power doesn’t necessarily turn you into a Machiavellian monster. It can help your team and your organization achieve its goals and increase its potential.”³ The positive benefits of power (and politics) have also been explored by Professor Tom Lawrence of SFU Business and his colleagues.⁴

BASES OF POWER

As the Olympics figure skating controversy swirled, International Skating Union (ISU) president Ottavio Cinquanta tried to contain the uproar by announcing three days after the event that “We cannot change the result of the competition.” He was sending out a signal to the Americans, who had taken to the airwaves to protest the results of the competition, that lobbying could not turn judges’ scores around, or change ISU procedures. Forty-eight hours later, however, he changed his mind and announced that the results would be changed, and Salé and Pelletier would receive gold medals as well. What could have made Cinquanta change his decision so quickly?

2 How does one get power?

Where does power come from? What is it that gives an individual or a group influence over others? The answer to these questions was developed by social scientists John French and Bertrand Raven, who first presented a five-category classification scheme of sources or bases of power: coercive, reward, legitimate, expert, and referent.⁵ They subsequently added information power to that schema (see Exhibit 7-1).⁶

Coercive Power

coercive power Power that is based on fear.

Coercive power is defined by French and Raven as being dependent on fear. One reacts to this power base out of fear of the negative results that might occur if one fails to

EXHIBIT 7-1 Measuring Bases of Power

Does a person have one or more of the six bases of power? These descriptions help identify the person’s power base.

Power Base	Statement
Coercive	The person can make things difficult for people, and you want to avoid getting him or her angry.
Reward	The person is able to give special benefits or rewards to people, and you find it advantageous to trade favours with him or her.
Legitimate	The person has the right, considering his or her position and your job responsibilities, to expect you to comply with legitimate requests.
Expert	The person has the experience and knowledge to earn your respect, and you defer to his or her judgment in some matters.
Referent	You like the person and enjoy doing things for him or her.
Information	The person has data or knowledge that you need.

Source: Adapted from G. Yukl and C. M. Falbe, “Importance of Different Power Sources in Downward and Lateral Relations,” *Journal of Applied Psychology*, June 1991, p. 417. With permission.

comply. It rests on the application, or the threat of the application, of physical sanctions such as the infliction of pain, the generation of frustration through restriction of movement, or the controlling by force of basic physiological or safety needs. When Jacques Rogge, president of the International Olympic Committee (IOC), threatened to ban judged sports from the Olympics because of the skating scandal, he was using a form of coercion. He was trying to intimidate the International Skating Union (ISU), making them fear that if the controversy was not ended quickly, figure skaters would no longer compete in the Olympics.

Of all the bases of power available, the power to hurt others is possibly the most often used, most often condemned, and most difficult to control. The state relies on its military and legal resources to intimidate nations, or even its own citizens; businesses rely upon the control of economic resources to request tax reductions; and religious institutions threaten individuals with dire consequences in the afterlife if they do not conduct themselves properly in this life. At the personal level, individuals use coercive power through a reliance on physical strength, words, or the ability to grant or withhold emotional support from others. These bases provide the individual with the means to physically harm, bully, humiliate, or deny love to others.⁷

At the organizational level, A has coercive power over B if A can dismiss, suspend, or demote B, assuming that B values his or her job. Similarly, if A can assign B work activities that B finds unpleasant or treat B in a manner that B finds embarrassing, A possesses coercive power over B.

Reward Power

The opposite of coercive power is **reward power**. People will go along with the wishes or directives of another if doing so produces positive benefits; therefore, one who can distribute rewards that others view as valuable will have power over those others. These rewards can be anything that another person values. In an organizational context, we think of money, favourable performance appraisals, promotions, interesting work assignments, friendly colleagues, important information, and preferred work shifts or sales territories.⁸

As with coercive power, you do not have to be a manager to be able to exert influence through rewards. Rewards such as friendliness, acceptance, and praise are available to everyone in an organization. To the degree that an individual seeks such rewards, your ability to give or withhold them gives you power over that individual.

Legitimate Power

In formal groups and organizations, probably the most frequent access to one or more of the bases of power is through a person's structural position. This is called **legitimate power**. It represents the power a person receives as a result of his or her position in the formal hierarchy of an organization.

Positions of authority include coercive and reward powers. Legitimate power, however, is broader than the power to coerce and reward. Specifically, it includes acceptance by members of an organization of the authority of a position. When school principals, bank presidents, or generals speak (assuming that their directives are viewed as within the authority of their positions), teachers, tellers, and privates listen and usually comply. You will note in Exhibit 7-2 on page 224 that one of the men in the meeting identifies himself as the rule maker, which means that he has legitimate power. IOC president Jacques Rogge was one of the few individuals who had legitimate power to try to resolve the skating controversy.

International Olympic
Committee (IOC)
www.olympic.org

International Skating Union
(ISU)
www.isu.org

reward power Power that achieves compliance based on the ability to distribute rewards that others view as valuable.

legitimate power Power that a person receives as a result of his or her position in the formal hierarchy of an organization.

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restrictions.

In India, Naina Lal Kidwai is a powerful woman in the banking industry. She is the chief executive of the Hongkong and Shanghai Banking Corporation (HSBC), India. Kidwai's formal power is based on her position at the bank.

EXHIBIT 7-2



Source: Drawing by Leo Cullum in *The New Yorker*. Copyright © 1986 *The New Yorker Magazine*. Reprinted by permission.

Expert Power

expert power Influence based on special skills or knowledge.

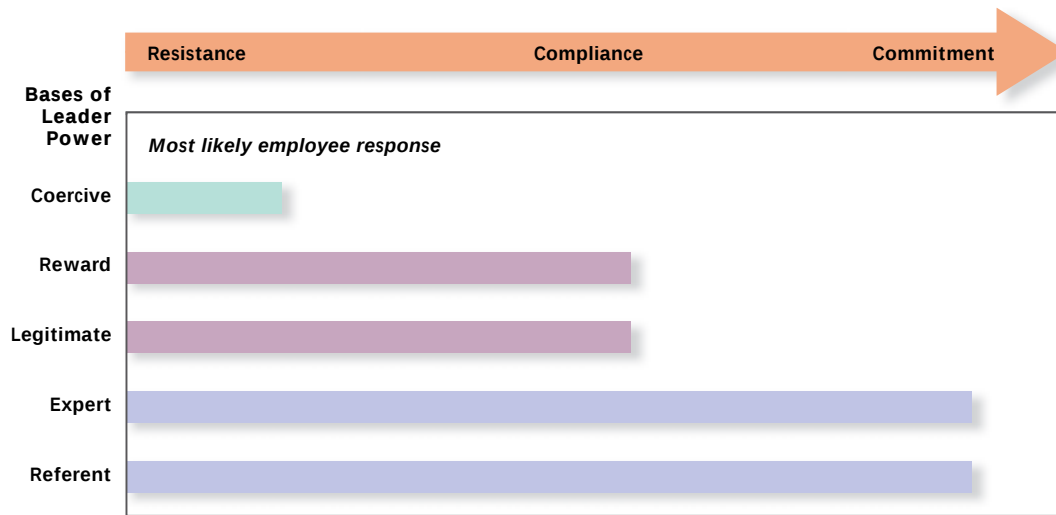
Expert power is influence based on expertise, special skills, or knowledge. Expertise has become one of the most powerful sources of influence as the world has become more technologically oriented. While it is generally acknowledged that physicians have expertise and hence expert power—most of us follow the advice that our doctors give us—you should also recognize that computer specialists, tax accountants, economists, and other specialists can have power as a result of their expertise. Young people may find they have increased power in the workplace these days because of the technical knowledge and expertise that their Baby-Boomer managers may not have.

Expert power relies on trust that all relevant information is given out honestly and completely. Of course, since knowledge is power, the more that information is shared, the less expert power a person has. Thus, some individuals try to protect their power by withholding information.⁹ This tactic can result in poor-quality performance by those who need the information.¹⁰ The *Working With Others Exercise* on page 245–246 gives you the opportunity to explore the effectiveness of different bases of power in changing someone's behaviour.

Referent Power

referent power Influence based on possession by an individual of desirable resources or personal traits.

Referent power develops out of admiration of another and a desire to be like that person. In a sense, then, it is a lot like charisma. If you admire someone to the point of modelling your behaviour and attitudes after him or her, that person possesses referent power over you. Sometimes teachers and coaches have referent power because of our admiration of them. Referent power explains why celebrities are paid millions of dollars to endorse products in commercials. Companies such as Toronto-based Roots Canada have

EXHIBIT 7-3 Continuum of Responses to Power

Source: R. M. Steers and J. S. Black, *Organizational Behavior*, 5th ed. (New York: HarperCollins, 1994), p. 487. Reprinted by permission of Pearson Education Inc., Upper Saddle River, New Jersey.

developed advertising themes around popular Canadians, such as “bad boy” Olympic gold-medallist and snowboarder Ross Rebagliati, to convince people to buy specific products.¹¹ Similarly, Nike has used sports celebrities such as former Toronto Raptors star centre Vince Carter to promote its products. In some ads, stars have provided their own music, as was the case in Canadian jazz diva Diana Krall’s TV commercials for Chrysler.

Information Power

Information power comes from access to and control over information. People in an organization who have data or knowledge that others need can make those others dependent on them. Managers, for instance, because of their access to privileged sales, cost, salary, profit, and similar data, can use this information to control and shape subordinates’ behaviour. Similarly, departments that possess information that is critical to a company’s performance in times of high uncertainty—for example, the legal department when a firm faces a major lawsuit or the human resource department during critical labour negotiations—will gain increased power in their organizations until those uncertainties are resolved. This chapter’s *Case Incident—The Power of Bill Fowler at Blackmer/Dover Resources* on page 246–247 shows the power that one man can have in a manufacturing organization.

information power Power that comes from access to and control over information.

Evaluating the Bases of Power

Generally, people will respond in one of three ways when faced with the people who use the bases of power described above:

- *Commitment.* The person is enthusiastic about the request and shows initiative and persistence in carrying it out.
- *Compliance.* The person goes along with the request grudgingly, puts in minimal effort, and takes little initiative in carrying out the request.
- *Resistance.* The person is opposed to the request and tries to avoid it with such tactics as refusing, stalling, or arguing about it.¹²

A review of the research on the effectiveness of these forms of power finds that they differ in their impact on a person’s performance.¹³ Exhibit 7-3 summarizes some of this

research. Coercive power leads to resistance from individuals, decreased satisfaction, and increased mistrust. Reward power results in compliance if the rewards are consistent with what individuals want as rewards, something the *Ethical Dilemma Exercise* on page 246 shows clearly. Legitimate power also results in compliance, but it does not generally result in increased commitment. In other words, legitimate power does not inspire individuals to act beyond the basic level. Expert and referent powers are the most likely to lead to commitment from individuals. Research shows that deadline pressures increase group members' reliance on individuals with expert and information power.¹⁴ Ironically, the least effective bases of power for improving commitment—coercive, reward, and legitimate—are the ones most often used by managers, perhaps because they are the easiest to introduce.¹⁵

DEPENDENCY: THE KEY TO POWER

As the Olympics figure skating furor unfolded, some claimed that French judge Marie-Reine Le Gougne was pressured by the French figure skating federation to vote for the Russians, in exchange for which the Russian judge would vote for the French skaters in the Olympic ice dancing competition. In August 2002, a Russian mobster was arrested for possible bribery charges in the case, suggesting that external pressures were applied to higher-ups in the skating organizations, who then pressured judges to fix votes. "Though it doesn't excuse them for not judging honestly, it suggests that individuals highly ranked within their federations are indeed setting the tone for their [the judges'] behaviour," noted US dance judge Sharon Rogers.¹⁶ The French judge was dependent on her superiors to keep her judging job, something she valued very much. Meanwhile, a dependence on bribes from the Russian mobster made higher-ups pressure their judges. What factors might lead to one person's having greater power over another?

3 How does dependency affect power?

In this section, we show how an understanding of dependency is central to furthering your understanding of power itself.

The General Dependency Postulate

Let's begin with a general postulate: *The greater B's dependency on A, the greater the power A has over B.* When you possess anything that others require but that you alone control, you make them dependent upon you and therefore you gain power over them.¹⁷ Another way to frame dependency is to think about a relationship in terms of "who needs whom?" The person who has the most need is the one most dependent on the relationship.¹⁸

Dependency is inversely proportional to the alternative sources of supply. If something is plentiful, possession of it will not increase your power. If everyone is intelligent, intelligence gives no special advantage. Similarly, in the circles of the super rich, money does not result in power. But if you can create a monopoly by controlling information, prestige, or anything that others crave, they become dependent on you. Alternatively, the more options you have, the less power you place in the hands of others. This explains, for example, why most organizations develop multiple suppliers rather than give their business to only one.

What Creates Dependency?

Dependency is increased when the resource you control is important, scarce, and cannot be substituted.¹⁹

Importance

If nobody wants what you have, there is no dependency. To create dependency, the thing(s) you control must be perceived as important. In some organizations, people

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The location of power varies among organizations. At Walt Disney, enormous power is held by high-tech scientists in the research and development group of Walt Disney Imagineering, a division formed by Walt Disney in 1952 to create Disneyland. The company relies on these highly skilled and creative staffers to develop cyberland fantasies such as virtual-reality theme parks, websites for kids, and smart TV sets that learn viewers' programming preferences and automatically record programs they forget to watch.

who control the budget have a great deal of importance. In other organizations, those who possess the knowledge to keep technology working smoothly are viewed as important. What is important is situational. It varies among organizations and undoubtedly also varies over time within any given organization. Individuals or organizations that are regarded as important may pressure others to engage in unethical behaviour, however, as *Focus on Ethics* suggests.

FOCUS ON ETHICS



Enron Requests Action from UBS PaineWebber

Did Enron use its power to cause a UBS PaineWebber employee to be fired? In August 2001, months before the Enron scandal broke, executives of Enron pressured UBS PaineWebber (now UBS Financial Services) to discipline one of its brokers.²⁰ The broker, Chung Wu, had advised Enron employees to sell their stock options. Within hours of the complaint, the broker was fired.

When the Enron executive in charge of the stock option program learned that Wu had warned employees that the company's "financial situation is deteriorating," he notified PaineWebber immediately via email. His message stated: "Please handle this situation. This is extremely disturbing to me."

PaineWebber went even further than firing Wu, however. It also sent his clients a report that Enron was "likely heading higher than lower from here on out."

PaineWebber has since suggested that Wu acted unethically because his email messages to Enron clients were unauthorized and because he did not tell them that PaineWebber's research analyst rated Enron a "strong buy."

One might question PaineWebber's behaviour, however. When Wu sent the email messages, the stock was worth \$36. Only a few months later, it was worthless. PaineWebber managed Enron's stock option program and handled large personal accounts for many of Enron's executives. It also did investment banking for Enron. Thus, it did not want to risk losing Enron's business by suggesting the stock was in trouble. 

Scarcity

As noted previously, if something is plentiful, possession of it will not increase your power. A resource must be perceived as scarce to create dependency.

Scarcity can help explain how low-ranking employees gain power if they have important knowledge not available to high-ranking employees. Possession of a scarce resource—in this case, important knowledge—makes those who don't have it dependent on those who do. Thus, an individual might refuse to show others how to do a job, or might refuse to share information, thereby increasing his or her importance.

Nonsubstitutability

The fewer substitutes for a resource, the more power comes from control over that resource. At Apple Computer, for example, most observers, as well as the board, believed that no one other than Steve Jobs could turn the company around when they returned him to the role of CEO in 1997. In another example, when a union goes on strike and management is not permitted to replace the striking employees, the union has considerable control over the organization's ability to carry out its tasks.

People are often able to ask for special rewards (higher pay or better assignments) because they have skills that others do not. This chapter's *Point/Counterpoint* feature on page 243 considers the fairness of rewarding some people better than others.

Steve Jobs

www.apple.com/pr/bios/jobs.html

INFLUENCE TACTICS

Looking at the 2002 Winter Olympics figure skating controversy, we can find a number of instances where the various people involved in the controversy used influence tactics to get their way. There is some evidence that the French and Russian judges formed a coalition to ensure that the French ice dancers would get a gold medal in a later event. The Russian mobster used bargaining, trading bribes for votes. International Olympic Committee president Jacques Rogge used assertiveness to convince International Skating Union (ISU) president Ottavio Cincinatti that in fact there would be two gold medals. He also threatened the ISU with sanctions, including banning judged sports from the Olympics, if they did not award the second medal. So how and why do influence tactics work?

4 What tactics can be used to increase power?

influence tactics Ways that individuals translate power bases into specific actions.

★ *Have you ever wondered how you might increase your power?*

How do individuals translate their bases of power into specific, desired actions? Research indicates that people use common tactics to influence outcomes.²¹ One study identifies the nine **influence tactics** managers and employees use to increase their power:²²

1. *Rational persuasion.* Using facts and data to make a logical or rational presentation of ideas.
2. *Inspirational appeals.* Appealing to values, ideals, and goals when making a request.
3. *Consultation.* Getting others involved to support one's objectives.
4. *Ingratiation.* Using flattery, creating goodwill, and being friendly prior to making a request.
5. *Personal appeals.* Appealing to loyalty and friendship when asking for something.
6. *Exchange.* Offering favours or benefits in exchange for support.
7. *Coalition tactics.* Getting the support of other people to provide backing when making a request.
8. *Pressure.* Using demands, threats, and reminders to get someone to do something.
9. *Legitimizing tactics.* Claiming the authority or right to make a request, or showing that it supports organizational goals or policies.

Which influence tactics were used by participants in the figure skating controversy? This chapter's *CBC Video Case Incident* illustrates how the key players of the Liberal Party's sponsorship scandal used influence tactics to win government contracts.

Researchers found that there are significant differences in the tactics used to influence actions, depending upon whether people are interacting with someone above or below them in rank. While all individuals favour rational persuasion, those managing upward are even more likely to use it (77 percent vs. 52 percent of those managing downward). Those managing downward are next most likely to use pressure (22 percent) or ingratiation (15 percent). The other favoured choices of those managing upward were coalition tactics (15 percent) and pressure (15 percent).²³

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Management at Flextronics plants in China used legitimating tactics and rational persuasion in establishing a series of rigid rules and procedures to guard against the threat of severe acute respiratory syndrome (SARS). Employees complied with the rules—such as twice-daily hand washing after eating meals in the company canteen—because they understood the mandates were made for their own safety.



Jean Brault and the
Sponsorship Scandal

EMPOWERMENT: GIVING POWER TO EMPLOYEES

Thus far our discussion has implied that—to some extent, at least—power is most likely to rest in the hands of managers, to be used as part of their interaction with employees. However, in today's workplace, there is a movement toward sharing more power with employees by putting them in teams and also by making them responsible for some of the decisions regarding their jobs. With the flattening of organizations, so that there are fewer middle managers, employees also end up with more responsibilities. Organizational specialists refer to this increasing responsibility as *empowerment*. We briefly mention in Chapter 8 that one of the current trends in leadership is empowering employees. Between 1995 and 2005, nearly 50 000 articles about empowerment have appeared in the print media in the United States and Canada, with almost 6000 articles appearing in Canadian newspapers during that time.²⁴

5 What does it mean to be empowered?

Definition of Empowerment

The definition of **empowerment** that we use here refers to the freedom and the ability of employees to make decisions and commitments.²⁵ Unfortunately, neither managers nor researchers can agree on the definition of empowerment. Robert E. Quinn and Gretchen M. Spreitzer, in their consulting work with a *Fortune* 500 manufacturing company, found that executives were split about 50-50 in their definition.²⁶ One group of executives “believed that empowerment was about delegating decision making within a set of clear boundaries.” Empowerment would start at the top, specific goals and tasks would be assigned, responsibility would be delegated, and people would be held accountable for their results. The other group believed that empowerment was “a process of risk taking and personal growth.” This type of empowerment starts at the bottom, with considering the employees' needs, showing them what empowered behaviour looks like, building teams, encouraging risk-taking, and demonstrating trust in employees' ability to perform.

Much of the press on empowerment has been positive, with both executives and employees applauding the ability of front-line workers to make and execute important decisions.²⁷ However, not all reports are favourable. One management expert noted that much of the talk about empowerment is simply lip service,²⁸ with organizations telling employees that they have decision-making responsibility, but not giving them the

empowerment The freedom and the ability of employees to make decisions and commitments.

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Empowered employees, whether they work individually or in teams like this one at Carbon Five, need the tools and training to take responsibility for their work. Teams at Carbon Five have a great deal of freedom to make decisions, while their managers act as advisers and coaches.

authority to carry out their decisions. In order for an employee to be fully empowered, he or she needs access to the information required to make decisions; rewards for acting in appropriate, responsible ways; and authority to make the necessary decisions. Empowerment means that employees understand how their jobs fit into the organization and that they are able to make decisions regarding job action in light of the organization's purpose and mission. Managers at Montague, PEI-based Durabelt recognize that to be empowered, employees need to have the appropriate skills to handle their jobs. The company sells customized conveyor belts used to harvest some vegetable and fruit crops. Employees need to be responsive to customer concerns when manufacturing the

belts. In order to empower employees to manage customer relations successfully, Durabelt created Duraschool, an ongoing training program that provides employees with the skills they need to be more effective.²⁹

Empowerment in the Workplace

★ *Do workplaces
empower people?*

The concept of empowerment has caused much cynicism in many workplaces. Employees are told that they are empowered and yet they do not feel that they have the authority to act, or they feel that their managers still micro-manage their performance. Some managers are reluctant to empower their employees because this means sharing or even relinquishing their own power. Other managers worry that empowered employees may decide to work on goals

and jobs that are not as closely aligned to organizational goals. Some managers, of course, do not fully understand how to go about empowering their employees.

In some cases, employees do not want to be empowered, and having more power can even make them ill. A study carried out by Professor Jia Lin Xie, of the University of Toronto's Joseph L. Rotman School of Management, and colleagues found that when people are put in charge at work but don't have the confidence to handle their responsibilities, they can become ill.³⁰ Specifically, people who blame themselves when things go wrong are more likely to suffer colds and infections if they have high levels of control at work. This finding by Professor Xie and her colleagues was somewhat unexpected, as some have hypothesized that greater control at work would lead to less stress. The study showed, instead, that the impact of empowerment depended on personality and job factors. Those who had control, but did not blame themselves when things went wrong, suffered less stress, even if the job was demanding. The study's findings suggest the importance of choosing carefully which employees to empower when doing so. These findings are also consistent with the Hackman-Oldham job characteristics model presented in Chapter 4.³¹ Empowerment will be positive if a person has high growth-needs strengths (see Exhibit 4-13 on page 134) but those with low growth-needs strengths may be more likely to experience stress when empowered.

When employees are empowered, it means that they are expected to act, at least in a small way, as owners of the company, rather than just as employees. Ownership is not

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necessary in the financial sense, but in terms of identifying with the goals and mission of the organization. For employees to be empowered, however, and have an ownership mentality, four conditions need to be met, according to Professor Dan Ondrack at the Rotman School of Management:

- There must be a clear definition of the values and mission of the company.
- The company must help employees gain the relevant skills.
- Employees need to be supported in their decision making and not criticized when they try to do something extraordinary.
- Employees need to be recognized for their efforts.³²

Exhibit 7-4 outlines what two researchers discovered in studying the characteristics of empowered employees.

Effects of Empowerment

Does empowerment work? Researchers have shown that at both the individual level³³ and the team level,³⁴ empowerment leads to greater productivity. At Winnipeg-based Melet Plastics, a manufacturer of plastic components, employees can come in for two extra hours each week (for which they are paid overtime) to work on projects of their choice that help improve the performance of the company. As a result, employees are less

At Vancouver-based Great Little Box Company (GLBC), which designs and manufactures corrugated containers, employees are given the freedom to do whatever they feel is necessary and appropriate to make customers happy. If a customer is dissatisfied with the product, the employee can say, "OK, I'll bring this product back and return it for you" without having to get prior authorization.

**Great Little Box Company
(GLBC)**
www.greatlittlebox.com

EXHIBIT 7-4 Characteristics of Empowered People

Robert E. Quinn and Gretchen M. Spreitzer, in their research on the characteristics of empowered people (through both in-depth interviews and survey analysis), found four characteristics that most empowered people have in common:

- Empowered people have a sense of *self-determination* (this means that they are free to choose how to do their work; they are not micromanaged).
- Empowered people have a sense of *meaning* (they feel that their work is important to them; they care about what they are doing).
- Empowered people have a sense of *competence* (this means that they are confident about their ability to do their work well; they know they can perform).
- Empowered people have a sense of *impact* (this means that people believe they can have influence on their work unit; others listen to their ideas).

Source: R. E. Quinn and G. M. Spreitzer, "The Road to Empowerment: Seven Questions Every Leader Should Consider," *Organizational Dynamics*, Autumn 1997, p. 41.

likely to see Melet “as a place where they simply arrive, park their brains at the door and do what they’re told.”³⁵

Four US researchers investigated whether empowerment works similarly in different countries.³⁶ Their findings showed that employees in India gave their supervisors low ratings when empowerment was high, while employees in the United States, Mexico, and Poland rated their supervisors favourably when empowerment was high. In both the United States and Mexico, empowerment had no effect on satisfaction with co-workers. However, satisfaction with co-workers was higher when employees were empowered in Poland. In India, empowerment led to lower satisfaction with co-workers.

Similar findings in a study comparing empowerment in the United States, Brazil, and Argentina indicate that in hierarchical societies, empowerment may need to be introduced with care.³⁷ Employees in such societies may be more used to working in teams, but they also expect their managers to be the people with all the answers.

Our discussion of empowerment suggests that a number of problems can arise when organizations decide they want to empower employees. First, some managers do not want empowered employees, because this can take away some of their own base of power. Second, some employees have little or no interest in being empowered, and therefore resist any attempts to be empowered. And finally, empowerment is not something that works well in every workplace throughout the world.

THE ABUSE OF POWER: HARASSMENT IN THE WORKPLACE

6 How are power and harassment related?

People who engage in harassment in the workplace are typically abusing their power positions. The manager-employee relationship best characterizes an unequal power relationship, where position power gives the managers the capacity to reward and coerce. Managers give employees their assignments, evaluate their performance, make recommendations for salary adjustments and promotions, and even decide whether employees retain their jobs. These decisions give managers power. Since employees want favourable performance reviews, salary increases, and the like, it is clear that managers control the resources that most employees consider important and scarce. It is also worth noting that individuals who occupy high-status roles (such as management positions) sometimes believe that harassing employees is merely an extension of their right to make demands on lower-status individuals.

Although co-workers do not have position power, they can have influence and use it to harass peers. In fact, although co-workers appear to engage in somewhat less severe forms of harassment than do managers, co-workers are the most frequent perpetrators of harassment, particularly sexual harassment, in organizations. How do co-workers exercise power? Most often they provide or withhold information, cooperation, and support. For example, the effective performance of most jobs requires interaction and support from co-workers. This is especially true these days as work is assigned to teams. By threatening to withhold or delay providing information that is necessary for the successful achievement of your work goals, co-workers can exert power over you.

Some categories of harassment have long been illegal in Canada, including those based on race, religion, and national origin, as well as sexual harassment. Unfortunately, some types of harassment that occur in the workplace are not deemed illegal, even if they create problems for employees and managers. We focus here on two types of harassment that have received considerable attention in the press: workplace bullying and sexual harassment.

Workplace Bullying

Many of us are aware, anecdotally if not personally, of managers who harass employees, demanding overtime without pay or excessive work performance. Further, some of

the recent stories of workplace violence have reportedly been the result of an employee's feeling intimidated at work. In research conducted in the private and public sector in southern Saskatchewan, Céleste Brotheridge, a professor at the Université du Québec à Montréal, found that bullying was rather prevalent in the workplace. Forty percent of the respondents noted that they had experienced one or more forms of bullying weekly in the past six months. Ten percent experienced bullying at a much greater level: five or more incidents a week. Brotheridge notes that bullying has a negative effect on the workplace: "Given bullying's [negative] effects on employee health, it is reason for concern."³⁸

There is no clear definition of workplace bullying, and Marilyn Noble, a Fredericton-based adult educator, remarks that in some instances there can be a fine line between managing and bullying. However, Noble, who co-chaired a research team on workplace violence and abuse at the University of New Brunswick, notes that "when it becomes a question of shaming people, embarrassing people, holding them up to ridicule, just constantly being on their case for no apparent reason, then [management] is becoming unreasonable." Moreover, "a bully often acts by isolating an individual. And they may be a serial bully, who always has a victim on the go. They may, in fact, have multiple victims on the go, but their strategy is to isolate them from one another."³⁹

Sexual Harassment

The issue of sexual harassment has received increasing attention by corporations and the media because of the growing ranks of female employees, especially in nontraditional work environments, and because of a number of high-profile cases. For example, in March 2006, it was reported that all four female firefighters in the Richmond, BC, fire department had taken a leave of absence, alleging that they had faced repeated sexual harassment and discrimination from male firefighters in the department. The city has since introduced a code of conduct for its firefighters.⁴⁰ A survey by York University found that 48 percent of working women in Canada reported they had experienced some form of "gender harassment" in the year before they were surveyed.⁴¹ Sexual harassment is also occurring among young people. A survey of 3000 high school students from eight schools in Toronto, Montreal, and Kingston, Ontario, found that three-quarters of them said they had been sexually harassed at least once by peers.⁴²

Barbara Orser, a research affiliate with The Conference Board of Canada, notes that "sexual harassment is more likely to occur in environments that tolerate bullying, intimidation, yelling, innuendo and other forms of discourteous behaviour."⁴³ Recent research supports this view, finding that within work environments, general incivility, gender harassment, and sexual harassment tended to occur together.⁴⁴ These behaviours indicate that one person is trying to use power over another.

The Supreme Court of Canada defines **sexual harassment** as unwelcome behaviour of a sexual nature in the workplace that negatively affects the work environment or leads to adverse job-related consequences for the employee.⁴⁵ Despite the legal framework for defining sexual harassment, there continues to be disagreement as to what *specifically* constitutes sexual harassment. Sexual harassment includes unwanted physical touching, recurring requests for dates when it is made clear the person is not interested, and coercive threats that a person will lose her or his job if she or he refuses a sexual proposition. The problems of interpreting sexual harassment often surface around some of its more subtle forms—unwanted looks or comments, off-colour jokes, sexual artifacts such as nude calendars in the workplace, sexual innuendo, or misinterpretations of where the line between "being friendly" ends and "harassment" begins. *Case Incident—Damned if You Do; Damned if You Don't* on the CD-ROM that accompanies this textbook illustrates how these problems can make people feel uncomfortable in the workplace. Most studies confirm that the concept of power is central to understanding sexual harassment.⁴⁶ This seems to be true whether the harassment comes from a manager, a co-worker, or even an employee.

sexual harassment Unwelcome behaviour of a sexual nature in the workplace that negatively affects the work environment or leads to adverse job-related consequences for the employee.

Supreme Court of Canada
www.scc-csc.gc.ca

Because of power inequities, sexual harassment by one's manager typically creates the greatest difficulty for the person being harassed. If there are no witnesses, it is the manager's word against the employee's word. Are there others whom this manager has harassed, and if so, will they come forward? Because of the manager's control over resources, many of those who are harassed are afraid of speaking out for fear of retaliation by the manager.

One of the places where there has been a dramatic increase in the number of sexual harassment complaints is at university campuses across Canada, according to Paddy Stamp, sexual harassment officer at the University of Toronto.⁴⁷ However, agreement on what constitutes sexual harassment, and how it should be investigated, is no clearer for universities than for industry.

While nonconsensual sex between professors and students is rape and subject to criminal charges, it is harder to evaluate apparently consensual relationships that occur outside the classroom. There is some argument over whether truly consensual sex is ever possible between students and professors. In an effort to underscore the power discrepancy and potential for abuse of it by professors, in the late 1990s Yale University decided that there could be no sexual relations between students and professors. In 2003, the University of California, which includes Berkeley, implemented a policy that went further, forbidding romantic relationships between professors and their students as well.⁴⁸ Most universities have been unwilling to take such a strong stance. However, this issue is certainly one of concern, because the power distance between professors and students is considerable.

In concluding this discussion, we would like to point out that sexual harassment is about power. It is about an individual controlling or threatening another individual. It is wrong. Moreover, it is illegal. You can understand how sexual harassment surfaces in organizations if you analyze it in power terms. We should also point out that sexual harassment is not something done only by men to women. There have been several cases of males reporting sexual harassment by male managers.⁴⁹ While there have been no media reports of women sexually harassing either men or women in Canada, under the framework of the law, it is certainly feasible.

POLITICS: POWER IN ACTION

Both International Olympic Committee president Jacques Rogge and International Skating Union president Ottavio Cincinatti paid a lot of attention to what the media had to say about the figure skating controversy. The event had taken place in the United States, and Americans made it clear that they were dismayed when the Canadians lost. As a result, the controversy was discussed on a variety of talk shows and news programs, and in newspapers. This was a way of keeping the controversy alive, and trying to persuade the Olympics head that the decision needed to be changed. Rogge arguably was affected by the pressure, fearing that the negative publicity surrounding the skating controversy was harming the rest of the Olympics. Thus, when he decided to award the unprecedented second gold medal, it might have been less about making the "right" decision and more about making a political decision to silence dissent. So why is politics so prevalent? Is it merely a fact of life?

7 Why do people engage in politics?

Organizational behaviour researchers have learned a lot in recent years about how people gain and use power in organizations. Part of using power in organizations is engaging in organizational politics to influence others to help you achieve your personal objectives. Lobbying others to get them to vote with you on a particular decision is engaging in organizational politics.

When people get together in groups, power will be exerted. People want to carve out niches from which to exert influence, to earn rewards, and to advance their careers.⁵⁰ When employees in organizations convert their power into action, we describe them as

engaged in politics. Those with good political skills have the ability to use their bases of power effectively.⁵¹ Below we cover the types of political activity people use to try to influence others as well as impression management. Political skills are not confined to adults, of course. When your Vancouver author's six-year-old nephew wanted the latest Game Boy knowing full well his parents did not approve, he waged a careful, deliberate campaign to wear them down, explaining how he would use the toy only at assigned times, etc. His politicking paid off: Within six weeks he succeeded in getting the toy.

Definition of Political Behaviour

There has been no shortage of definitions for organizational politics. One clever definition of *politics* comes from Tom Jakobek, Toronto's former budget chief, who said, "In politics, you may have to go from A to C to D to E to F to G and then to B."⁵²

For our purposes, we will define **political behaviour** in organizations as those activities that are outside one's formal role (i.e., not part of one's specific job duties), and that influence, or try to influence, the distribution of advantages and disadvantages within the organization.⁵³

This definition encompasses key elements from what most people mean when they talk about organizational politics. Political behaviour is *outside* one's specified job requirements. The behaviour attempts to use one's *bases of power*. Our definition also encompasses efforts to influence the goals, criteria, or processes used for decision making when we state that politics is concerned with "the distribution of advantages and disadvantages within the organization." Our definition is broad enough to include such varied political behaviours as whistle-blowing, spreading rumours, withholding key information from decision makers, leaking confidential information about organizational activities to the media, exchanging favours with others in the organization for mutual benefit, and lobbying on behalf of or against a particular individual or decision alternative. Exhibit 7-5 on page 236 provides a quick measure to help you assess how political your workplace is.

Now that you have learned a bit about political behaviour, you may want to assess your own political behaviour in our *Learning About Yourself Exercise* on page 000.

Political behaviour is not confined to just individual hopes and goals. Politics might also be used to achieve organizational goals.⁵⁴ For instance, if a CEO wants to change the way employees are paid, say from salaries to commissions, this might not be a popular choice to the employees. While it might make good organizational sense to make this change (perhaps the CEO believes this will increase productivity), simply imposing the change through the use of power (go along with this or you're fired) might not be very popular. Instead, the CEO may try to pitch the reasons for the change to sympathetic managers and employees, trying to get them to understand the necessity for the change. Burnaby, BC-based TELUS used a direct approach with its employees after four and a half years of unsuccessful bargaining with union leaders. Management became frustrated with the impasse and explained their wage and benefit offer directly to employees in the hopes of getting the employees to side with management rather than their union leaders. The union was outraged by this behaviour, and it took several more months for union members and management to finally complete a new collective agreement in fall 2005.

political behaviour Those activities that influence, or attempt to influence, the distribution of advantages and disadvantages within the organization.

The Reality of Politics

Why, you may wonder, must politics exist? Isn't it possible for an organization to be politics-free? It's *possible*, but most unlikely. Organizations are made up of individuals and groups with different values, goals, and interests.⁵⁵ This sets up the potential for conflict over resources. The allocation of departmental budgets, space, project responsibilities, and bonuses are the kind of resource issues about which organizational members will disagree.

EXHIBIT 7-5 A Quick Measure of How Political Your Workplace Is

How political is your workplace? Answer the 12 questions using the following scale:

SD = Strongly disagree

D = Disagree

U = Uncertain

A = Agree

SA = Strongly agree

1. Managers often use the selection system to hire only people who can help them in their future. _____
2. The rules and policies concerning promotion and pay are fair; it's how managers carry out the policies that is unfair and self-serving. _____
3. The performance ratings people receive from their managers reflect more of the managers' "own agenda" than the actual performance of the employee. _____
4. Although a lot of what my manager does around here appears to be directed at helping employees, it's actually intended to protect my manager. _____
5. There are cliques or "in-groups" that hinder effectiveness around here. _____
6. My co-workers help themselves, not others. _____
7. I have seen people deliberately distort information requested by others for purposes of personal gain, either by withholding it or by selectively reporting it. _____
8. If co-workers offer to lend some assistance, it is because they expect to get something out of it. _____
9. Favouritism rather than merit determines who gets ahead around here. _____
10. You can usually get what you want around here if you know the right person to ask. _____
11. Overall, the rules and policies concerning promotion and pay are specific and well-defined. _____
12. Pay and promotion policies are generally communicated clearly in this organization. _____

This questionnaire taps the three salient dimensions that have been found to be related to perceptions of politics: manager behaviour, co-worker behaviour, and organizational policies and practices. To calculate your score for items 1 to 10, give yourself 1 point for Strongly disagree; 2 points for Disagree; and so forth (through 5 points for Strongly agree). For items 11 and 12, reverse the score (that is, 1 point for Strongly agree, etc.). Add up the total: The higher the total score, the greater the degree of perceived organizational politics.

Source: G. R. Ferris, D. D. Frink, D. P. S. Bhawuk, J. Zhou, and D. C. Gilmore, "Reactions of Diverse Groups to Politics in the Workplace," *Journal of Management* 22, no. 1 (1996), pp. 32–33.

Resources in organizations are also limited, which often turns potential conflict into real conflict. If resources were abundant, then all the various constituencies within the organization could satisfy their goals. Because they are limited, not everyone's interests can be provided for. Moreover, whether true or not, gains by one individual or group are often *perceived* as being at the expense of others within the organization. These forces create a competition among members for the organization's limited resources. Peter Godsoe, former CEO of Toronto-based Scotiabank, demonstrated an awareness of how to get the most resources for whatever unit he headed, while enhancing his own career, as this *OB in the Workplace* shows.

OB IN THE WORKPLACE



Godsoe Makes the Most of Resources to Become CEO of Scotiabank

How do you ensure your way to the top? Peter Godsoe was determined to become CEO of Scotiabank. In his quest for this job, he learned how to “outlast and outwit other hopefuls.”⁵⁶ When he was put in charge of the bank’s lending in the United States and Latin America, he made the operation his own by giving it a new name, the Western Hemisphere International Regional Office (WHIRO). While heading WHIRO, he reported to Scott McDonald, who was regarded as a potential successor to then CEO Ced Ritchie. In order to raise his profile, Godsoe built “a loyal following by making WHIRO the hot shop,” thus making himself look better than McDonald. Godsoe developed cartoons, WHIRO hero awards, a crest, jackets, and a Latin motto that translated: “If you don’t have a hernia, you’re not pulling your weight,” all with the aim of strengthening his unit’s culture and making it more prominent within the bank. After his time at WHIRO, Godsoe demonstrated a remarkable knack for getting himself appointed the head of every organizational division created. Eventually, McDonald ended up leaving the bank, while Godsoe replaced Ritchie (but not before he threatened to leave to accept another job offer). 

Scotiabank
www.scotiabank.com

Maybe the most important factor behind politics within organizations is the realization that most of the “facts” that are used to allocate the limited resources are open to interpretation. What, for instance, is *good* performance? What is an *adequate* improvement? What constitutes an *unsatisfactory* job? It is in this large and ambiguous middle ground of organizational life—where the facts *don’t* speak for themselves—that politics flourish.

Finally, because most decisions must 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*. For more about how one engages in politicking, see *From Concepts to Skills* on page 248–249.

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copyright
restrictions.

President and CEO Aris Kaplanis of Toronto-based high-tech firm Teranet (shown here at far right with his senior management group) discourages negative office politics by his employees. The company employs the Golden Rule, “Do unto others as you would have others do unto you.” He tells his employees, “If you’re here to play a game, you’re in the wrong business.”

Therefore, to answer the earlier question of whether it is possible for an organization to be politics-free, we can say “yes”—but only if all members of that organization hold the same goals and interests, organizational resources are not scarce, and performance outcomes are completely clear and objective. However, that does not describe the organizational world that most of us live in!



RESEARCH FINDINGS Politicking

Our earlier discussion focused on the favourable outcomes for individuals who successfully engage in politicking. But for most people—who have modest political skills or are unwilling to play the politics game—outcomes tend to be mainly negative.⁵⁷ There is, for instance, very strong evidence indicating that perceptions of organizational politics are negatively related to job satisfaction.⁵⁸ The perception of politics also tends to increase job anxiety and stress. This seems to be because of the belief that, by not engaging in politics, a person may be losing ground to others who are active politickers, or, conversely, because of the additional pressures individuals feel of having entered into and competing in the political arena.⁵⁹ Not surprisingly, when politicking becomes too much to handle, it can lead employees to quit.⁶⁰ Finally, there is preliminary evidence suggesting that politics leads to self-reported declines in employee performance.⁶¹ Perceived organizational politics appears to have a demotivating effect on individuals, and thus leads to decreased performance levels.

Types of Political Activity

★ *Why do some people seem to engage in politics more than others?*

Within organizations, we can find a variety of political activities in which people engage. These include the following:⁶²

- *Attacking or blaming others.* Used when trying to avoid responsibility for failure.
- *Using information.* Withholding or distorting information, particularly to hide negative information.
- *Managing impressions.* Bringing positive attention to one's self or taking credit for the positive accomplishments of others.
- *Building support for ideas.* Making sure that others will support one's ideas before they are presented.
- *Praising others.* Making important people feel good.
- *Building coalitions.* Joining with other people to create a powerful group.
- *Associating with influential people.* Building support networks.
- *Creating obligations.* Doing favours for others so they will owe you favours later.

Individuals will use these political activities for different purposes. Some of these activities are more likely to be used to defend one's position (such as attacking or blaming others), while other activities are meant to enhance one's image (such as building support for ideas and managing impressions).

Impression Management

The process by which individuals attempt to control the impression others form of them is called **impression management**.⁶³ 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 favourable evaluations, superior salary increases, and more rapid promotions. In a political context, it

impression management The process by which individuals attempt to control the impression others form of them.

might help bring more advantages their way. For instance, during the Olympics figure skating controversy, Jamie Salé and David Pelletier were seen in many television shows and news conferences, always giving the impression that they were not lobbying for a gold medal after the fact, and presenting an image of clean-cut, soft-spoken individuals. This led to even more sympathy for their plight.

Impression management does not imply that the impressions people convey are necessarily false (although, of course, they sometimes are).⁶⁴ Some activities may be done with great sincerity. For instance, you may *actually* believe that ads contribute little to sales in your region or that you are the key to the tripling of your division's sales. However, if the image claimed is false, you may be discredited.⁶⁵ The impression manager must be cautious not to be perceived as insincere or manipulative.⁶⁶

RESEARCH FINDINGS Impression Management

Below we explore research findings in two areas: the *use* of impression management and the *effectiveness* of impression management.

Use of Impression Management Impression management is more likely to be used by high self-monitors than low self-monitors.⁶⁷ 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 skilled at reading situations and moulding their appearances and behaviour to fit each situation.

★ *In what situations does impression management work best?*

Research by Marc-David Seidel at the Sauder School of Business, University of British Columbia, and his colleagues suggests that impression management is engaged in more frequently by those who spend at least some time telecommuting. These employees feel the need to keep their supervisors more informed about their activities, because they are physically absent.⁶⁸

Effectiveness of Impression Management A number of studies have examined the effectiveness of impression management techniques in a variety of work situations. Studies show that impression management behaviour is positively associated with job-interview success.⁶⁹ For instance, one study found that recent university graduates who used more self-promotion tactics got higher evaluations by interviewers and more follow-up job-site visits, even after adjusting for grade point average, gender, and job type.⁷⁰ Other studies have found that those using impression management techniques received better performance evaluations from their managers,⁷¹ were liked more by their managers,⁷² and were criticized less.⁷³ Impression management effects seem to work more strongly when the measures of performance are subjective, however, than when they can be measured more objectively.⁷⁴ For instance, those using impression management techniques were rated more highly for interpersonal effectiveness, but they could be more negatively evaluated on their business competence.⁷⁵ Overall, the findings of these studies suggest that there is some advantage to engaging in impression management as long as the person delivers on the objective measures of performance as well. For those who intend to become leaders, engaging in impression management techniques makes it more likely that they will be chosen.⁷⁶

Making Office Politics Work

One thing to be aware of is that extreme office politics can have a negative effect on employees. Researchers have found that organizational politics is associated with less organizational commitment,⁷⁷ lower job satisfaction,⁷⁸ and decreased job performance.⁷⁹



Sauder School of Business,
University of British Columbia
www.sauder.ubc.ca

Fast Company Magazine
www.fastcompany.com

Individuals who experience greater organizational politics are more likely to report higher levels of job anxiety,⁸⁰ and they are more likely to consider leaving the organization.⁸¹

Is there an effective way to engage in office politics that is less likely to be disruptive or negative? We discussed different negotiation strategies in Chapter 6, including a *win-lose* strategy, which means that if I win, you lose, and a *win-win* strategy, which means creating situations where both of us can win. *Fast Company*, a business magazine, identifies several rules that may help you make your way through the office politics maze:⁸²

- *Nobody wins unless everybody wins.* The most successful proposals look for ways to acknowledge, if not include, the interests of others. This requires building support for your ideas across the organization. “Real political skill isn’t about campaign tactics,” says Lou DiNatale, a veteran political consultant at the University of Massachusetts. “It’s about pulling people toward your ideas and then pushing those ideas through to other people.” When ideas are packaged to look as if they are best for the organization as a whole and will help others, it is harder for others to counteract your proposal.
- *Don’t just ask for opinions—change them.* It is helpful to find out what people think and then, if necessary, set out to change their opinions so that they can see what you want to do. It is also important to seek out the opinions of those you don’t know well, or who are less likely to agree with you. Gathering together people who always support you is often not enough to build an effective coalition.
- *Everyone expects to be paid back.* In organizations, as in life, we develop personal relationships with those around us. It is those personal relationships that affect much of the behaviour in organizations. By building good relationships with colleagues, supporting them in their endeavours, and showing appreciation for what they accomplish, you are building a foundation of support for your own ideas.
- *Success can create opposition.* As part of the office politics, success can be viewed as a *win-lose* strategy, which we identified above. Some people may feel that your success comes at their expense. So, for instance, your higher profile may mean that a project of theirs will be received less favourably. You have to be prepared to deal with this opposition.

SUMMARY AND IMPLICATIONS

SNAPSHOT SUMMARY

1 A Definition of Power

2 Bases of Power

Coercive Power

Reward Power

Legitimate Power

Expert Power

Referent Power

Information Power

Evaluating the Bases of Power

1 What is power? Power refers to a capacity that A has to influence the behaviour of B, so that B acts in accordance with A’s wishes.

2 How does one get power? There are six bases or sources of power: coercive, reward, legitimate, expert, referent, and information. These forms of power differ in their ability to improve a person’s performance. *Coercive power* tends to result in negative performance responses from individuals; it decreases satisfaction, increases mistrust, and creates fear. *Reward power* may improve performance, but it can also lead to unethical behaviour. *Legitimate power* does not have a negative effect, but does not generally stimulate employees to improve their attitudes or performance, and it does not generally result in increased commitment. Ironically, the least effective bases of power—coercive, legitimate, and reward—are the ones most likely to be used by managers, perhaps because they are the easiest to implement. By contrast, effective leaders use *expert* and/or *referent power*; these forms of power are not derived from the person’s position. *Information power* comes from access to

and control over information and can be used in both positive (sharing) and negative (withholding) ways in the organization.

- 3 **How does dependency affect power?** To maximize your power, you will want to increase others' dependence on you. You can, for instance, increase your power in relation to your employer by developing knowledge or a skill that he or she needs and for which there is no ready substitute. However, you will not be alone in trying to build your bases of power. Others, particularly employees and peers, will seek to make you dependent on them. While you try to maximize others' dependence on you, you will be trying to minimize your dependence on others. Of course, others you work with will be trying to do the same. The result is a continual struggle for power.
- 4 **What tactics can be used to increase power?** One particular study identified nine tactics, or strategies, that managers and employees use to increase their power: rational persuasion, inspirational appeals, consultation, ingratiation, personal appeals, exchange, coalition tactics, pressure, and legitimating tactics.⁸³
- 5 **What does it mean to be empowered?** Empowerment refers to the freedom and the ability of employees to make decisions and commitments. There is a lot of positive press on empowerment. However, much of the talk of empowerment in organizations does not result in employees' being empowered. Some managers do not fully understand how to go about empowering their employees, and others find it difficult to share their power with employees. As well, some employees have little or no interest in being empowered, and empowerment is not something that works well in every culture.
- 6 **How are power and harassment related?** People who engage in harassment in the workplace are typically abusing their power position. Harassment can come in many forms, from gross abuse of power toward anyone of lower rank, to abuse of individuals because of their personal characteristics, such as race, religion, national origin, and gender.
- 7 **Why do people engage in politics?** People use politics to influence others to help them achieve their personal objectives. Whenever people get together in groups, power will be exerted. People also use impression management to influence people. Impression management is the process by which individuals attempt to control the impression others form of them. Though politics is a natural occurrence in organizations, when it is carried to an extreme it can damage relationships among individuals.

3 Dependency: The Key to Power

The General Dependency Postulate

What Creates Dependency?

4 Influence Tactics

5 Empowerment: Giving Power to Employees

Definition of Empowerment

Empowerment in the Workplace

6 The Abuse of Power: Harassment in the Workplace

Workplace Bullying

Sexual Harassment

7 Politics: Power in Action

Definition of Political Behaviour

The Reality of Politics

Types of Political Activity

Impression Management

Making Office Politics Work

For Review

1. What is power? How do you get it?
2. Contrast the bases of power and influence tactics.
3. What are some of the key contingency variables that determine which tactic a power holder is likely to use?
4. Which of the six bases of power lie with the individual? Which are derived from the organization?
5. State the general dependency postulate. What does it mean?
6. What creates dependency? Give an applied example.
7. Identify the range of empowerment that might be available to employees.
8. Define *sexual harassment*. Who is most likely to harass an employee: a boss, a co-worker, or a subordinate? Explain.
9. How are power and politics related?
10. Define *political behaviour*. Why is politics a fact of life in organizations?

For Critical Thinking

1. Based on the information presented in this chapter, if you were a recent graduate entering a new job, what would you do to maximize your power and accelerate your career progress?
2. "Politics isn't inherently bad. It is merely a way to get things accomplished within organizations." Do you agree or disagree? Defend your position.
3. You are a sales representative for an international software company. After four excellent years, sales in your territory are off 30 percent this year. Describe three impression management techniques you might use to convince your manager that your sales record is better than one could have expected under the circumstances.
4. "Sexual harassment should not be tolerated in the workplace." "Workplace romances are a natural occurrence in organizations." Are both of these statements true? Can they be reconciled?
5. Which impression management techniques have you used? What ethical implications, if any, are there in using impression management?

OB for You

- There are a variety of ways to increase your power in an organization. As an example, you could acquire more knowledge about a situation and then use that information to negotiate a bonus with your employer. Even if you don't get the bonus, the knowledge may help you in other ways.
- To increase your power, consider how dependent others are on you. Dependency is affected by your importance, substitutability, and scarcity options. If you have needed skills that no one else has, you will have more power.
- You can develop political skills. Remembering to take time to join in an office birthday celebration for someone is part of developing the skill of working with others effectively.



POINT

“Special Deals” for “Special Employees” Make Sense

In countries such as France, Belgium, and the Netherlands, terms of employment are largely mandated by law and hence highly standardized.⁸⁴ In contrast, in countries such as Canada, the United States, the United Kingdom, and New Zealand, managers have considerable leeway to negotiate idiosyncratic deals with employees. In these latter countries, managers are increasingly using this latitude to customize their treatment of “special” individuals.

Two trends help explain the growth in special deals for certain employees. First, the demand for knowledge workers with distinctive competencies in a competitive market means workers have greater power to negotiate employment conditions suited to their tastes and preferences. Second, the decline in unionization and the weakening of the job security–based model of organizational careers have led to less-standardized conditions of employment.

In order to hire, motivate, and keep highly skilled workers, managers are negotiating special treatment for certain employees. Examples of this special treatment include higher pay than others for doing similar work, allowing an employee to work from home several days a week, permitting an employee to leave early to fulfill family obligations, upgrading travel arrangements, and allowing certain employees to spend time on personal projects during work time.

What do these employees have that allow them to make idiosyncratic arrangements? It can be unique credentials, special skills, high status, important contacts, or high marketability. But it must also include the willingness of an employee or prospective employee to speak up and ask for special treatment. These deals are typically offered as bargaining chips when negotiating initial employment terms or after the employee has been on the job a while, built a trusting relationship with his or her manager, and become a valued performer.

These special deals have advantages for both employees and managers. They provide greater rewards for employees and allow them to tailor their jobs to better meet their personal needs. They also give individual managers greater latitude in motivating their employees and the flexibility to adapt to changing circumstances.



COUNTERPOINT

“Special Deals” Hurt the Work Environment

Making special deals with certain employees is bound to undermine whatever trust there is in an organization. Although management may desire flexibility in its relationships with employees, maintaining standardized practices is more likely to provide the appearance of fairness that is needed to create a climate of trust. Customization of employment relationships, under the guise of flexibility, only increases politics in the workplace.

There is no shortage of arguments against special deals for special employees. Here are just a few:

- *Special deals give too much power to managers.* They allow managers to negotiate favourable treatment with employees they like, politicizing the work environment.
- *Special deals are unlikely to be perceived as fair by those who do not receive them.* One person’s merit is another’s favouritism.
- *Special deals reward the wrong behaviours.* They encourage employees to “kiss up” to their bosses and to treat every attempt to get a raise or time off as a bargaining opportunity.
- *Special deals tend to go to aggressive employees, whether or not they are contributing the most.* Shy, quiet, and less demanding employees who are good performers are likely to be excluded.
- *Special deals are not cost-free.* One employee’s gain is often at another’s expense. So allowing one employee in a department to take off two hours early every Thursday afternoon to coach his son’s baseball team often means others in that department will have to take up some of his work. This has the potential to create conflicts. For instance, evidence indicates that many single and childless employees resent the “family-friendly” benefits—such as helping to find an employee’s spouse employment or paid daycare—that many companies offer to married workers and those with children.

Our position is that special deals undermine trust and cooperation at work. We have spent three-quarters of a century building formal human resource systems that ensure consistent treatment of the workforce. These systems are critical to promoting fairness, cooperation, and efficiency. Using idiosyncratic deals to supposedly enhance flexibility is a major step toward trashing these systems.

OB AT WORK

LEARNING ABOUT YOURSELF EXERCISE

How Political Are You?

To determine your political tendencies, please review the following statements. Check the answer that best represents your behaviour or belief, even if that particular behaviour or belief is not present all the time.

	True	False
1. You should make others feel important through an open appreciation of their ideas and work.	_____	_____
2. Because people tend to judge you when they first meet you, always try to make a good first impression.	_____	_____
3. Try to let others do most of the talking, be sympathetic to their problems, and resist telling people that they are totally wrong.	_____	_____
4. Praise the good traits of the people you meet, and always give people an opportunity to save face if they are wrong or make a mistake.	_____	_____
5. Spreading false rumours, planting misleading information, and backstabbing are necessary, if somewhat unpleasant, methods of dealing with your enemies.	_____	_____
6. Sometimes it is necessary to make promises that you know you will not or cannot keep.	_____	_____
7. It is important to get along with everybody, even with those who are generally recognized as windbags, abrasive, or constant complainers.	_____	_____
8. It is vital to do favours for others so that you can call in these IOUs at times when they will do you the most good.	_____	_____
9. Be willing to compromise, particularly on issues that are minor to you but major to others.	_____	_____
10. On controversial issues, it is important to delay or avoid your involvement if possible.	_____	_____

Scoring Key:

According to the author of this instrument, a complete organizational politician will answer “true” to all 10 questions. Organizational politicians with fundamental ethical standards will answer “false” to questions 5 and 6, which deal with deliberate lies and uncharitable behaviour. Individuals who regard manipulation, incomplete disclosure, and self-serving behaviour as unacceptable will answer “false” to all or almost all of the questions.

Source: J. F. Byrnes, “The Political Behavior Inventory.” Reprinted by permission of Dr. Joseph F. Byrnes, Bentley College, Waltham, Massachusetts.

BREAKOUT GROUP EXERCISES

Form small groups to discuss the following topics, as assigned by your instructor:

1. Describe an incident in which you tried to use political behaviour in order to get something you wanted. What influence tactics did you use?
2. In thinking about the incident described above, were your influence tactics effective? Why?
3. Describe an incident in which you saw someone engaging in politics. What was your reaction to observing the political behaviour? Under what circumstances do you think political behaviour is appropriate?

WORKING WITH OTHERS EXERCISE

Understanding Bases of Power

Step 1: Your instructor will divide the class into groups of about 5 or 6 (making sure there are at least 5 groups). Each group will be assigned 1 of the following bases of power: (1) coercive, (2) reward, (3) legitimate, (4) expert, (5) referent, (6) information. Refer to your text for discussion of these terms.

Step 2: Each group is to develop a role play that highlights the use of the power assigned. The role play should be developed using the following scenario:

You are the leader of a group that is trying to develop a website for a new client. One of your group members, who was assigned the task of researching and analyzing the websites of your client's competition, has twice failed to bring the analysis to scheduled meetings, even though the member knew the assignment was due. Consequently, your group is falling behind in getting the website developed. As leader of the group, you have decided to speak with this team member and to use your specific brand of power to influence the individual's behaviour.

Step 3: Each group should select 1 person to play the group leader, and another to play the member who has not done the assignment. You have 10 minutes to prepare an influence plan.

Step 4: Each group will conduct its role play. In the event of multiple groups' being assigned the same power base, 1 of the groups may be asked to volunteer. While you are watching the other groups' role plays, try to put yourself in the place of the person being influenced, to see whether that type of influence would cause you to change your behaviour.

Immediately after each role play, while the next one is being set up, you should pretend that you were the person being influenced, and then record your reaction using the questionnaire below. To do this, take out a sheet of paper and tear it into 5 (or 6) pieces. At the top of each piece of paper, write the type of influence that was used. Then write the letters A, B, C, and D in a column, and indicate which number on the scale (see below) reflects the influence attempt.

Reaction to Influence Questionnaire

For each role play, think of yourself being on the receiving end of the influence attempt described and record your own reaction.

Type of power used _____

A. As a result of the influence attempt, I will . . .

definitely not comply 1 2 3 4 5 definitely comply

B. Any change that does come about will be . . .

temporary 1 2 3 4 5 long-lasting

C. My own personal reaction is . . .

resistant 1 2 3 4 5 accepting

D. As a result of this influence attempt, my relationship with my group leader will probably be . . .

worse 1 2 3 4 5 better

Step 5: For each influence type, 1 member of each group will take the pieces of paper from group members and calculate the average group score for each of the 4 questions. For efficiency, this should be done while the role plays are being conducted.

continued

OB AT WORK

Step 6: Your instructor will collect the summaries from each group, and then lead a discussion based on these results.

Step 7: Discussion.

1. Which kind of influence is most likely to result immediately in the desired behaviour?
2. Which will have the longest-lasting effects?
3. What effect will using a particular base of power have on the ongoing relationship?
4. Which form of power will others find most acceptable? Least acceptable? Why?
5. Are there some situations in which a particular type of influence strategy might be more effective than others?

Source: This exercise was inspired by one found in Judith R. Gordon, *Organizational Behavior*, 2nd ed. (Englewood Cliffs, NJ: Prentice Hall, 1992), pp. 499–502.

ETHICAL DILEMMA EXERCISE

Swapping Personal Favours?

Jack Grubman was a powerful man on Wall Street. As a star analyst of telecom companies for the Salomon Smith Barney unit of Citigroup, his recommendations carried a lot of weight with investors.

For years, Grubman had been negative about the stock of AT&T. But in November 1999, he upgraded his opinion on the stock. According to email evidence, it appears that Grubman's decision to upgrade AT&T was not based on the stock's fundamentals. There were other factors involved.

At the time, his boss at Citigroup, Sanford Weill, was in the midst of a power struggle with co-CEO John Reed to become the single head of the company. Meanwhile, Salomon was looking for additional business to increase its revenues. Getting investment banking business fees from AT&T would be a big plus toward improving revenues. Salomon's efforts at getting that AT&T business would definitely be improved if Grubman would upgrade his opinion on the stock. Furthermore, Weill sought Grubman's upgrade to win favour with AT&T CEO Michael Armstrong, who sat on Citigroup's board. Weill wanted Armstrong's backing in his efforts to oust Reed.

Grubman had his own concerns. Although he was earning tens of millions a year in his job, he was a man of modest background. He was the son of a city employee in Philadelphia. He wanted the best for his twin daughters, which included entry to an exclusive New York City nursery school—a school that a year earlier had reportedly turned down Madonna's daughter. Weill made a call on Grubman's behalf to the school and pledged a \$1 million donation from Citigroup.

At approximately the same time, Weill also asked Grubman to “take a fresh look” at his neutral rating on AT&T. Shortly after being asked to review his rating, Grubman turned positive, raised his rating, and AT&T awarded Salomon an investment-banking job worth nearly \$45 million.

Did Sanford Weill do anything unethical? How about Jack Grubman? What do you think?

Source: Based on D. Kadlec, “Did Sandy Play Dirty?” *Time Online Edition*, November 25, 2002.

CASE INCIDENT

The Power of Bill Fowler at Blackmer/Dover Resources

Blackmer/Dover Resources' plant makes heavy-duty pumps designed to move commodities such as refined oil and chocolate. The plant has 160 employees.

Historically, management assigned employees to operate the same machine for months or even years at a time. In this way, each employee became intimately familiar with a

narrow task. And employees used their expertise to earn more money. Until 1997, about half the workforce at the plant earned a premium, on top of their hourly wages, based on the number of pumps or pump parts they produced. The old system gave them a strong incentive to conceal output-enhancing tricks they had learned, even from co-workers.

Today, the plant's employees receive a straight hourly wage. To make the plant more flexible, management encourages workers to learn a variety of jobs and accept moves to different parts of the factory floor. Many of the plant's older employees, however, have not welcomed the change. One of those is Bill Fowler.

Fowler is 56 years old and has worked at the Blackmer plant for 24 years. Fowler does not like changing jobs and he does not like telling anyone anything about what he does. "I don't want to move around," he says, "because I love my routine—it helps me get through the day."

Fowler's job is cutting metal shafts for industrial pumps. It's a precision task: A minor error could render a pump useless. Fowler is outstanding at what he does. He is known for the accuracy of his cuts. His bosses also say he can be hours faster than anyone else in readying his giant cutting machines to shift from making one type of pump shaft to another. Management would love to incorporate Fowler's know-how into the manufacturing process, but he refuses to share his secrets even with fellow workers. "If I gave away my tricks, management could use [them] to speed things up and keep me at a flat-out pace all day long," says Fowler.

Employees like Fowler worry when they read about companies soliciting employees' expert advice in the name of making their plants more competitive, and then turn around and move jobs to lower-wage locations abroad. Blackmer's top management, however, says they have no plans to relocate jobs or otherwise hurt workers. They merely want to pool employees' knowledge to make the plant stronger. "We've realized that to get competitive, we need to start asking these guys what they know," says Blackmer's president.

Questions

1. Explain Bill Fowler's behaviour in power terms.
2. What, if anything, does this case say about trust and power?
3. What does this case say regarding implementing knowledge-management systems?
4. What, if anything, can management do to change Fowler's behaviour?

Source: This case is based on T. Aeppel, "On Factory Floors, Top Workers Hide Secrets to Success," *Wall Street Journal*, July 1, 2002, p. A1.



VIDEO CASE INCIDENT

Jean Brault and the Sponsorship Scandal

The curtain was pulled back on a Canadian political scandal as Jean Brault testified at the Gomery inquiry. The sponsorship-kickback scheme toppled a government weeks after the Gomery Commission issued a report that outlined a story of greed, politics, and misconduct involving overspending, kickbacks, and fraudulent billing by communications agencies in Quebec.

At the heart of the scandal is advertising executive Jean Brault, who has come a long way since he started his advertising agency, Groupaction, out of his basement in the 1980s. Groupaction became a multi-million dollar company, helped along the way by generous federal government contracts. Brault is facing fraud charges, and it is from his firm that the federal government is trying to recover \$35 million. The floodgates of government sponsorship contracts opened after the 1995 Quebec referendum, paving the way for a story of misuse of taxpayers' money and leading to speculation of widespread political corruption.

Much of the deal making took place over lavish lunches and extravagant dinners. One episode included a dinner

with Brault and his advertising executives the night before they were going to make a pitch for a big federal contract. The person they were going to pitch to, Chuck Guité, was also there. Although Brault said at the inquiry the contract was not mentioned over dinner, a short time after that meal together Brault's company was awarded the contract.

In 2001 Brault met with Joe Morselli, vice-president of fundraising for the Liberal Party, who requested a Liberal organizer be placed on Brault's company payroll. Brault refused, and instead offered to pay \$5000/month in cash using a bizarre payment system reminiscent of the underworld.

Brault benefited for several years from the nearly \$60 million in contracts from the sponsorship program and kept funnelling money back to the Liberal Party. But stress was getting to Brault, and in 2001 he had a falling out with Alain Renaud, a Liberal activist and lobbyist. Brault had been paying Renaud's fees and expenses of almost \$1 million, and in return Renaud secured most of Brault's sponsorship and advertising contracts. After the dispute, they parted ways.

OB AT WORK

Tony Mignacca, a close associate of Alfonso Galiano, the former cabinet minister who had been in charge of the sponsorship program, began to pressure Brault to take Renaud back. Mignacca gave Brault the impression that Groupaction's account with Via Rail would be in jeopardy if he did not re-hire Renaud.

In 2002, Brault knew a federal advertising contract for the Department of Justice was coming up. Because Brault's firm was not ready to bid, he wanted a delay in the closing of the tender. He met with Morselli, proposing \$100 000 if the competition was delayed. He paid \$50 000 in cash, and the competition was delayed. He planned to pay the rest in April 2002, but by that time Auditor General Sheila Fraser had begun her investigation into Brault's firm. Facing a criminal trial, Jean Brault, the high-flying advertising man, has been brought back to earth.

Questions

1. Identify the power bases of the individuals involved in the sponsorship scandal: Jean Brault, Chuck Guité, Joe Morselli, Alain Renaud, Tony Mignacca, and Sheila Fraser.
2. What influence tactics did the prominent characters in the sponsorship saga use to try to pressure people to act in certain ways?
3. What factors contributed to the political behaviour evident in the sponsorship scandal?

Sources: "Brault Dissected," *The National*, April 7, 2005; "Guité Trial Begins as Brault Sent to Jail," *Daily Courier* (Kelowna), May 6, 2006, p. A8; G. Chiasson, "Advertising Scandal Fells Canadian Government," *Advertising Age*, December 5, 2005, p. 81; and J. Intini, "Ottawa's Crusader," *Maclean's*, December 27, 2004, p. 32.

From Concepts to Skills

Politicking

Forget, for a moment, the ethics of politicking and any negative impressions you may have of people who engage in organizational politics.⁸⁵ If you wanted to be more politically adept in your organization, what could you do? The following eight suggestions are likely to improve your political effectiveness.

1. *Frame arguments in terms of organizational goals.* Effective politicking requires camouflaging your self-interest. No matter that your objective is self-serving; all the arguments you marshal in support of it must be framed in terms of the benefits that the organization will gain. People whose actions appear to blatantly further their own interests at the expense of the organization's are almost universally denounced, are likely to lose influence, and often suffer the ultimate penalty of being expelled from the organization.
2. *Develop the right image.* If you know your organization's culture, you understand what the organization wants and values from its employees—in terms of dress; associates to cultivate, and those to avoid; whether to appear risk-taking or risk-averse; the preferred leadership style; the importance placed on getting along well with others; and so forth. Then you are equipped to project the appropriate image. Because the assessment of your performance is not a fully objective process, both style and substance must be addressed.
3. *Gain control of organizational resources.* The control of organizational resources that are scarce and important is a source of power. Knowledge and expertise are particularly effective resources to control. They make you more valuable to the organization and therefore more likely to gain security, advancement, and a receptive audience for your ideas.
4. *Make yourself appear indispensable.* Because we are dealing with appearances rather than objective facts, you can enhance your power by appearing to be indispensable. That is, you don't have to really be indispensable as long as key people in the organization believe that you are. If the organization's prime decision makers believe there is no ready substitute for what you are giving the organization, they are likely to go to great lengths to ensure that your desires are satisfied.
5. *Be visible.* Because performance evaluation has a substantial subjective component, it is important that your manager and those in power in the organization be made aware of your contribution. If you are fortunate enough to have a job that brings your accomplishments to the attention of others, it may not be necessary to take direct measures to increase your visibility. But your job may require you to handle activities that are low in visi-

bility, or your specific contribution may be indistinguishable because you are part of a team endeavour. In such cases—without appearing to toot your own horn or create the image of a braggart—you will want to call attention to yourself by highlighting your successes in routine reports, having satisfied customers relay their appreciation to senior executives in your organization, being seen at social functions, being active in your professional associations, developing powerful allies who speak positively about your accomplishments, and similar tactics. Of course, the skilled politician actively and successfully lobbies to get those projects that will increase his or her visibility.

6. *Develop powerful allies.* It helps to have powerful people in your camp. Cultivate contacts with potentially influential people above you, at your own level, and in the lower ranks. They can provide you with important information that may not be available through normal channels. There will be times, too, when decisions will be made in favour of those with the greatest support. Having powerful allies can provide you with a coalition of support if and when you need it.
7. *Avoid “tainted” members.* In almost every organization, there are fringe members whose status is questionable. Their performance and/or loyalty is suspect. Keep your distance from such individuals. Given the reality that effectiveness has a large subjective component, your own effectiveness might be called into question if you are perceived as too closely associated with tainted members.
8. *Support your manager.* Your immediate future is in the hands of your current manager. Since he or she evaluates your performance, you will typically want to do whatever is necessary to have your manager on your side. You should make every effort to help your manager succeed, make her look good, support her if she is under siege, and spend the time to find out what criteria she will be using to assess your effectiveness. Do not undermine your manager, and do not speak negatively of her to others.

Assessing Skills

After you've read this chapter, take the following Self-Assessments on your enclosed CD-ROM:

35. How Power-Oriented Am I?
36. What's My Preferred Type of Power?
37. How Good Am I at Playing Politics?
38. How Well Do I Manage Impressions?

Practising Skills

You used to be the star marketing manager for Hilton Electronics Corporation. But for the past year, you have been outpaced again and again by Sean, a new manager in the design department who has been accomplishing everything expected of him and more. Meanwhile, your best efforts to do your job well have been sabotaged and undercut by Maria—your and Sean's manager. For example, before last year's international consumer electronics show, Maria moved \$30 000 from your budget to Sean's. Despite your best efforts, your marketing team could not complete all the marketing materials normally developed to showcase all of your organization's new products at this important industry show. Also, Maria has chipped away at your staff and budget ever since. Although you have been able to meet most of your goals with fewer staff and less budget, Maria has continued to slice away resources from your group. Just last week, she eliminated two positions in your team of eight marketing specialists to make room for a new designer and some extra equipment for Sean. Maria is clearly taking away your resources while giving Sean whatever he wants and more. You think it's time to do something or soon you will not have any team or resources left. What do you need to do to make sure your division has the resources to survive and grow?

Reinforcing Skills

1. Keep a one-week journal of your behaviour describing incidents when you tried to influence others around you. Assess each incident by asking: Were you successful at these attempts to influence them? Why or why not? What could you have done differently?
2. Outline a specific action plan, based on concepts in this module, that would improve your career progression in the organization in which you currently work or an organization in which you think you would like to be employed.

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The Toxic Workplace

It's not unusual to find the following employee behaviours in today's workplace:

Answering the phone with a "yeah," neglecting to say thank you or please, using voice mail to screen calls, leaving a half cup of coffee behind to avoid having to brew the next pot, standing uninvited but impatiently over the desk of someone engaged in a telephone conversation, dropping trash on the floor and leaving it for the maintenance crew to clean up, and talking loudly on the phone about personal matters.¹

Some employers or managers fit the following descriptions:

In the months since [the new owner of the pharmacy] has been in charge [he] has made it clear that he is at liberty to fire employees at will . . . change their positions, decrease their bonus percentages, and refuse time-off and vacation choices. Furthermore, he has established an authoritarian work structure characterized by distrust, cut-backs on many items deemed essential to work comfort, disrespect, rigidity and poor-to-no-communication.²

He walked all over people. He made fun of them; he intimidated them. He criticized work for no reason, and he changed his plans daily.³

What's Happening in Our Workplaces?

Workplaces today are receiving highly critical reviews, being called everything from “uncivil” to “toxic.”

Lynne Anderson and Christine Pearson, two management professors from St. Joseph's University and the University of North Carolina, respectively, note that “Historians may view the dawn of the twenty-first century as a time of thoughtless acts and rudeness: We tailgate, even in the slow lane; we dial wrong numbers and then slam the receiver on the innocent respondent; we break appointments with nonchalance.”⁴ The workplace has often been seen as one of the places where civility still ruled, with co-workers treating each other with a mixture of formality and friendliness, distance and politeness. However, with downsizing, re-engineering, budget cuts, pressures for increased productivity, autocratic work environments, and the use of part-time employees, there has been an increase in “uncivil and aggressive workplace behaviours.”⁵

What does civility in the workplace mean? A simple definition of workplace civility is behaviour “involving politeness and regard for others in the workplace, within workplace norms for respect.”⁶ Workplace incivility then “involves acting with disregard for others in the workplace, in violation of workplace norms for respect.”⁷ Of course, different workplaces will have different norms for what determines mutual respect. For instance, in most restaurants, if the staff were rude to you when you were there for dinner, you would be annoyed, and perhaps even complain to the manager. However, at the Elbow Room Cafe in downtown Vancouver, if customers complain they are in a hurry, manager Patrick Savoie might well say, “If you're in a hurry, you should have

gone to McDonald's.”⁸ Such a comeback is acceptable to the diners at the Elbow Room Cafe, because rudeness is its trademark.

Most work environments are not expected to be characterized by such rudeness. However, this has been changing in recent years. Robert Warren, a University of Manitoba marketing professor, notes that “simple courtesy has gone by the board.”⁹

There is documented evidence of the rise of violence and threats of violence at work.¹⁰ However, several studies have found that there is persistent negative behaviour in the workplace that is not of a violent nature.¹¹ For instance, a survey of 603 Toronto nurses found that 33 percent had experienced verbal abuse during the five previous days of work.¹²

Another study found that 78 percent of employees interviewed think that workplace incivility has increased in the past 10 years.¹³ The researchers found that men are mostly to blame for this change: “Although men and women are targets of disrespect and rudeness in equal numbers . . . men instigate the rudeness 70 percent of the time.”¹⁴

Rude behaviour is not confined to men, however. Professor André Roberge at Laval University suggests that some of the rudeness is generational. He finds that “young clerks often lack both knowledge and civility. Employers are having to train young people in simple manners because that is not being done at home.”¹⁵ Professor Warren backs this up: “One of the biggest complaints I hear from businesses when I go to talk about graduates is the lack of interpersonal skills.”¹⁶

Workplace Violence

Recently, researchers have suggested that incivility may be the beginning of more negative behaviours in the

workplace, including aggression and violence.¹⁷

Pierre Lebrun chose a deadly way to exhibit the anger he had stored up from his workplace.¹⁸ He took a hunting rifle to Ottawa-Carleton-based OC Transpo and killed four public transit co-workers on April 6, 1999, before turning the gun on himself. Lebrun felt that he had been the target of harassment by his co-workers for years because of his stuttering. If this sounds like an unusual response for an irate employee, consider the circumstances at OC Transpo. “Quite apart from what's alleged or otherwise with Mr. Lebrun's situation, we know [OC Transpo's] had a very unhappy work environment for a long time,” Al Loney, former chair of Ottawa-Carleton's transit commission, noted. A consultant's report produced the year before the shooting found a workplace with “rock-bottom morale and poor management.” It was not uncommon for fights to break out in the unit where the four men were killed.

Workplace violence, according to the International Labour Organization (ILO), includes

*any incident in which a person is abused, threatened or assaulted in circumstances relating to [his or her] work. These behaviours would originate from customers or co-workers at any level of the organization. This definition would include all forms of harassment, bullying, intimidation, physical threats, assaults, robbery and other intrusive behaviour.*¹⁹

No Canadian statistics on anger at work are available.²⁰ However, studies show that anger pervades the US workplace. While 25 percent of Americans reported being “generally at least somewhat angry at work,” 49 percent say that they felt “at least

‘a little angry’ at work.”²¹ A 2000 Gallup poll conducted in the United States found that 25 percent of the working adults surveyed felt like screaming or shouting because of job stress, 14 percent had considered hitting a co-worker, and 10 percent worry about colleagues becoming violent. This worry is not unfounded. Twenty employees are murdered each week in the United States.²²

Canadian workplaces are not murder-free, however. In 2001, 60 murders occurred at work, 10 percent of all murders for the year.²³ Most of these workplace incidents were carried out by male spouses and partners of female employees. Surprisingly, Canada scores higher than the United States on workplace violence. In a recent ILO study involving 130 000 workers in 32 countries, Argentina was ranked the most violent. Romania was second, France third, and Canada fourth. The United States placed ninth.²⁴

Sixty-four percent of union representatives who were surveyed recently reported an increase in workplace aggression, based on their review of incident reports, grievance files, and other solid evidence.²⁵ The ILO, in a separate 1998 study, found that, per capita, the rate of assault at work for Canadian women is four times that of American women.²⁶ To

understand the seriousness of this situation, consider that one quarter of Nova Scotia teachers surveyed reported that they faced physical violence at work during the 2001–2002 school year.²⁸

What Causes Incivility (and Worse) in the Workplace?

If employers and employees are acting with less civility toward each other, what is causing this to happen?

Managers and employees often have different views of the employee's role in the organization. Jeffrey Pfeffer, a professor of organizational behaviour at the Graduate School of Business at Stanford University, notes that many companies don't really value their employees: “Most managers, if they're being honest with themselves, will admit it: When they look at their people, they see costs, they see salaries, they see benefits, they see overhead. Very few companies look at their people and see assets.”²⁹

Most employees, however, like to think that they are assets to their organizations. The realization that they are simply costs and not valued members of an organization can cause frustration for employees.

In addition, “employers' excessive demands and top-down style of management are contributing to the rise of ‘work rage,’” claims Gerry Smith of Toronto-based Warren Shepell Consultants.³⁰ He is the author of the recently released *Work Rage*.³¹ He cites demands coming from a variety of sources: “overtime, downsizing, rapid technological changes, company restructuring and difficulty balancing the demands of job and home.”³² Smith worries about the consequences of these demands: “If you push people too hard, set unrealistic expectations and cut back their benefits, they're going to strike back.”³³

Smith's work supports the findings of a study that reported the most common cause of anger is the actions of supervisors or managers.³⁴ Other common causes of anger identified by the researchers include lack of productivity by co-workers and others; tight deadlines; heavy workload; interaction with the public; and bad treatment.

The Psychological Contract

Some researchers have looked at this frustration in terms of a breakdown of the psychological contract formed between employees and employers. Employers and employees begin to develop psychological contracts as they are first introduced to each other in the hiring process.³⁵ These continue over time as the employer and the employee come to understand each other's expectations about the amounts and quality of work to be performed and the types of rewards to be given. For instance, when an employee is continually asked to work late and/or be available at all hours through pagers and email, the employee may assume that doing so will result in greater rewards or faster promotion down the line. The

FactBox²⁷

- In 2000, only 49% of working Canadians said they were committed to their employers. In 1991, the level of commitment was 62%.
- More Americans report commitment to their employers than Canadians: 55% of Americans vs. 49% of Canadians.
- Of those who experience rudeness, 12% quit their jobs in response, 22% decrease their work effort, and 52% lose work time worrying about it.
- Employees over the age of 55 express the highest degree of commitment to their employers.

employer may have had no such intention, and may even be thinking that the employee should be grateful simply to have a job. Later, when the employee does not get expected (though never promised) rewards, he or she is disappointed.

Sandra Robinson, an organizational behaviour professor at the Sauder School of Business at the University of British Columbia, and her colleagues have found that when a psychological contract is violated (perceptually or actually), the relationship between the employee and the employer is damaged. This can result in the loss of trust.³⁶ The breakdown in trust can cause employees to be less ready to accept decisions or obey rules.³⁷ The erosion of trust can also lead employees to take revenge on the employers. So they don't carry out their end of a task. Or they refuse to pass on messages. They engage in any number of subtle and not-so-subtle behaviours that affect the way work gets done—or prevents work from getting done.

The Toxic Organization

Pfeffer suggests that companies have become “toxic places to work.”³⁸ He notes that companies, particularly in Silicon Valley, ask their employees to sign contracts on the first day of work indicating the employee's understanding that the company has the right to fire at will and for any reason. Some employers also ask their employees to choose between having a life and having a career. Pfeffer relates a joke people used to tell about Microsoft: “We offer flexible time—you can work any 18 hours you want.”³⁹ This kind of attitude can be toxic to employees, though this does not imply that Microsoft is a toxic employer.

What does it mean to be a toxic organization? The late professor Peter Frost of the Sauder School of Business at the University of British Columbia notes that there will always be pain in organizations, but that sometimes it becomes so intense or prolonged that conditions within the organization begin to break down. In other words, the situation

becomes toxic. This is not dissimilar to what the liver or kidneys do when toxins become too intense in a human body.⁴⁰

What makes organizations toxic? Like Pfeffer, professors Frost and Robinson identify a number of factors. Downsizing and organizational change are two main factors, particularly in recent years. Sometimes

Do You Have a Toxic Manager?

Below are some of the toxic behaviours of managers and the workplace cultures that allow these behaviours to thrive.

Managerial Toxic Behaviour

- *Actor behaviour.* These managers act out anger rather than discuss problems. They slam doors, sulk, and make it clear they are angry, but refuse to talk about it.
- *Fragmentor behaviour.* These managers see no connection between what they do and the outcome, and take no responsibility for their behaviour.
- *Me-first behaviour.* These managers make decisions based on their own convenience.
- *Mixed-messenger behaviour.* These managers present themselves one way but their behaviour doesn't match what they say.
- *Wooden-stick behaviour.* These managers are extremely rigid and controlling.
- *Escape-artist behaviour.* These managers don't deal with reality, often lying, or at the extreme, escaping through drugs or alcohol.

Workplace Culture That Fosters This Behaviour

- *Macho culture.* People don't discuss problems. The emphasis is to “take it like a man.”
- *Specialist culture.* Employees who are technically gifted or great in their fields don't have to consider how their behaviour or work affects anyone.
- *Elitist culture.* Promotions and rewards are not based on your work but on who your buddies are.
- *Office-politics culture.* Promotions and rewards are based on flattery and positioning.
- *Change-resistant culture.* Upper management struggles to maintain the status quo regardless of the outcome.
- *Workaholic culture.* Employees are forced to spend more time at the office than necessary.

Source: L. McClure, *Risky Business* (Binghamton, NY: Haworth Press, 1996).

organizations experience unexpected events—such as the sudden death of a key manager, an unwise move by senior management, strong competition from a start-up company—that lead to toxicity. Other organizations are toxic throughout their system due to policies and practices that create distress. Such factors as unreasonable stretch goals or performance targets, or unrelenting internal competition, can create toxicity. There are also toxic managers who lead through insensitivity, vindictiveness, and failure to take responsibility, or they are control freaks or are unethical. The inset *Do You Have a Toxic Manager?* on page 253 lists some types of toxic managers and the workplace culture that fosters their behaviour.

What Are the Effects of Incivility and Toxicity in the Workplace?

In general, researchers have found that the effects of workplace anger are sometimes subtle: a hostile work environment and the tendency to do only enough work to get by.⁴¹

Those who feel chronic anger in the workplace are more likely to report “feelings of betrayal by the organization, decreased feelings of

loyalty, a decreased sense that respondent values and the organization’s values are similar, a decreased sense that the employer treated the respondent with dignity and respect, and a decreased sense that employers had fulfilled promises made to respondents.”⁴² So do these feelings make a difference? Apparently so. Researchers have found that those who felt angry with their employers were less likely to put forth their best efforts, more likely to be competitive toward other employees, and less likely to suggest “a quicker and better way to do their job.”⁴³ All of these actions tend to decrease the productivity possible in the workplace.

It’s not just those who work for an organization who are affected by incivility and toxicity. Poor service, from indifference to rudeness to outright hostility, characterizes many transactions in Canadian businesses. “Across the country, better business bureaus, provincial government consumer-help agencies and media ombudsmen report a lengthening litany of complaints about contractors, car dealers, repair shops, moving companies, airlines and department stores.”⁴⁴ This suggests that customers and clients may well be feeling the impact of internal workplace dynamics.

The Toxin Handler

Employees of toxic organizations suffer pain from their experiences in toxic environments. In some organizations, mechanisms, often informal, are set up to deal with the results of toxicity.

Frost and Robinson identified a special role that some employees play in trying to relieve the toxicity within an organization: the toxin handler. This person tries to mitigate the pain by softening the blow of downsizing, or change, or the behaviour of the toxic leader. Essentially the toxin handler helps others around him or her deal with the strains of the organization, by counselling, advising, shielding employees from the wrath of angry managers, reinterpreting the managers’ messages to make them less harsh, etc.

So who takes on this role? Certainly no organization to date has a line on its organizational chart for “the toxin handler.” Often the role emerges as part of an individual’s position in an organization, for instance, a manager in the human resource department. In many cases, however, handlers are pulled into the role “bit by bit—by their colleagues, who turn to them because they are trustworthy, calm, kind and nonjudgmental.”⁴⁵

Frost and Robinson, in profiling these individuals, suggest that toxin handlers are predisposed to say yes, have a high tolerance for pain, a surplus of empathy, and when they notice people in pain they have a need to make the situation right. But these are not individuals who thrive simply on dealing with the emotional needs of others. Quoting one of the managers in their study, Frost and Robinson cite the full range of activities of most toxin handlers: “These people are usually relentless in their drive to accomplish organizational targets and rarely lose focus

How Toxin Handlers Alleviate Organizational Pain

- They listen empathically.
- They suggest solutions.
- They work behind the scenes to prevent pain.
- They carry the confidences of others.
- They reframe difficult messages.

Source: P. Frost and S. Robinson, “The Toxic Handler: Organizational Hero—and Casualty,” *Harvard Business Review*, July–August 1999, p. 101 (Reprint 99406).

FACEOFF

Manners are an over-romanticized concept. The big issue isn't that employees need to be concerned about their manners. Rather, employers should be paying better wages.

The Golden Rule, "Do unto others as you would have others do unto you," should still have a role in today's workplace. Being nice pays off.

on business issues. Managing emotional pain is one of their means."⁴⁶

The inset *How Toxin Handlers Alleviate Organizational Pain* on page 254 identifies the many tasks that toxin handlers take on in an organization. Frost and Robinson suggest that these tasks will probably need to be handled forever, and they recommend that organizations take steps to actively support people performing this role.

Research Exercises

1. Look for data on violence and anger in the workplace in other countries. How do these data compare with the Canadian and American data presented here? What might you conclude about how violence and anger in the workplace are expressed in different cultures?

2. Identify three Canadian organizations that are trying to foster better and/or less toxic environments for their employees. What kind of effect is this having on the organizations' bottom lines?

Your Perspective

1. Is it reasonable to suggest, as some researchers have, that young people today have not learned to be civil to others or do not place a high priority on doing so? Do you see this as one of the causes of incivility in the workplace?
2. What should be done about managers who create toxicity in the workplace while being rewarded because they achieve bottom-line results? Should bottom-line results justify their behaviour?

Want to Know More?

If you'd like to read more on this topic, see Peter Frost, *Toxic Emotions at Work* (Cambridge, MA: Harvard Business School Press, 2003); P. Frost and S. Robinson, "The Toxic Handler: Organizational Hero—and Casualty," *Harvard Business Review*, July–August 1999, pp. 96–106 (Reprint 99406); and A. M. Webber, "Danger: Toxic Company," *Fast Company*, November 1998, pp. 152–157. You can find the latter article at www.fastcompany.com/online/19/toxic.html. It contains an interview with Professor Jeffrey Pfeffer, who discusses examples of toxic organizations.

Leadership

A major US city is hit by a deadly hurricane, and then suffers serious flooding. Does anyone have the leadership skills needed to rescue people and provide order?



- 1** What is the difference between a manager and a leader?
- 2** Are there specific traits, behaviours, and situations that affect how one leads?
- 3** How does a leader lead with vision?
- 4** Can a person be an informal leader?
- 5** What is self-leadership?
- 6** What are some of the contemporary issues in leadership?

Millions of people around the world were glued to their television sets in September 2005, watching the devastation of Hurricane Katrina unfold.¹ While the storm damaged parts of Mississippi, Alabama, and Louisiana, it was the damage to New Orleans that got the most press coverage. The entire city had to be evacuated because of severe flooding, causing thousands of people, mostly poor and black, to be stranded at the city's Superdome and Convention Center.

For many of those watching people waving from rooftops begging to be rescued, and people from the Convention Center and Superdome begging for food and water, the questions that arose were, Who was in charge? Why wasn't help coming faster? There was plenty of blame to go around, and the obvious leaders, Louisiana governor Kathleen Blanco, and President George W. Bush, and New Orleans Mayor Ray Nagin, shown here, were all singled out for criticism. Subsequent investigations of what went wrong suggested that these leaders did not do enough to minimize the damage of the storm, starting right from the top with President Bush.

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In this chapter, we examine the various studies on leadership to determine what makes an effective leader. We first consider the traits, behaviours, and situations that affect one's ability to lead, and then we consider visionary leadership. We then look at how leadership is being spread throughout the organization, and how you might lead yourself, through self-management. Finally, we consider contemporary issues in leadership.

ARE MANAGERS AND LEADERS THE SAME?

Leadership and management are two terms that are often confused. What is the difference between them?

John Kotter of the Harvard Business School argues that “managers promote stability while leaders press for change and only organizations that embrace both sides of the contradiction can survive in turbulent times.”²

Professor Rabindra Kanungo at McGill University sees a growing consensus emerging “among management scholars that the concept of ‘leadership’ must be distinguished from the concept of ‘supervision/management.’”³ Exhibit 8-1 on page 258 illustrates Kanungo's distinctions between management and leadership. Leaders provide vision and strategy; managers implement that vision and strategy, coordinate and staff the organization, and handle day-to-day problems.

- 1 What is the difference between a manager and a leader?

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- * Have you ever wondered if there was one right way to lead?
- * Is a leader always necessary?
- * Can anyone be a leader?
- * How do you manage yourself?

EXHIBIT 8-1 Distinguishing Leadership from Management	
Management	Leadership
1. Engages in day-to-day caretaker activities: Maintains and allocates resources	Formulates long-term objectives for reforming the system: Plans strategy and tactics
2. Exhibits supervisory behaviour: Acts to make others maintain standard job behaviour	Exhibits leading behaviour: Acts to bring about change in others congruent with long-term objectives
3. Administers subsystems within organizations	Innovates for the entire organization
4. Asks how and when to engage in standard practice	Asks what and why to change standard practice
5. Acts within established culture of the organization	Creates vision and meaning for the organization
6. Uses transactional influence: Induces compliance in manifest behaviour using rewards, sanctions, and formal authority	Uses transformational influence: Induces change in values, attitudes, and behaviour using personal examples and expertise
7. Relies on control strategies to get things done by subordinates	Uses empowering strategies to make followers internalize values
8. Status quo supporter and stabilizer	Status quo challenger and change creator
Source: R. N. Kanungo, "Leadership in Organizations: Looking Ahead to the 21st Century," <i>Canadian Psychology</i> 39, no. 1–2 (1998), p. 77.	

In our discussion of leadership, we will focus on two major tasks of those who lead in organizations: managing those around them to get the day-to-day tasks done (leadership as supervision) and inspiring others to do the extraordinary (leadership as vision).

LEADERSHIP AS SUPERVISION

As Hurricane Katrina rushed closer to the New Orleans coastline, people in authority in both Louisiana and Washington were trying to figure out how best to handle the situation. Some wondered whether hundreds of thousands of people should be evacuated from New Orleans before the storm hit or whether everyone could simply ride out the storm. Michael Brown, then head of the Federal Emergency Management Agency (FEMA), sent a small emergency response team to Louisiana to review evacuation plans the weekend before the levees broke. Frustrated that Mayor Ray Nagin did not seem to be acting quickly enough to get New Orleans evacuated, Brown called President George W. Bush to advise him of the situation. He also asked the president to phone the mayor directly to tell him to evacuate the people of New Orleans. The president's response, "Mike, you want me to call the Mayor?" illustrates the different roles of managers and leaders. The president was not expecting to micromanage an evacuation plan and did not really consider it his role. As the "big picture person," his job might have been to make sure that strategies were developed for emergency situations, not to develop the strategies or implement them. Nevertheless, did President Bush do all that was needed to make sure his followers could carry out their tasks?

2 Are there specific traits, behaviours, and situations that affect how one leads?

In this section we discuss theories of leadership that were developed before 1980. These early theories focused on the supervisory nature of leadership—that is, how leaders managed the day-to-day functioning of employees. The three general types of theories that emerged were (1) trait theories, which propose leaders have a particular set of traits that makes them different from nonleaders; (2) behavioural theories, which propose that

particular behaviours make for better leaders; and (3) contingency theories, which propose the situation has an effect on leaders. When you think about these theories, remember that although they have been considered “theories of leadership,” they rely on an older understanding of what “leadership” means, and they do not convey Kanungo’s distinction between leadership and supervision.

Trait Theory: Are Leaders Different from Others?

Have you ever wondered whether there is some fundamental personality difference that makes some people “born leaders”? **Trait theories of leadership** emerged in the hope that if it were possible to identify the traits of leaders, it would be easier to select people to fill leadership roles.

The media have long been believers in trait theories. They identify people such as Nelson Mandela, Richard Branson of the Virgin Group, and Steve Jobs of Apple as leaders, and then describe them in terms such as *charismatic*, *enthusiastic*, *decisive*, and *courageous*. The media are not alone. Exhibit 8-2 on page 260 shows the findings of a recent survey of 200 CEOs, and what they cited as the most important leadership traits.

The search for personality, social, physical, or intellectual traits that would describe leaders and differentiate them from nonleaders goes back to research done by psychologists in the 1930s. However, until recently, research efforts at isolating leadership traits have reached few conclusions.⁴ A breakthrough, of sorts, came when researchers began organizing traits around the Big Five personality framework (see Chapter 2, page 44).⁵ They found that most of the dozens of traits that emerged in various leadership reviews fall under one of the Big Five personality traits (extraversion, agreeableness, conscientiousness, emotional stability, and openness to experience). This approach resulted in consistent and strong support for traits as predictors of leadership.

Comprehensive reviews of the leadership literature, when organized around the Big Five, have found that extraversion is the most important trait of effective leaders.⁶ But results show that extraversion is more strongly related to leader emergence than to leader effectiveness. This is not totally surprising since sociable and dominant people are more likely to assert themselves in group situations. Conscientiousness and openness to experience also showed strong and consistent relationships to leadership, but not as strong as extraversion. The traits of agreeableness and emotional stability do not appear to offer much help in predicting leadership.

Recent studies indicate that emotional intelligence (EI) is an additional factor to consider in the emergence of a leader.⁷ The work on EI suggests that leaders need more than the basic traits of intelligence and job-relevant knowledge.⁸ It is the possession of the five components of EI—self-awareness, self-management, self-motivation, empathy, and social skills—that allows an individual to become a star performer. Without EI, a person can have outstanding training, a highly analytical mind, a long-term vision, and an endless supply of terrific ideas, but still not make a great leader.

Based on the latest findings, we offer two conclusions. First, traits can predict leadership. Second, traits do a better job at predicting the emergence of leaders and the appearance of leadership than in actually distinguishing between *effective* and *ineffective* leaders.⁹ The fact that an individual exhibits the traits and others consider that person to be a leader does not necessarily mean that the leader is successful at getting his or her group to achieve its goals.

trait theories of leadership

Theories that propose traits—personality, social, physical, or intellectual—differentiate leaders from nonleaders.

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restrictions.

Meg Whitman, president and CEO of eBay, is a leader with high emotional intelligence. Since eBay founder Pierre Omidyar chose Whitman to transform his start-up into a global enterprise, she has emerged as a star performer in a job that demands a high degree of social interaction with employees and customers throughout the world. Whitman is described as self-confident, trustworthy, culturally sensitive, a high achiever, and expert at building teams and leading change. Shown here, Whitman interacts with customers during an eBay Live convention.

EXHIBIT 8-2 What CEOs Identify as Key Leadership Traits

Quality	CEOs Rating It Most Important (%)
Communication skills	52
Ability to motivate people	47
Honesty	34
Ability to listen	25
Team-building expertise	24
Analytical skills	19
Aggressiveness in business	10

Source: Survey conducted by American Express for the National Quality Institute. Reported in R. Nutt, "Survey Finds Leadership Key," *Vancouver Sun*, June 1, 2000, p. D6.

What Types of Traits Are Preferred in Leaders?

Remember the GLOBE study we discussed in Chapter 3? As part of that study, researchers surveyed managers in 62 countries to find out what attributes they liked and disliked in leaders. The study uncovered 22 leader attributes that were universally liked, 8 that were universally disliked, and 35 over which there was a lot of disagreement.¹⁰ Exhibit 8-3 identifies some of these different attributes.

The results of this study suggest that

- Universally liked attributes should be used by leaders working in any culture
- Universally disliked attributes should be avoided by leaders
- Attributes over which there is a lot of disagreement should be used cautiously, based on specific cultures

EXHIBIT 8-3 Leadership Attributes: A Cross-Cultural View

Leader Attributes Universally Liked	Leader Attributes Universally Disliked	Leader Attributes Over Which There Was Most Disagreement
■ Trustworthy	■ Noncooperative	■ Subdued
■ Dynamic	■ Irritable	■ Intragroup conflict avoider
■ Motive arouser	■ Egocentric	■ Cunning
■ Decisive	■ Ruthless	■ Sensitive
■ Intelligent	■ Dictatorial	■ Provocateur
■ Dependable	■ Loner/self-centred	■ Self-effacing
■ Plans ahead		■ Willful
■ Excellence oriented		
■ Team builder		
■ Encouraging		

Source: D. N. Den Hartog, R. J. House, P. J. Hanges, S. A. Ruiz-Quintanilla, and P. W. Dorfman, "Culture Specific and Cross-culturally Generalizable Implicit Leadership Theories: Are Attributes of Charismatic/Transformational Leadership Universally Endorsed?" *Leadership Quarterly* 10, no. 2 (Summer 1999), pp. 219–256.

This chapter's *Point/Counterpoint* on page 285 raises further issues on the extent to which leadership is affected by national culture issues. *Case Incident—Moving From Colleague to Supervisor* on page 288 helps you think about the difficulties one has when moving from being a co-worker to taking on leadership responsibilities.

Behavioural Theories: Do Leaders Behave in Particular Ways?

Limited success in the study of traits led researchers to look at the behaviours that specific leaders exhibit. They wondered if there was something unique in the way that effective leaders behave. They also wondered if it was possible to *train* people to be leaders.

The three most best-known **behavioural theories of leadership** are the Ohio State University studies that were conducted starting in the late 1940s, the University of Michigan studies conducted at about the same time, and Blake and Mouton's Leadership Grid, which reflects the behavioural definitions of both the Ohio and Michigan studies. All three approaches consider two main dimensions by which managers can be characterized: attention to production and attention to people.

The Ohio State Studies

In the Ohio State studies, these two dimensions are known as *initiating structure* and *consideration*.¹¹ **Initiating structure** refers to the extent to which a leader is likely to define and structure his or her role and the roles of employees in order to attain goals; it includes behaviour that tries to organize work, work relationships, and goals. For instance, leaders using this style may develop specific output goals or deadlines for employees.

Consideration is defined as the extent to which a leader is likely to have job relationships characterized by mutual trust, respect for employees' ideas, and regard for their feelings. A leader who is high in consideration shows concern for followers' comfort, well-being, status, and satisfaction. For instance, leaders using this style may create more flexible hours, or flextime, to make it easier for employees to manage family issues during work hours.

The Michigan Studies

Researchers at the University of Michigan, whose work is referred to as “the Michigan studies,” also developed two dimensions of leadership behaviour that they labelled *employee-oriented* and *production-oriented*.¹² **Employee-oriented leaders** emphasize interpersonal relations. They take a personal interest in the needs of their subordinates and accept individual differences among members. **Production-oriented leaders**, in contrast, tend to emphasize the technical or task aspects of the job. They are mainly concerned with making sure the group accomplishes its tasks, and the group members are simply a means to that end.

The Leadership Grid

Blake and Mouton developed a graphic portrayal of a two-dimensional view of leadership style.¹³ They proposed a **Leadership Grid** based on the styles of “concern for people” and “concern for production,” which essentially represent the Ohio State dimensions of consideration and initiating structure, or the Michigan dimensions of employee orientation and production orientation.

The grid, shown in Exhibit 8-4 on page 262, has 9 possible positions along each axis, creating 81 different positions in which the leader's style may fall, but emphasis has been placed on 5: impoverished management (1,1); authority-obedience management (9,1); middle-of-the-road management (5,5); country club management (1,9); and team management (9,9). The grid shows the dominating factors in a leader's thinking with respect to how to get results from people, without focusing on what the specific results are.

behavioural theories of leadership Theories that propose that specific behaviours differentiate leaders from nonleaders.

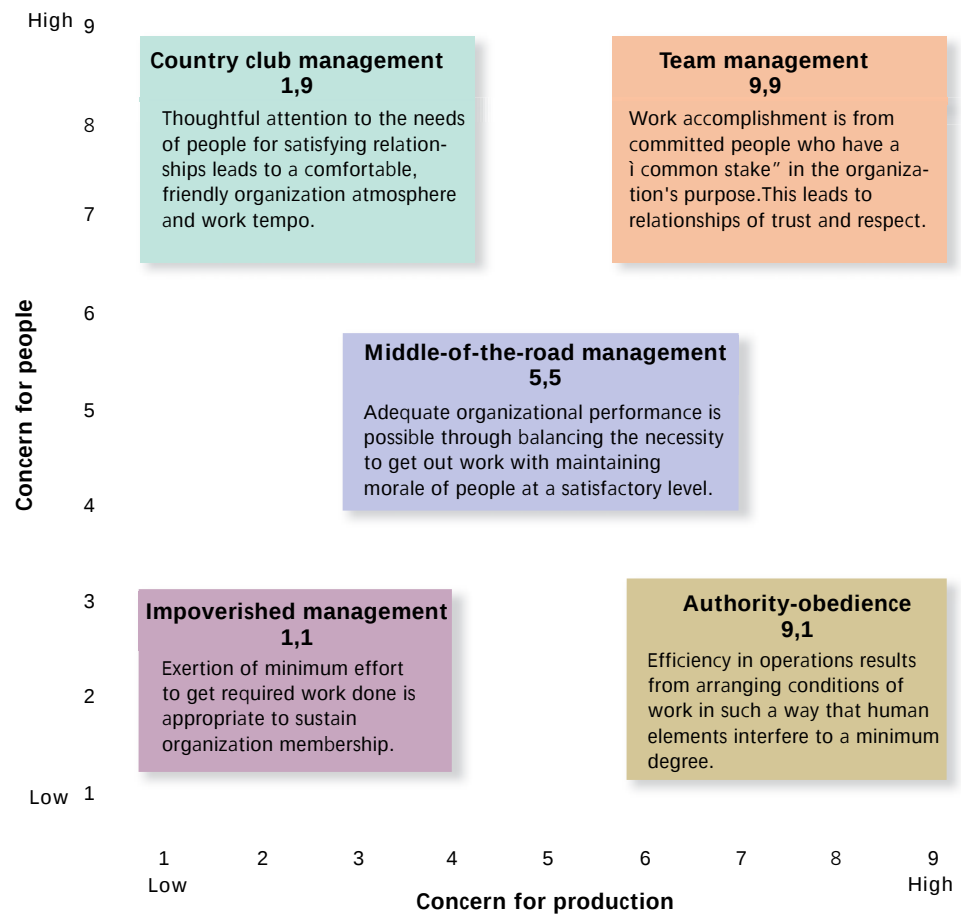
initiating structure The extent to which a leader is likely to define and structure his or her role and the roles of employees in order to attain goals.

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

employee-oriented leader A leader who emphasizes interpersonal relations.

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

Leadership Grid A two-dimensional grid outlining 81 different leadership styles.

EXHIBIT 8-4 The Leadership Grid

Source: Reprinted by permission of *Harvard Business Review*. Based on an exhibit from "Breakthrough in Organization Development" by R. R. Blake, J. S. Mouton, L. B. Barnes, and L. E. Greiner (November–December 1964). Copyright © 1964 by the President and Fellows of Harvard College; all rights reserved.



RESEARCH FINDINGS Behavioural Theories of Leadership

A lengthy review of the results of behavioural studies supports the idea that people-oriented behaviour by leaders is related to employee satisfaction and motivation, and leader effectiveness; meanwhile, production-oriented behaviour by leaders is slightly more strongly related to performance by the leader, the group, and the organization.¹⁴ The research also provides some insights into when leaders should be production oriented and when they should be people oriented:¹⁵

- When subordinates experience a lot of pressure because of deadlines or unclear tasks, leaders who are people oriented will increase employee satisfaction and performance.
- When the task is interesting or satisfying, there is less need for leaders to be people oriented.
- When it's clear how to perform the task and what the goals are, leaders who are people oriented will increase employee satisfaction, while those who are task oriented will increase dissatisfaction.

- When people don't know what to do or individuals don't have the knowledge or skills to do the job, it's more important for leaders to be production oriented than people oriented.

This chapter's *CBC Video Case Incident* gives you an opportunity to further explore the behaviours of leaders and their implications.



How Bad Is Your Boss?

Contingency Theories: Does the Situation Matter?

★ Have you ever wondered if there was one right way to lead?

As research on leadership developed, it became clear that predicting leadership success was more complex than simply isolating a few traits or preferable behaviours. Starting in the 1960s, leadership theories began to examine the situational factors that affect a leader's ability to act. This research pointed out that not all leaders can lead in every situation.¹⁶ This was clearly illustrated by the failure of

President George W. Bush, Louisiana governor Kathleen Blanco, and New Orleans Mayor Ray Nagin to demonstrate leadership during the Hurricane Katrina crisis. Their leadership skills might have been better displayed in other types of situations.

Situational, or contingency, theories of leadership try to isolate critical situational factors that affect leadership effectiveness. The theories consider the degree of structure in the task being performed, the quality of leader-member relations, the leader's position power, group norms, information availability, employee acceptance of leader's decisions, employee maturity, and the clarity of the employee's role.¹⁷

We discuss four situational theories below: the Fiedler contingency model, Hersey and Blanchard's situational leadership theory, path-goal theory, and substitutes for leadership. All of these theories focus on the relationship of the leader to followers, and there is broad support for the idea that this relationship is important.¹⁸

situational, or contingency, theories Theories that propose that leadership effectiveness depends on the situation.

Fiedler Contingency Model

The first comprehensive contingency model for leadership was developed by Fred Fiedler.¹⁹ 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 control to the leader.

Fiedler created the *least preferred co-worker (LPC) questionnaire* to determine whether individuals were mainly interested in good personal relations with co-workers, and thus *relationship-oriented*, or mainly interested in productivity, and thus *task-oriented*. Fiedler assumed that an individual's leadership style is fixed. Therefore, if a situation requires a task-oriented leader and the person in that leadership position is relationship oriented, either the situation has to be modified or the leader must be removed and replaced for optimum effectiveness to be achieved.

Fiedler identified three contingency dimensions that together define the situation a leader faces:

- **Leader-member relations.** The degree of confidence, trust, and respect members have in their leader.
- **Task structure.** The degree to which the job assignments are procedurized (that is, structured or unstructured).
- **Position power.** The degree of influence a leader has over power variables such as hiring, firing, discipline, promotions, and salary increases.

Fiedler contingency model A theory that proposes that effective group performance depends on the proper match between the leader's style and the degree to which the situation gives control to the leader.

Fiedler stated 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. He suggested that task-oriented leaders perform best in situations of high and low control, while relationship-oriented leaders perform best in moderate control situations.²⁰ In a high-control situation, a leader can “get away” with task orientation, because the relationships are good and followers are easily influenced.²¹ In a low-control situation (which is marked by poor relations, ill-defined task, and low influence), task orientation may be the only thing that makes it possible to get something done. In a moderate-control situation, the leader’s relationship orientation may smooth the way to getting things done.

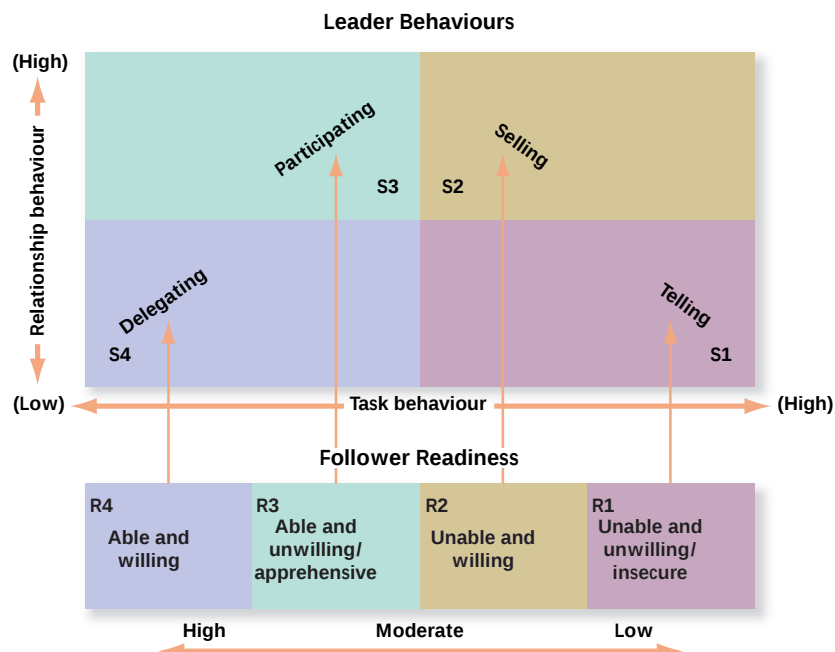
Hersey and Blanchard’s Situational Leadership Theory

Paul Hersey and Ken Blanchard have developed a leadership model that has gained a strong following among management development specialists.²² This model—called **situational leadership theory (SLT)**—has been included in leadership training programs at more than 400 of the *Fortune* 500 companies; and more than one million managers a year from a wide variety of organizations are taught its basic elements.²³

SLT views the leader-follower relationship as similar to that of a parent and child. Just as a parent needs to give up control as a child becomes more mature and responsible, so too should leaders. Hersey and Blanchard identify four specific leader behaviours—from highly directive to highly laissez-faire. The most effective behaviour depends on a follower’s ability and motivation. This is illustrated in Exhibit 8-5. SLT says that if a follower is *unable and unwilling* to do a task, the leader needs to give clear and specific directions (in other words, be highly directive). If a follower is *unable and willing*, the leader needs to display high task orientation to compensate for the follower’s lack of ability, and high relationship orientation to get the follower to “buy into” the leader’s desires (in other words, “sell” the task). If the follower is *able and unwilling*, the leader needs to adopt a supportive and participative style. Finally, if the employee is both *able and willing*, the leader does not need to do much (in other words, a laissez-faire approach will work).

situational leadership theory (SLT) A theory that proposes that effective leaders adapt their leadership style according to how willing and able a follower is to perform tasks.

EXHIBIT 8-5 Hersey and Blanchard’s Situational Leadership Theory



Both the Fiedler contingency model and Hersey and Blanchard's SLT have some intuitive appeal. Blanchard's work, for instance, is widely applied in the workplace. However, both theories have received far less empirical support, and Fiedler's theory has been found more difficult to apply in the work situation than the next model we consider, path-goal theory.²⁴

Path-Goal Theory

Currently, one of the most respected approaches to leadership is **path-goal theory**. Developed by University of Toronto professor Martin Evans in the late 1960s, it was later expanded on by Robert House (formerly at the University of Toronto, but now at the Wharton School of Business at the University of Pennsylvania). Path-goal theory is a contingency model of leadership that extracts key elements from the Ohio State leadership research on initiating structure and consideration and from the expectancy theory of motivation.²⁵

The essence of the theory is that it is the leader's job to assist followers attain their goals and to provide the necessary direction and/or support to ensure that their individual goals are compatible with the overall goals of the group or organization. The term *path-goal* derives from the belief that effective leaders both clarify the path to help their followers achieve their work goals and make the journey along the path easier by reducing road-blocks and pitfalls.

According to this theory, leaders should follow three guidelines to be effective:²⁶

- *Determine the outcomes subordinates want.* These might include good pay, job security, interesting work, and the autonomy to do one's job.
- *Reward individuals with their desired outcomes* when they perform well.
- *Let individuals know what they need to do to receive rewards* (that is, the path to the goal), remove any barriers that would prevent high performance, and express confidence that individuals have the ability to perform well.

Path-goal theory identifies four leadership behaviours that might be used in different situations to motivate individuals:

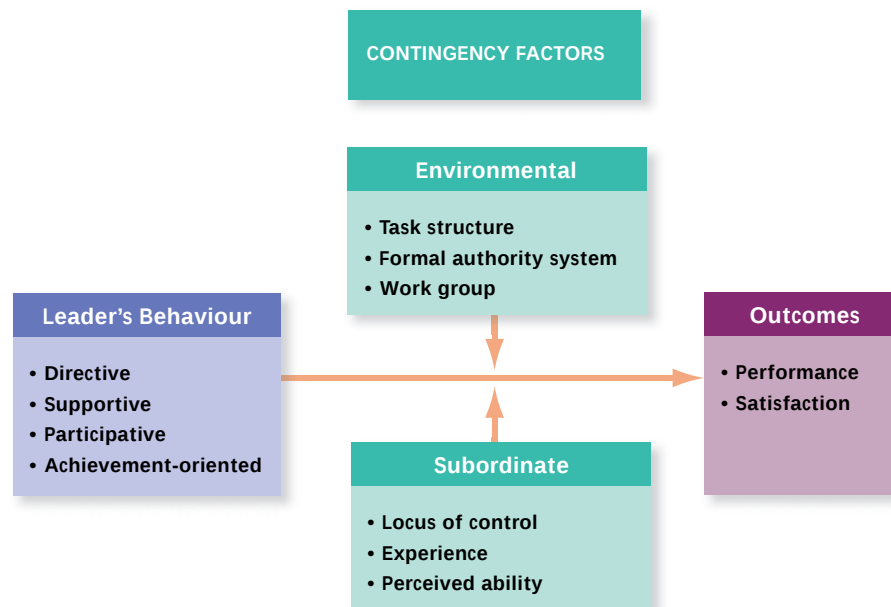
- The *directive leader* lets followers know what is expected of them, schedules work to be done, and gives specific guidance as to how to accomplish tasks. This closely parallels the Ohio State dimension of initiating structure. This behaviour is best used when individuals have difficulty doing tasks or the tasks are ambiguous. It would not be very helpful when used with individuals who are already highly motivated, have the skills and abilities to do the task, and understand the requirements of the task.
- The *supportive leader* is friendly and shows concern for the needs of followers. This is essentially synonymous with the Ohio State dimension of consideration. This behaviour is often recommended when individuals are under stress or otherwise show that they need to be supported.
- The *participative leader* consults with followers and uses their suggestions before making a decision. This behaviour is most appropriate when individuals need to buy in to decisions.
- The *achievement-oriented leader* sets challenging goals and expects followers to perform at their highest level. This behaviour works well with individuals who like challenges and are highly motivated. It would be less effective with less capable individuals or those who are highly stressed from overwork.

As Exhibit 8-6 on page 266, illustrates, path-goal theory proposes two types of contingency variables that affect the leadership behaviour–outcome relationship: envi-

path-goal theory A theory that says it's the leader's job to assist followers in attaining their goals and to provide the necessary direction and/or support to ensure that their individual goals are compatible with the overall goals.

Path-Goal Theory

<http://faculty.css.edu/dswenson/web/LEAD/path-goal.html>

EXHIBIT 8-6 Path-Goal Theory

ronmental variables that are outside the control of the employee and variables that are part of the personal characteristics of the employee. House assumes that leaders are flexible and can display any or all of these behaviours, depending on the situation. Some situations may in fact need more than one style from the leader. The theory proposes that employee performance and satisfaction are likely to be positively influenced when the leader compensates for things lacking in either the employee or the work setting. However, the leader who spends time explaining tasks when those tasks are already clear or when the employee has the ability and experience to handle them without interference is likely to be ineffective because the employee will see such directive behaviour as redundant or even insulting. Research generally supports path-goal theory.²⁷

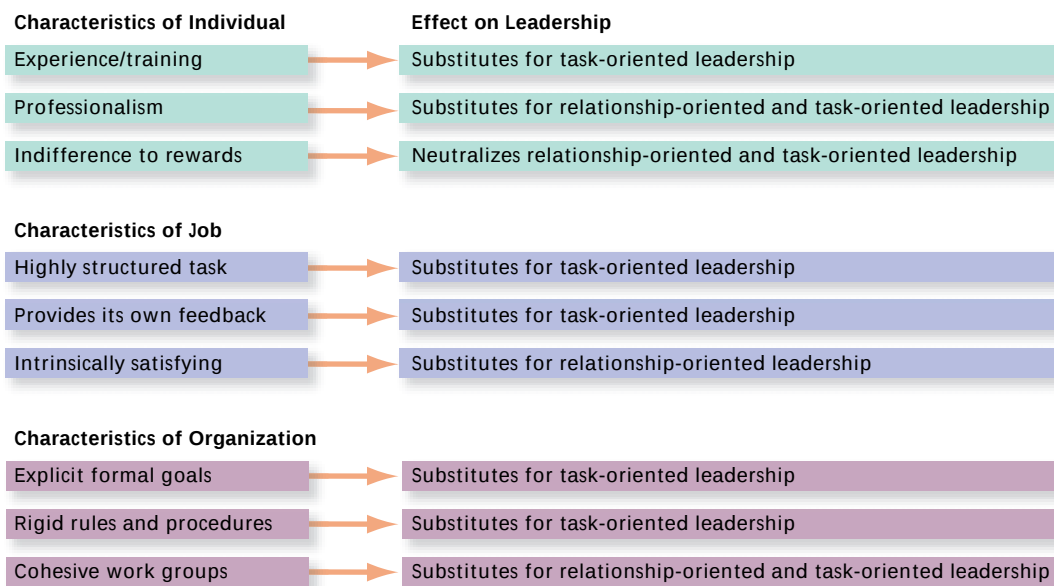
One question that arises from contingency theories is whether leaders can actually adjust their behaviour to various situations. As we know, individuals differ in their behavioural flexibility. Some people show considerable ability to adjust their behaviour to external, situational factors; they are adaptable. Others, however, exhibit high levels of consistency regardless of the situation. High self-monitors are usually able to adjust their leadership styles to suit changing situations better than low self-monitors.²⁸ Clearly, if an individual's leadership style range is very narrow and he or she cannot or will not adjust (that is, the person is a low self-monitor), that individual will be successful only in very specific situations suitable to his or her style. To find out more about your style of leadership, see the *Learning About Yourself Exercise* on pages 286.

Substitutes for Leadership

★ *Is a leader always necessary?*

The previous three theories argue that leaders are needed, but that leaders should consider the situation in determining the style of leadership to adopt. However, numerous studies collectively demonstrate that, in many situations, leaders' actions are irrelevant. Certain individual, job, and organizational variables can act as *substitutes* for leadership or *neutralize* the leader's ability to influence his or her followers.²⁹

If employees have appropriate experience, training, or "professional" orientation or if employees are indifferent to organizational rewards, the effect of leadership can be

EXHIBIT 8-7 Substitutes and Neutralizers for Leadership

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.

replaced or neutralized. Experience and training, for instance, can replace the need for a leader's support or ability to create structure and reduce task ambiguity. Jobs that are inherently unambiguous and routine, provide their own feedback, or are intrinsically satisfying generally require less hands-on leadership. Organizational characteristics such as explicit formalized goals, rigid rules and procedures, and cohesive work groups can replace formal leadership (see Exhibit 8-7). Recent research has supported the importance of ability and intrinsic satisfaction in considering performance outcomes.³⁰

Can You Be a Better Follower?

Thus far we have concentrated on how leaders must adapt their styles to the needs of their followers. This underscores the importance of the followers' role in the way leadership is exercised. Only recently have we begun to recognize that in addition to having leaders who can lead, successful organizations need followers who can follow.³¹ In fact, it's probably fair to say that all organizations have far more followers than leaders, so ineffective followers may be more of a handicap to an organization than ineffective leaders. The Far Side cartoon shown in Exhibit 8-8 gives you some indication of what can happen when someone finally realizes that he or she is "a follower, too."

An understanding of how to be a follower is important, because almost all roles in an organization require one to be a follower in some settings. Obviously lower-level employees are followers to their supervisors. But the supervisor is a follower to his or her manager, who is a follower to the CEO. The CEO in a public corporation is a follower to the board of directors. Even the best leaders have to be followers sometimes.

EXHIBIT 8-8**THE FAR SIDE**

By GARY LARSON



"Well, what d'ya know! . . . I'm a follower, too!"

Source: THE FAR SIDE copyright 1990 & 1991 Farworks, Inc./Dist. by Universal Press Syndicate. Reprinted with permission. All rights reserved.

What qualities do effective followers have? One writer focuses on four:³²

- *They manage themselves well.* They are able to think for themselves. They can work independently and without close supervision.
- *They are committed to a purpose outside themselves.* Effective followers are committed to something—a cause, a product, a work team, an organization, an idea—in addition to the care of their own lives. Most people like working with colleagues who are emotionally, as well as physically, committed to their work.
- *They build their competence and focus their efforts for maximum impact.* Effective followers master skills that will be useful to their organizations, and they hold higher performance standards than their jobs or work groups require.
- *They are courageous, honest, and credible.* Effective followers establish themselves as independent, critical thinkers whose knowledge and judgment can be trusted. They hold high ethical standards, give credit where credit is due, and are not afraid to own up to their mistakes.

These points suggest that there is a relationship between leadership and followership, and that taking responsibility for one's own behaviour is beneficial for both one's self and the organization.

INSPIRATIONAL LEADERSHIP

As people around the world watched the aftermath of Hurricane Katrina from the safety of their homes, many wondered, Why isn't anyone sending in food or water? The implicit question people were asking was, Why wasn't someone just taking charge and doing something rather than waiting for others to act? Both New Orleans mayor Ray Nagin and Louisiana governor Kathleen Blanco were quick to criticize President Bush, and the president's staff just as quickly tried to explain that it was not the role of the federal government to be the first responder. People who lead with vision do not wonder why someone else is not acting—rather, they make sure action is taken. Without pointing any fingers of blame, it is easy to see that in the early days after the levees broke, none of the official leaders was prepared to rise to the occasion and lead with vision. What does it take for a person to lead with vision? What characteristics does such a person need?

3 How does a leader lead with vision?

The leadership theories that we have discussed were developed at a time when most organizations were structured in traditional hierarchies where there were classic lines of command. While this form still dominates in Canada's "Most Respected Corporations,"³³ there are organizations trying to be innovative, faster moving, and more responsive to employees who are highly educated and intelligent, and who want more say in the workplace. Thus, new styles of leadership are evolving to meet the demands of these organizations. The more recent approaches to leadership move away from the supervisory tasks of leaders and focus on vision-setting activities. Today, leadership theories also try to explain how certain leaders can achieve extraordinary levels of performance from their followers, and they stress symbolic and emotionally appealing leadership behaviours.³⁴ In what follows we consider transactional leadership, transformational leadership, and charismatic leadership.

From Transactional to Transformational Leadership

Most of the leadership theories presented thus far in this chapter have concerned **transactional leaders**. Such leaders guide or motivate their followers in the direction of established goals by clarifying role and task requirements. In some styles of transactional leadership, the leader uses rewarding and recognizing behaviours. This approach results in performance that meets expectations, though rarely does one see results that

transactional leaders Leaders who guide or motivate their followers in the direction of established goals by clarifying role and task requirements.

exceed expectations.³⁵ In other styles of transactional leadership, the leader emphasizes correction and possible punishment rather than rewards and recognition. This style “results in performance below expectations, and discourages innovation and initiative in the workplace.”³⁶ Of course, leaders should not ignore poor performance, but effective leaders emphasize how to achieve expectations rather than dwell on mistakes.

Some leaders inspire followers to transcend their own self-interests for the good of the organization and have a profound and extraordinary effect on their followers. These are **transformational leaders**, such as Matthew Barrett, chairman of Barclays PLC, Britain’s second-largest bank, and formerly CEO of Bank of Montreal; Frank Stronach, chairman of the board of Aurora, Ontario-based Magna International; and Mogens Smed, CEO of Calgary-based DIRT (Doing It Right This Time) and former CEO of SMED International. Other Canadians who have frequently been cited as charismatic leaders include René Lévesque, Quebec premier; Lucien Bouchard, former Bloc Québécois leader; Michaëlle Jean, Governor General; Pierre Trudeau, prime minister; and Craig Kielburger, the Canadian teenager who founded Free The Children to promote children’s rights and combat exploitation of child labour. What links these individuals is that they pay attention to the concerns and developmental needs of individual followers. Transformational leaders change followers’ awareness of issues by helping them look at old problems in new ways, and they are able to excite, arouse, and inspire followers to exert extra effort to achieve group goals.³⁷

Transformational leadership is sometimes identified separately from **charismatic leadership** in the literature, although McGill’s Kanungo notes that the two formulations do not differ in that charismatic leaders are also transformational leaders. Relying on his judgment, we use the two concepts interchangeably. As Kanungo notes, the charismatic leader “critically examines the status quo with a view to developing and articulating future strategic goals or vision for the organization and then leading organizational members to achieve these goals through empowering strategies.”³⁸ While not all transformational leaders are charismatic in personality, both transformational and charismatic leaders work to empower their followers to reach higher goals.

Transactional and transformational leadership should not be viewed as opposing approaches to getting things done.³⁹ Transformational leadership is built *on top of* transactional leadership—it produces levels of employee effort and performance that go beyond what would occur with a transactional approach alone. Exhibit 8-9 on page 270 outlines the difference between transactional and transformational (or charismatic) leaders. Would you be able to be a charismatic leader? We give you tips in this chapter’s *From Concepts to Skills* on pages 291.

While the idea of charismatic leadership was developed based on North American observations, professors Dale Carl of the School of Business Management at Ryerson University and Mansour Javidan at the University of Calgary also sug-

transformational leaders

Leaders who inspire followers to go beyond their own self-interests for the good of the organization and have a profound and extraordinary effect on their followers.

charismatic leadership

Leadership that critically examines the status quo with a view to developing and articulating future strategic goals or vision for the organization, and then leading organizational members to achieve these goals through empowering strategies.

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due to
copyright
restrictions.

Through his charismatic leadership, Steve Jobs achieved unwavering loyalty and commitment from the technical staff he oversaw at Apple Computer during the late 1970s and early 1980s. However, as the company grew, this style was less effective, and he was forced out of Apple in 1985. In 1996, with Apple doing poorly, Jobs was brought back to lead the company once again with his vision and charisma. With such innovations as the iPod and the iPod shuffle, Jobs’ visionary leadership continues to make Apple successful.

EXHIBIT 8-9 Characteristics of Transactional and Transformational Leaders**Transactional Leader**

Contingent rewards: 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 corrective action.

Management by exception (passive): Intervenes only if standards are not met.

Laissez-faire: Abdicates responsibilities, avoids making decisions.

Transformational Leader

Charisma: Provides vision and sense of mission, instills pride, gains respect and trust.

Inspiration: 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: B. M. Bass, "From Transactional to Transformational Leadership: Learning to Share the Vision," *Organizational Dynamics*, Winter 1990, p. 22. Reprinted by permission of the publisher. American Management Association, New York. All rights reserved.

gest that charismatic leadership is expressed as relatively similar in a variety of countries, including Canada, Hungary, India, Turkey, Austria, Singapore, Sweden, and Venezuela.⁴⁰ This finding indicates that there may be some universal aspects of this style of leadership.

Sharing a Vision

Perhaps one of the key components of charismatic leadership is the ability to articulate a vision. A review of various definitions finds that a vision differs from other forms of direction setting in several ways:

*A vision has clear and compelling imagery that offers an innovative way to improve, which recognizes and draws on traditions, and connects to actions that people can take to realize change. Vision taps people's emotions and energy. Properly articulated, a vision creates the enthusiasm that people have for sporting events and other leisure-time activities, bringing the energy and commitment to the workplace.*⁴¹

The key properties of a vision seem to be inspirational possibilities that are value-centered and realizable, with superior imagery and articulation.⁴² Visions should be able to create possibilities that are inspirational and unique, and offer a new order that can produce organizational distinction. A vision is likely to fail if it does not offer a view of the future that is clearly and demonstrably better for the organization and its members. Desirable visions fit the times and circumstances and reflect the uniqueness of the organization. People in the organization must also believe that the vision is attainable. It should be perceived as challenging yet doable. Visions that have clear articulation and powerful imagery are more easily grasped and accepted. *Case Incident—Anne Mulcahy at Xerox* on the CD-ROM that accompanies this textbook discusses how visionary leadership helped turn Xerox around.

**RESEARCH FINDINGS Charismatic Leadership**

A number of studies demonstrate the effectiveness of charismatic and transformational leadership.⁴³ We consider the impact of this leadership style on company performance and individual performance.

Company Performance Do vision and charismatic leadership really make a difference? Several studies provide positive evidence that they do:

- One study contrasted 18 visionary companies with 18 comparable nonvisionary firms over a 65-year period.⁴⁴ The visionary companies performed 6 times better than the comparison group, based on standard financial criteria, and their stocks performed 15 times better than the general market.
- In a study of 250 executives and managers at a major financial services company, Jane Howell (at the Richard Ivey School of Business at the University of Western Ontario) and her colleagues found that “transformational leaders had 34 percent higher business unit performance results than other types of leaders.”⁴⁵
- An unpublished study by Robert House and some colleagues of 63 American and 49 Canadian companies (including Nortel Networks, Molson, Gulf Canada [now ConocoPhillips], and Manulife Financial) found that “between 15 and 25 percent of the variation in profitability among the companies was accounted for by the leadership qualities of their CEO.”⁴⁶ That is, charismatic leaders led more profitable companies in the 1990s. This may explain the high compensation packages for CEOs that we discussed in Chapter 4.

Individual Performance An increasing body of research shows that people working for charismatic leaders are motivated to exert extra work effort and, because they like their leaders, they express greater satisfaction.⁴⁷

To learn more about how to be transformational/charismatic yourself, see the *Working With Others Exercise* on page 287.

The evidence supporting the superiority of transformational leadership over the transactional variety is overwhelmingly impressive. For instance, a number of studies of US, Canadian, and German military officers found, at every level, that transformational leaders were evaluated as more effective than their transactional counterparts.⁴⁸ Managers at FedEx who were rated by their followers as exhibiting more transformational leadership were evaluated by their immediate supervisors as higher performers and more promotable.⁴⁹ Nevertheless, transformational leadership should be used with some caution in non-North American contexts, because its effectiveness may be affected by cultural values concerning leadership.⁵⁰

In summary, the overall evidence indicates that transformational leadership correlates more strongly than transactional leadership with lower turnover rates, higher productivity, and higher employee satisfaction.⁵¹ One caveat to this research is a study by Professor Timothy DeGroot of McMaster University and his colleagues. They found that charismatic leadership had a greater impact on team performance than on individual performance, and they suggest that the positive findings of previous studies are the result of charismatic leaders’ providing a better team environment for everyone, which then resulted in higher performance.⁵²

The Downside of Charismatic Leadership

When organizations are in need of great change, charismatic leaders are often able to inspire their followers to meet the challenges of change. Be aware that a charismatic leader may become a liability to an organization once the crisis is over and the need for dramatic change subsides.⁵³ Why? Because then the charismatic leader’s overwhelming self-confidence can be a liability. He or she is unable to listen to others, becomes uncomfortable when challenged by aggressive employees, and begins to hold an unjustifiable belief in his or her “rightness” on issues. Some would argue that Jean Chrétien’s behaviour leading up to his decision to announce that he would eventually step down as prime minister, thus preventing a divisive leadership review in February 2003, would fit this description.

Many have argued that the recent accounting scandals and high-profile bankruptcies facing North American companies, including Enron and WorldCom, point to some

of the dangers of charismatic leadership. WorldCom's Bernard Ebbers and Enron's Kenneth Lay "seemed almost a breed apart, blessed with unique visionary powers" when their companies were increasing stock prices at phenomenal rates in the 1990s.⁵⁴

Harvard Business School professor Rakesh Khurana argues that an inordinate number of today's chief executives have been "chosen for their ability to articulate messianic 'visions' for their companies; inspire employees to do whatever it takes to realize these grand designs; and imbue investors with faith in their own talents."⁵⁵ These traits, however, might have led to the corporate scandals that unfolded in recent years. Charismatic leadership, by its very nature, silences criticism. Thus, employees follow the lead of their visionary CEOs unquestioningly. Professor David Leighton, of the Richard Ivey School of Business at the University of Western Ontario, notes that even the boards of directors and auditors were reluctant to challenge these CEOs. He also suggests that Canada's "more balanced culture," which is less likely to turn CEOs into heroes, may help protect the country from some of the scandals that the United States faced.⁵⁶

Is Charismatic Leadership Always Necessary?

A recent study of 29 companies that went from good to great (their cumulative stock returns were all at least three times better than the general stock market over 15 years) found that a key difference in successful charismatic leaders may be the fact that they are not *ego-driven*.⁵⁷ Although the leaders of these firms were fiercely ambitious and driven, their ambition was directed toward their company rather than themselves. They generated extraordinary results, but with little fanfare or hoopla. They took responsibility for mistakes and poor results but gave credit for successes to other people. They also prided themselves on developing strong leaders inside the firm who could direct the company to greater heights after they were gone. These individuals have been called **level 5 leaders** because they have four basic leadership qualities—individual capability, team skills, managerial competence, and the ability to stimulate others to high performance—plus a fifth dimension: a paradoxical blend of personal humility and professional will. Level 5 leaders channel their ego needs away from themselves and into the goal of building a great company. So while level 5 leaders are highly effective, they tend to be people you have never heard of and who get little notoriety in the business press—people like Orin Smith at Starbucks, Kristine McDivitt of Patagonia, John Whitehead of Goldman Sachs, and Jack Brennan of Vanguard. This study is important because it confirms that leaders do not necessarily need to be charismatic to be effective, especially where charisma is enmeshed in an outsized ego.

The current mood seems to be for CEOs with less vision, and more ethical and corporate responsibility. It seems clear that future research on charismatic leadership will need to provide greater insight into how this style relates to ethical and business behaviour.

level 5 leaders Leaders who are fiercely ambitious and driven, but their ambition is directed toward their company rather than themselves.

DISPERSED LEADERSHIP: SPREADING LEADERSHIP THROUGHOUT THE ORGANIZATION

US Army Lieutenant General Russel Honoré was perhaps the first leader to inspire calm in New Orleans, as people struggled to get help and others struggled to help out.⁵⁸ Clear leadership, with clear statements of what people should do, had not come from the obvious leaders in the situation: President George W. Bush, Governor Kathleen Blanco, and Mayor Ray Nagin. While these latter were elected politicians, chosen by their constituents to lead them, Honoré had no direct connection to the people he was about to save. Instead, he was a no-nonsense military man. When he arrived on the scene in New Orleans, he did not wait to find out what the other leaders wanted him to do: He assessed the situation and made decisions about the best way to get things under control.

One of the major issues facing Honoré when he arrived in Louisiana was how to evacuate the Superdome, where more than 20 000 people had gone to the storm. Once there, they became stranded when the New Orleans levees broke. With no electricity, and little food and water, Mayor Nagin complained bitterly that no one was sending the buses needed to get the people relocated. Honoré's junior officers did not provide much hope that the job could be done quickly—they told him it would take days. Honoré was not prepared to wait that long, and 24 hours after he gave orders he managed to clear the Superdome and put people on buses to shelters in other states. How is it that people who are not officially in charge can also be effective leaders?

Transformational leadership theory focuses on heroic leaders, leaders in the top echelons of their organizations, and also on individuals rather than teams. The following sections aim to explain how leadership can be spread throughout an organization through mentoring and team leadership. Even if you are not a manager or someone thinking about leadership in a corporate situation, this discussion offers important insights into how you can take on a leadership role in an organization.

★ *Can anyone be a leader?*

Moreover, in today's flatter organizations, you may well be expected to show leadership characteristics, even if you are not a formal leader. The work of Lieutenant General Russel Honoré illustrates this point. Although he was a leader in the army, he had no formal authority to take charge in New Orleans. That was the job of politicians. Still, he saw what needed to be done and did it.

As you consider the ways that roles can spread to people who are not managers, be aware that not all organizations engage in this practice, and even within organizations, not all managers are happy with sharing their power with those under them. Gifted leaders often recognize that they actually have more power if they share power. That is, sharing power enables them to build coalitions and teams that work together for the overall good of the organization. There are other managers, though, who fear the loss of any power.

Mentoring

Many leaders create mentoring relationships. A **mentor** is often a senior employee who sponsors and supports a less-experienced employee (a protégé). The mentoring role includes coaching, counselling, and sponsorship.⁵⁹ As a coach, mentors help develop their protégés' skills. As counsellors, mentors provide support and help bolster protégés' self-confidence. And as sponsors, mentors actively intervene on behalf of their protégés, lobby to get their protégés visible assignments, and politic to get their protégés rewards such as promotions and salary increases.

Successful mentors are good teachers. They can present ideas clearly, listen well, and empathize with the problems of their protégés. They also share experiences with the protégés, act as role models, share contacts, and provide guidance through the political maze of the organization. They provide advice on how to survive and get ahead in the organization and act as a sounding board for ideas that protégés may be hesitant to share with their direct supervisor. Mentors vouch for a protégés, answer for them or in the highest circles within the organization, and makes appropriate introductions.

Some organizations have formal mentoring programs, in which mentors are officially assigned to new or high-potential employees. For instance, Montreal-based Bell Canada introduced Mentor Match in late 2002 to bring together senior and junior employees. The mentors meet one-on-one for about an hour a month, to build a stronger understanding of leadership and organizational knowledge for the younger employees.⁶⁰ However, in contrast to Bell Canada's formal system, most organizations rely on informal mentoring—with senior managers personally selecting employees as protégés or junior employees asking senior employees to mentor them.

4 Can a person be an informal leader?

mentor A senior employee who sponsors and supports a less-experienced employee.

Bell Canada
www.bell.ca

The most effective mentoring relationships exist outside the immediate boss–subordinate interface.⁶¹ The boss–subordinate context has an inherent conflict of interest and tension, mostly attributable to managers' direct evaluation of the performance of subordinates, that limits openness and meaningful communication.

Why would a leader want to be a mentor? There are personal benefits to the leader as well as benefits for the organization. The mentor–protégé relationship gives the mentor unfiltered access to the attitudes and feelings of lower-ranking employees. Protégés can be an excellent source of information on potential problems; they can provide early warning signals to upper managers because they short-circuit the formal channels. So the mentor–protégé relationship is a valuable communication channel that allows mentors to learn about problems before they become common knowledge to others in upper management. In addition, in terms of leader self-interest, mentoring can provide personal satisfaction to senior executives. It gives them the opportunity to share with others the knowledge and experience that they have developed over many years.

From the organization's standpoint, mentoring provides a support system for high-potential employees. Where mentors exist, protégés are often more motivated, better grounded politically, and less likely to quit. A recent comprehensive review of the research, for instance, found that mentoring provided substantial benefits to protégés.⁶² Specifically, mentored employees had higher compensation, a larger number of promotions, and were more satisfied with their careers than their nonmentored counterparts.

Are all employees in an organization equally likely to participate in a mentoring relationship? Unfortunately the answer is no.⁶³ The evidence indicates that minorities and women are less likely to be chosen as protégés than are white males and thus they are less likely to accrue the benefits of mentorship. Mentors tend to select protégés who are similar to themselves in criteria such as background, education, gender, race, ethnicity, and religion. "People naturally move to mentor and can more easily communicate with those with whom they most closely identify."⁶⁴

In a twist to the typical mentoring-down idea, Procter & Gamble introduced a Mentoring Up program to help senior managers become more aware of what female managers can contribute to the organization. In its program, mid-level female managers mentor senior-level male executives. The program has led to fewer departures of female managers and has exposed women to top decision makers.⁶⁵

Coaching

A number of organizations have introduced coaching, which is different from mentoring. "Mentoring, at its best, involves a longer term relationship in which there is an emotional attachment between mentor and protégé."⁶⁶ By contrast, coaching is often more task oriented and short term. Coaching is used by senior and middle managers in particular, although other managers use coaching as part of their leadership style. A good coach

- Emphasizes self-development and self-discovery of the person being coached
- Offers the person being coached constructive feedback on how to improve
- Meets regularly with the person being coached
- Is a good listener
- Challenges the person being coached to perform
- Sets realistic standards for the person being coached to achieve.⁶⁷

Providing Team Leadership

Increasingly leadership is taking place within a team context. As teams grow in popularity, the role of the leader in guiding team members takes on more importance.⁶⁸ Also, because of its more collaborative nature, the role of team leader differs from the tradi-

tional leadership role performed by front-line supervisors.

Many leaders are not equipped to handle the move to team leader. As one prominent consultant noted, “Even the most capable managers have trouble making the transition because all the command-and-control type things they were encouraged to do before are no longer appropriate. There’s no reason to have any skill or sense of this.”⁶⁹ This same consultant estimated that “probably 15 percent of managers are natural team leaders; another 15 percent could never lead a team because it runs counter to their personality. [They are unable to put aside their dominating style for the good of the team.] Then there’s that huge group in the middle: team leadership doesn’t come naturally to them, but they can learn it.”⁷⁰

Effective team leaders need to build commitment and confidence, remove obstacles, create opportunities, and be part of the team.⁷¹ They have to learn skills such as the patience to share information, the willingness to trust others, the ability to give up authority, and an understanding of when to intervene. New team leaders may try to retain too much control at a time when team members need more autonomy, or they may abandon their teams at times when the teams need support and help.⁷²

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After Hurricane Katrina devastated many areas of the southern United States, the Vancouver Urban Search and Rescue Team sent a group of 46 men to help with evacuations. The team is a self-contained unit that can bring all of its own supplies to a disaster area, in addition to supplies to help out others. The team members were the first rescuers to get to St. Bernard Parish in New Orleans. They received great praise for their team leadership in helping Americans in a time of real need.

Roles of Team Leaders

A recent study of 20 organizations that reorganized themselves around teams found certain common responsibilities that all leaders had to assume. These included coaching, facilitating, handling disciplinary problems, reviewing team/individual performance, training, and communicating.⁷³ Many of these responsibilities apply to managers in general. A more meaningful way to describe the team leader’s job is to focus on two priorities: managing the team’s relations with outsiders and facilitating the team process.⁷⁴ We have divided these priorities into four specific roles that team leaders play:

- *Liaisons with outsiders.* Outsiders include upper management, other internal teams, customers, and suppliers. The leader represents the team to other constituencies, secures needed resources, clarifies others’ expectations of the team, gathers information from the outside, and shares this information with team members.
- *Troubleshooters.* When the team has problems and asks for assistance, team leaders sit in on meetings and try to help resolve the problems. This rarely relates to technical or operational issues because the team members typically know more about the tasks being done than does the team leader. The leader contributes by asking penetrating questions, by helping the team discuss problems, and by getting needed resources from external constituencies. For instance, when a team in an aerospace firm found itself short-handed, its team leader took responsibility for getting more staff. He presented the team’s case to upper management and got the approval through the company’s human resource department.

- *Conflict managers.* When disagreements surface, team leaders help process the conflict. What is the source of the conflict? Who is involved? What are the issues? What resolution options are available? What are the advantages and disadvantages of each? By getting team members to address questions such as these, the leader minimizes the disruptive aspects of intrateam conflicts.
- *Coaches.* They clarify expectations and roles, teach, offer support, cheerlead, and do whatever else is necessary to help team members improve their work performance.

LEADING ONE'S SELF

When the death toll after Hurricane Katrina was around 900 in New Orleans and 1100 overall, rather than the tens of thousands officials had feared at the start of the catastrophe, most people breathed a sigh of relief. What kept the toll so low? Two factors were largely responsible. First, people took charge of themselves and their families, doing what they could to get themselves evacuated before the storm hit. People also did what they could to help others evacuate—making it their own responsibility to help their poor, sick, and elderly neighbours move to safety. That the death toll was so low illustrates the importance of individuals' taking leadership responsibility when the situation demands. So, how can individuals practise leadership on a daily basis even if they do not hold official positions of leadership?

5 What is self-leadership?

Thus far we have discussed the role of leadership as if it were mainly a one-way street: Leadership is something someone at the top does and, one hopes, those at the bottom—the followers—follow. However, there are two provocative issues for you to consider when thinking about leadership. The first is the issue of self-leadership, or taking responsibility for your own actions. The second is learning how to be a leader, even if only in small areas of your work or personal life.

Exhibit 8-10 on page 277 gives a lighthearted look at what it means to be a team leader.

Self-Leadership (or Self-Management)

★ *How do you manage yourself?*

A growing trend in organizations is the focus on self-leadership, or self-management.⁷⁵ With self-leadership, individuals and teams set goals, plan and implement tasks, evaluate performance, solve their own problems, and motivate themselves. Several factors call for self-leadership: reduced levels of supervision, more offices in the home, more teamwork, and growth in service and professional employment where individuals are often required to make decisions on the spot. Following from our previous discussion of substitutes for leadership, self-management can also be a substitute or neutralizer for leadership from others.

Despite the lack of studies of self-leadership techniques in organizational settings, self-leadership strategies have been shown to be successful in nonorganizational settings.⁷⁶ Those who practise self-leadership look for opportunities to be more effective in the workplace and improve their career success. Their behaviour is self-reinforced—that is, they provide their own sense of reward and feedback after carrying out their accomplishments. Moreover, self-reinforced behaviour is often maintained at a higher rate than behaviour that is externally regulated.⁷⁷

What does self-leadership look like? Though “individuals in organizations are regularly taught how to lead subordinates, groups, and even organizations, they rarely receive instruction on how to lead themselves.”⁷⁸ Few empirical studies of this kind have been carried out in the workplace,⁷⁹ but a 1999 study of 305 managers at a large retailing organization in the Midwestern United States identified four behaviours that can be considered

EXHIBIT 8-10



Source: DILBERT reprinted by permission of United Features Syndicate, Inc.

self-leadership: *planning, access management, catch-up activities, and emotions management.*⁸⁰ The *Learning About Yourself Exercise* on page 286 describes these behaviours in greater detail.

How do leaders create self-leaders? The following have been suggested:⁸¹

- *Model self-leadership.* Practise self-observation, setting challenging personal goals, self-direction, and self-reinforcement. Then display these behaviours and encourage others to rehearse and then produce them.
- *Encourage employees to create self-set goals.* Support employees in developing quantitative, specific goals; having such goals is the most important part of self-leadership.
- *Encourage the use of self-rewards to strengthen and increase desirable behaviours.* By contrast, limit self-punishment only to occasions when the employee has been dishonest or destructive.
- *Create positive thought patterns.* Encourage employees to use mental imagery and self-talk to further stimulate self-motivation.
- *Create a climate of self-leadership.* Redesign the work to increase the natural rewards of a job and focus on these naturally rewarding features of work to increase motivation.
- *Encourage self-criticism.* Encourage individuals to be critical of their own performance.

The underlying assumptions of self-leadership are that people are responsible, capable, and able to exercise initiative without the external constraints of bosses, rules, or regulations. Given the proper support, individuals can monitor and control their own behaviour. Self-leadership is different from empowerment in that empowerment creates the conditions to make decisions. Self-leadership is far more extensive than empowerment in what employees accomplish, because self-leaders also set their own goals.

Leading Without Authority

We have discussed how to be a follower and how to manage yourself, but what if your goal is to be a leader, even if you do not have the authority (or formal appointment) to be one? For instance, what if you wanted to convince the dean of your school to introduce new business courses that were more relevant, or you wanted to convince the president of the company where you work that she should start thinking about more

environmentally friendly strategies in dealing with waste? How do you effectively lead in a student group, in which everyone is a peer?

Leadership at the grassroots level in organizations does happen. Harvard Business School professor Rosabeth Moss Kanter discusses examples of people who saw something in their workplace that needed changing and took the responsibility to do so upon themselves in her book *The Change Masters*.⁸² Employees were more likely to take on extra responsibility when organizations permitted initiative at all levels of the organization rather than making it a tool of senior executives only.

Leading without authority simply means exhibiting leadership behaviour even though you do not have a formal position or title that might encourage others “to obey.” Neither Martin Luther King Jr. nor Mahatma Gandhi operated from a position of authority, yet each was able to inspire many to follow him in the quest for social justice. The workplace can be an opportunity for leading without authority as well. As Ronald Heifetz of Harvard’s Kennedy School of Government notes, “leadership means taking responsibility for hard problems beyond anyone’s expectations.”⁸³ It also means not waiting for the coach’s call.⁸⁴

What are the benefits of leading without authority? Heifetz has identified three:⁸⁵

- *Latitude for creative deviance.* Because one does not have authority and the trap-pings that go with authority, it is easier to raise harder questions and look for less traditional solutions.
- *Issue focus.* Leading without authority means that one can focus on a single issue, rather than be concerned with the great number of issues that those in authority face.
- *Front-line information.* Leading without authority means that one is closer to the detailed experiences of some of the stakeholders, such as co-workers. Thus more information is available to this kind of leader.

Not all organizations will support this type of leadership, and some have been known to actively suppress it. Still others will look aside, neither encouraging nor discouraging it. Nevertheless, you may want to reflect on the possibility of engaging in leadership behaviour simply because you see a need rather than because you are required to act.

CONTEMPORARY ISSUES IN LEADERSHIP

Louisiana governor Kathleen Blanco found herself under severe criticism when the state seemed to have greater difficulties with its emergency evacuation plans compared with two other states hit by Hurricane Katrina: Mississippi and Alabama (states led by men).⁸⁶ Michael Brown, then director of the Federal Emergency Management Agency (FEMA), even described Blanco’s response to the disaster as “confused” compared with the governors of the two other states.

In the early days after the levees broke, Blanco expressed some frustration that aides to President George W. Bush did not seem to respond to her pleas for help in a timely manner. FEMA director Brown asked her: “What do you need? Help me help you.” Blanco’s communications director, Robert Mann, said Blanco could not believe that FEMA could not anticipate some of the state’s needs. “It was like walking into an emergency room bleeding profusely and being expected to instruct the doctors how to treat you,” he said. Could gender differences in leadership styles and communication have played any role in how the reactions to Hurricane Katrina played out?

6 What are some of the contemporary issues in leadership?

Is there a moral dimension to leadership? Do men and women rely on different leadership styles, and if so, is one style inherently superior to the other? What are the challenges of online leadership? In this section, we briefly address these contemporary issues in leadership.

Is There a Moral Dimension to Leadership?

The topic of leadership and ethics has received surprisingly little attention. Only very recently have ethicists and leadership researchers begun to consider the ethical implications in leadership.⁸⁷ Why now? One reason may be the growing general interest in ethics throughout the field of business. Another reason may be the discovery by probing biographers that some of our past leaders suffered from ethical shortcomings. Regardless, no contemporary discussion of leadership is complete without addressing its ethical dimension.

Ethics relates to leadership in a number of ways. Transformational leaders, for instance, have been described by one authority as encouraging moral virtue when they try to change the attitudes and behaviours of followers.⁸⁸ Charisma, too, has an ethical component. Unethical leaders are more likely to use their charisma to enhance power over followers, directed toward self-serving ends. We prefer to believe that ethical leaders use their charisma in a socially constructive way to serve others.⁸⁹ Consider, too, the issue of abuse of power by leaders—for example, when they give themselves large salaries and bonuses while also trying to cut costs by laying off long-time employees.

Leadership effectiveness needs to address the means that a leader uses in trying to achieve goals, as well as the content of those goals. For instance, at Enron, employees were driven by the top executives to keep Enron stock prices up, at whatever cost. “The driver was this unbelievable desire to keep portraying Enron as something very different and keep the track record going and going,” said Forrest Hoglund, who ran Enron’s oil and gas exploration until 1999.⁹⁰ To achieve these goals, executives inflated revenues and hid debts. CEO and chair Kenneth Lay thus led his subordinates to achieve stock price goals no matter how this was accomplished. Anyone who questioned what the company was doing was ignored or dismissed.

Ethical leadership must also address the content of a leader’s goals. Are the changes that the leader seeks for the organization morally acceptable? Is a business leader effective if he or she builds an organization’s success by selling products that damage the health of their users, such as tobacco executives have done. Is a military leader successful when winning a war that should not have been fought in the first place?

Professor James Clawson of the Darden Graduate School of Business, University of Virginia, suggests that there are four cornerstones to a “moral foundation of leadership”:⁹¹

- *Truth telling.* Leaders who tell the truth as they see it allow for a mutual, fair exchange to occur.
- *Promise keeping.* Leaders need to be careful about the commitments they make, and then careful to keep those commitments.
- *Fairness.* Leaders who are equitable ensure that followers get their fair share for their contributions to the organization.
- *Respect for the individual.* Leaders who tell the truth, keep promises, and are fair show respect for followers. Respect means treating people with dignity.

Moral leadership comes from within the individual, and in general means treating people well, and with respect. This chapter’s *Ethical Dilemma Exercise* on page 287–288 raises some provocative issues about whether we should consider just the ends toward which a leader strives, or the means as well.

Gender: Do Men and Women Lead Differently?

An extensive review of the literature suggests two conclusions.⁹² First, the similarities between male and female leaders tend to outweigh the differences. Second, what differences there are seem to be that women fall back on a more democratic leadership style while men feel more comfortable with a directive style.

George Cooke, CEO of Toronto-based Dominion of Canada General Insurance, believes in promoting women to senior positions. He is noteworthy for this: Dominion is well above the national average in the percentage of women who have made it to the executive ranks of Canada's top companies.

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The similarities among men and women leaders should not be completely surprising. Almost all the studies looking at this issue have treated managerial positions as synonymous with leadership roles. Both male and female managers have characteristics that set them apart from the general population. Just as people who choose careers in law enforcement or civil engineering have a lot in common, so do individuals who choose managerial careers. People with traits associated with leadership—such as intelligence, confidence, and sociability—are more likely to be perceived as leaders and encouraged to pursue careers where they can exert leadership. This is true regardless of gender. Similarly, organizations tend to recruit and promote people who project leadership attributes into leadership positions. The result is that, regardless of gender, those who achieve formal leadership positions in organizations tend to be more alike than different.

Despite the previous conclusion, studies indicate some differences in the inherent leadership styles of women and men. A recent Conference Board of Canada study found that “women are particularly strong in managing interpersonal relationships and their approach is more consensual.”⁹³ Other studies have shown that women tend to adopt a style of shared leadership. They encourage participation, share power and information, and try to enhance followers’ self-worth. They prefer to lead through inclusion and rely on their charisma, expertise, contacts, and interpersonal skills to influence others. Men, on the other hand, are more likely to use a directive command-and-control style. They rely on the formal authority of their position for their influence base.

Given that men have historically held the great majority of leadership positions in organizations, it is tempting to assume that the differences noted between men and women would automatically work to favour men. They do not. In today’s organizations, flexibility, teamwork, trust, and information sharing are replacing rigid structures, competitive individualism, control, and secrecy. The best leaders listen, motivate, and provide support to their people. Many women seem to do those things better than men. As a specific example, the expanded use of cross-functional teams in organizations means that effective leaders must become skilled negotiators. The leadership styles women typically use can make them better at negotiating, as they are less likely than men to focus on wins, losses, and competition. They tend to treat negotiations in the context

EXHIBIT 8-11 Where Female Managers Do Better: A Scorecard

None of the five studies set out to find gender differences. They stumbled on them while compiling and analyzing performance evaluations.

Skill (Each check mark denotes which group scored higher on the respective studies.)	MEN	WOMEN
Motivating others		✓✓✓✓✓
Fostering communication		✓✓✓✓*
Producing high quality work		✓✓✓✓✓
Strategic planning	✓✓	✓✓*
Listening to others		✓✓✓✓✓
Analyzing issues	✓✓	✓✓*

* In one study, women's and men's scores in these categories were statistically even.

Data: Hagberg Consulting Group, Management Research Group, Lawrence A. Pfaff, Personnel Decisions International Inc., Advanced Teamware Inc.

Source: R. Sharpe, "As Leaders, Women Rule," *BusinessWeek*, November 20, 2000, p. 75. Reprinted by permission of Business Week.

of a continuing relationship—trying hard to make the other party a winner in his or her own and others' eyes.

Although it's interesting to see how men's and women's leadership styles differ, a more important question is whether they differ in effectiveness. Although some researchers have shown that men and women tend to be equally effective as leaders,⁹⁴ an increasing number of studies have shown that women executives, when rated by their peers, employees, and bosses, score higher than their male counterparts in a wide variety of measures, including getting extra effort from subordinates and overall effectiveness in leading. Subordinates also report more satisfaction with the leadership given by women.⁹⁵ See Exhibit 8-11 for a scorecard on where female managers do better, based on a summary of five studies. Why these differences? One possible explanation is that in today's organizations, flexibility, teamwork and partnering, trust, and information sharing are rapidly replacing rigid structures, competitive individualism, control, and secrecy. In these types of workplaces, effective managers must use more social and interpersonal behaviours. They must listen, motivate, and provide support to their people. They must inspire and influence rather than control. Women seem to do those things better than men.⁹⁶

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Emmie Wong Leung, founder and CEO of International Paper Industries (IPI) of North Vancouver, which collects, processes, and sells waste paper to offshore buyers, has been exporting to the United States, Hong Kong, Japan, China, the Philippines, India, and Indonesia for more than 20 years. She says: "I think an old-boys' network operates all over the world, but you can get them to accept you."

What Are the Challenges of Online Leadership?

Organizations are facing more telecommuting by employees, more contracting out, more mergers, and increasing globalization. Students often take courses online. It is becoming more common, then, that the person doing the leading is not necessarily in the same building, let alone the same organization or country, as the person being led.

How do you lead people who are physically separated from you and for whom interactions are basically reduced to written digital communications? This is a question that, to date, has received minimal attention from organizational behaviour researchers.⁹⁷ Leadership research has been directed almost exclusively to face-to-face and verbal situations. But we cannot ignore the reality that today's managers and employees are increasingly linked by networks rather than by geographical proximity. Obvious examples include co-workers who regularly use email to communicate with each other, managers who oversee virtual projects or teams, and students who take courses online.

If leadership is important for inspiring and motivating dispersed employees, we need to offer some guidance on how leadership might function in this context. Keep in mind, however, that there is limited research on this topic. So our intention here is not to provide you with definitive guidelines for leading online. Rather, it's to introduce you to an increasingly important issue and to get you to think about how leadership changes when relationships are defined by network interactions.

In face-to-face communications, harsh words can be softened by nonverbal action. A smile and comforting gestures, for instance, can lessen the blow behind strong words like *disappointed*, *unsatisfactory*, *inadequate*, or *below expectations*. That nonverbal component does not exist with online interactions. The *structure* of words in a digital communication has the power to motivate or demotivate the receiver.

Leaders need to be sure the *tone* of their email correctly reflects the emotions they want to send. Is the message formal or informal? Does it match the verbal style of the sender? Does it convey the appropriate level of importance or urgency? The fact that many people's writing styles are very different from their interpersonal styles is certainly a potential problem.

Jane Howell at the Richard Ivey School of Business, University of Western Ontario, and one of her former students, Kate Hall-Merenda, have considered the issues of leading from a distance.⁹⁸ They note that physical distance can create many potential problems, with employees feeling isolated, forgotten, and perhaps not cared about. It may result in lowered productivity. Their study of 109 business leaders and 371 followers in a large financial institution found that physical distance makes it more difficult for managers and employees to develop high-quality relationships.

Howell and Hall-Merenda suggest that some of the same characteristics of transformational leaders are appropriate for long-distance managing. In particular, they emphasize the need to articulate a compelling vision to employees and to communicate that vision in an inspiring way. Encouraging employees to think about ways to strive toward that vision is another important task of the leader. Their research also indicates that communication does not have to be done face to face as long as the vision is communicated clearly in some fashion.

This discussion leads us to the tentative conclusion that, for an increasing number of managers, good interpersonal skills may include the ability to communicate support and leadership through written words on a computer screen and to read emotions in others' messages. In this "new world" of communications, writing skills are likely to become an extension of interpersonal skills.

SUMMARY AND IMPLICATIONS

SNAPSHOT SUMMARY

1 Are Managers and Leaders the Same?

- 1 **What is the difference between a manager and a leader?** Managers promote stability, while leaders press for change. Leaders provide vision and strategy; managers implement that vision and strategy, coordinate and staff the organization, and handle day-to-day problems.
- 2 **Are there specific traits, behaviours, and situations that affect how one leads?** Early leadership theories were concerned with supervision and sought to find out

if there were ways to identify leaders. Trait theories examined whether any traits were universal among leaders. While there are some common traits, leaders are more different than the same in terms of traits. Emotional intelligence is one of the few traits that has been found to be extremely important for leadership success. Other research has tried to discover whether some behaviours create better leaders than others. The findings were mixed, suggesting that leaders need to be both task oriented and people oriented. The mixed findings led researchers to contingency theories that consider the effect of the situations in which leadership is applied. This research tells us that leaders need to adjust their behaviours, depending on the situation and the needs of employees. Contingency theories were an important contribution to the study of leadership.

- 3 **How does a leader lead with vision?** The more recent approaches to leadership move away from the supervisory tasks of leaders and focus on vision-setting activities. These theories try to explain how certain leaders can achieve extraordinary performance levels from their followers, and they stress symbolic and emotionally appealing leadership behaviours. These leaders, known as *charismatic* or *transformational leaders*, inspire followers to go beyond their own self-interests for the good of the organization.
- 4 **Can a person be an informal leader?** There are several approaches to being a leader even if one does not hold a formal position of leadership. Mentoring is one way to be an informal leader. Mentors sponsor and support less-experienced employees, coaching and counselling them about their jobs. A person can also act as an informal leader on a team.
- 5 **What is self-leadership?** With self-leadership, individuals and teams set goals, plan and implement tasks, evaluate performance, solve their own problems, and motivate themselves. The supervisor plays a much-reduced role. Self-leadership can also include leadership at the grassroots level in an organization, where one does not have actual authority. Leading without authority simply means exhibiting leadership behaviour even though you do not have a formal position or title that might encourage others “to obey.”
- 6 **What are some of the contemporary issues in leadership?** One of the major issues in leadership today is whether there is a moral dimension to leadership. Moral leadership comes from within the individual, and, in general, means treating people well and with respect. Another hot issue in leadership is the question of whether men and women use different leadership styles, and, if that is the case, whether one style is inherently superior to the other. The literature suggests two conclusions. First, the similarities between men and women tend to outweigh the differences. Second, what differences there are seem to relate to women’s falling back on a more democratic leadership style and men’s feeling more comfortable with a directive style. Yet another interesting issue in leadership is providing leadership online. Leadership demands are different when one does not have the opportunity for face-to-face interaction. For an increasing number of leaders, good interpersonal skills may include the ability to communicate support and leadership through written words on a computer screen and to read emotions in others’ messages.

- 2 **Leadership as Supervision**
 Trait Theory: Are Leaders Different from Others?
 Behavioural Theories: Do Leaders Behave in Particular Ways?
 Contingency Theories: Does the Situation Matter?
 Can You Be a Better Follower?
- 3 **Inspirational Leadership**
 From Transactional to Transformational Leadership
- 4 **Dispersed Leadership: Spreading Leadership Throughout the Organization**
 Mentoring
 Providing Team Leadership
- 5 **Leading One’s Self**
 Self-Leadership (or Self-Management)
 Leading Without Authority
- 6 **Contemporary Issues in Leadership**
 Is There a Moral Dimension to Leadership?
 Gender: Do Men and Women Lead Differently?
 What Are the Challenges of Online Leadership?

For Review

1. Trace the development of leadership research.
2. Describe the strengths and weaknesses of trait theories of leadership.
3. What is the Leadership Grid? Contrast its approach to leadership with the approaches of the Ohio State and Michigan studies.
4. What are the contingency variables in path-goal theory?
5. When might leaders be irrelevant?
6. What characteristics define an effective follower?
7. What are the differences between transactional and transformational leaders?
8. Describe the strengths and weaknesses of a charismatic leader.
9. What is moral leadership?
10. Why do you think effective female and male managers often exhibit similar traits and behaviours?

For Critical Thinking

1. Reconcile path-goal theory and substitutes for leadership.
2. What kind of activities could a full-time college or university student pursue that might lead to the perception that he or she is a charismatic leader? In pursuing those activities, what might the student do to enhance this perception?
3. Based on the low representation of women in upper management, to what extent do you think that organizations should actively promote women into the senior ranks of management?
4. Is there an ethical problem if leaders focus more on looking like leaders than actually being leaders? Discuss.
5. "Leaders make a real difference in an organization's performance." Build an argument in support of this statement. Then build an argument against this statement.

OB for You

- It is easy to imagine that theories of leadership are more important to those who are leaders or who plan in the near future to become leaders. However, leadership opportunities occur throughout an organization. You have no doubt seen student leaders who did not necessarily have any formal authority be extremely successful.
- Leaders are not born. They learn how to lead by paying attention to situations and what needs to be done.
- There is no one best way to lead. It is important to consider the situation and the needs of the people who will be led.
- Sometimes no leader is needed—the individuals in the group simply work well enough together that each takes turns at leadership without appointing a formal leader.



POINT

Leadership Is Culturally Bound

Leaders must adapt their styles to different national cultures. What works in China is not likely to work in Canada or France.⁹⁹ Can you imagine, for instance, executives at a large department store chain in Canada, such as The Bay, being effective by humiliating their employees? But that approach works at the Asia Department Store in central China.¹⁰⁰ Executives there blatantly brag about practising “heartless” management, requiring new employees to undergo two to four weeks of military-type training in order to increase their obedience, and conducting the store’s in-house training sessions in a public place where employees can openly suffer embarrassment from their mistakes.

National culture affects leadership style by way of the follower. Leaders cannot choose their styles at will. They are constrained by the cultural conditions that their followers have come to expect. For instance, Korean leaders are expected to be paternalistic toward employees; Arab leaders who show kindness or generosity without being asked to do so are seen by other Arabs as weak; and Japanese leaders are expected to be humble and speak infrequently.¹⁰¹

Consistent with the contingency approach, leaders need to adjust their styles to the unique cultural aspects of a country. For example, a manipulative or autocratic style is compatible with high power distance, and we find high power distance scores in Russia and Spain, and Arab, Far Eastern, and most Latin countries. Power distance rankings should also be good indicators of employee willingness to accept participative leadership. Participation is likely to be most effective in low power distance cultures as exist in Norway, Finland, Denmark, and Sweden.



COUNTERPOINT

Leadership Transcends Culture

The GLOBE research program, which we introduced in Chapter 3, has gathered data on approximately 18 000 middle managers in 825 organizations, covering 62 countries. It is the most comprehensive cross-cultural study of leadership ever undertaken. So its findings should not be quickly dismissed. It is illuminating that one of the results coming from the GLOBE study is that there are some universal aspects to leadership. Specifically, a number of the elements making up transformational leadership appear to be associated with effective leadership regardless of what country the leader is in.¹⁰² This conclusion is very important because it flies in the face of 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. The results led two members of the GLOBE team to conclude 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.”¹⁰³

What might explain the universal appeal of these transformational leader attributes? It has been suggested that pressures toward common technologies and management practices, as a result of global competition and multinational influences, may make some aspects of leadership universally accepted. If this is true, we may be able to select and train leaders in a universal style and thus significantly raise the quality of leadership worldwide.

LEARNING ABOUT YOURSELF EXERCISE

Are You a Self-Manager?

To determine your self-management initiative, rate each of the following items, from 1 (“Never Do This”) to 7 (“Always Do This”).

	Never Do This				Always Do This		
Planning							
1. I plan out my day before beginning to work.	1	2	3	4	5	6	7
2. I try to schedule my work in advance.	1	2	3	4	5	6	7
3. I plan my career carefully.	1	2	3	4	5	6	7
4. I come to work early to plan my day.	1	2	3	4	5	6	7
5. I use lists and agendas to structure my workday.	1	2	3	4	5	6	7
6. I set specific job goals on a regular basis.	1	2	3	4	5	6	7
7. I set daily goals for myself.	1	2	3	4	5	6	7
8. I try to manage my time.	1	2	3	4	5	6	7
Access Management							
1. I control the access subordinates have to me in order to get my work done.	1	2	3	4	5	6	7
2. I use a special place at work where I can work uninterrupted.	1	2	3	4	5	6	7
3. I hold my telephone calls when I need to get things done.	1	2	3	4	5	6	7
Catch-up Activities							
1. I come in early or stay late at work to prevent distractions from interfering with my work.	1	2	3	4	5	6	7
2. I take my work home with me to make sure it gets done.	1	2	3	4	5	6	7
3. I come in on my days off to catch up on my work.	1	2	3	4	5	6	7
Emotions Management							
1. I have learned to manage my aggressiveness with my subordinates.	1	2	3	4	5	6	7
2. My facial expression and conversational tone are important in dealing with subordinates.	1	2	3	4	5	6	7
3. It's important for me to maintain a “professional” manager-subordinate relationship.	1	2	3	4	5	6	7
4. I try to keep my emotions under control.	1	2	3	4	5	6	7

Scoring Key:

Higher scores mean a higher degree of self-management. For the overall scale, scores of 100 or higher represent high scores. For each area, the following represent high scores: planning, scores of 48 or higher; access management, scores of 18 or higher; catch-up activities, scores of 18 or higher; and emotions management, scores of 24 or higher.

BREAKOUT GROUP EXERCISES

Form small groups to discuss the following topics, as assigned by your instructor:

1. Identify an example of someone you think of as a good leader (currently or in the past). What traits did he or she have? How did these traits differ from someone you identify as a bad leader?
2. Identify a situation in which you were in a leadership position (in a group, in the workplace, within your family, etc.). To what extent were you able to use a contingency approach to leadership? What made that easier or more difficult for you?
3. When you have worked in student groups, how frequently have leaders emerged in the group? What difficulties occur when leaders are leading peers? Are there ways to overcome these difficulties?

WORKING WITH OTHERS EXERCISE

Being Charismatic

From Concepts to Skills on pages 290–291 suggests indicates how to become charismatic. In this exercise, you will use that information to practise projecting charisma.

- a. The class should break into pairs.
- b. Student A's task is to "lead" Student B through a new-student orientation to your college or university. The orientation should last about 10 to 15 minutes. Assume Student B is new to your college or university and is unfamiliar with the campus. Student A should try to project himself or herself as charismatic.
- c. Roles now reverse and Student B's task is to "lead" Student A in a 10- to 15-minute program on how to study more effectively for college or university exams. Take a few minutes to think about what has worked well for you, and assume that Student A is a new student interested in improving his or her study habits. This time, Student B should try to project himself or herself as charismatic.
- d. When both role plays are complete, each pair should assess how well it did in projecting charisma and how it might improve.

Source: This exercise is based on J. M. Howell and P. J. Frost, "A Laboratory Study of Charismatic Leadership," *Organizational Behavior and Human Decision Processes*, April 1989, pp. 243–269.

ETHICAL DILEMMA EXERCISE

Do the Ends Justify the Means?

The power that comes from being a leader can be used for evil as well as for good. When you assume the benefits of leadership, you also assume ethical burdens. But many highly successful leaders have relied on questionable tactics to achieve their ends. These include manipulation, verbal attacks, physical intimidation, lying, fear, and control. Consider a few examples:

- Bill Clinton was viewed as a charismatic US president. Yet he lied when necessary and "managed" the truth.
- Former Prime Minister Jean Chrétien successfully led Canada through 10 years of economic change. Those close to him were committed and loyal followers. Yet concerns were raised recently that he might have been

continued

OB AT WORK

willing to quietly spend millions of dollars in sponsorship money to manage the Quebec situation.

- Jack Welch, former head of General Electric (GE), provided the leadership that made GE the most valuable company in America. He also ruthlessly preached firing the lowest-performing 10 percent of the company's employees every year.
- Former IBM chair Lou Gerstner oversaw the reemergence of IBM as a powerhouse in the computer industry. He was not, however, easy to work for. He believed in never relaxing or in letting others enjoy life.

Should leaders be judged solely on their end achievements? Or do the means they choose also reflect on their leadership qualities? Are employees, shareholders, and society too quick to excuse leaders who use questionable means if they are successful in achieving their goals? Is it impossible for leaders to be ethical *and* successful?

Source: Based on C. E. Johnson, *Meeting the Ethical Challenges in Leadership* (Thousand Oaks, CA: Sage, 2001), pp. 4–5.

CASE INCIDENT

Moving from Colleague to Supervisor

Cheryl Kahn, Rob Carstons, and Linda McGee have something in common. They all were promoted within their organizations into management positions. As well, each found the transition a challenge.

Kahn was promoted to director of catering for the Glazier Group of restaurants. With the promotion, she realized that things would never be the same again. No longer would she be able to participate in water-cooler gossip or shrug off an employee's chronic lateness. She says she found her new role daunting. "At first I was like a bulldozer knocking everyone over, and that was not well received. I was saying, 'It's my way or the highway.' And was forgetting that my friends were also in transition." She admits that this style alienated just about everyone with whom she worked.

Carstons, a technical manager at IBM, talks about the uncertainty he felt after being promoted to a manager from a junior programmer. "It was a little bit challenging to be suddenly giving directives to peers, when just the day before you were one of them. You try to be careful not to offend anyone. It's strange walking into a room and the whole conversation changes. People don't want to be as open with you when you become the boss."

McGee is now president of Medex Insurance Services. She started as a customer service representative with the

company, then leapfrogged over colleagues in a series of promotions. Her fast rise created problems. Colleagues "would say, 'Oh, here comes the big cheese now.' God only knows what they talked about behind my back."

Questions

1. A lot of new managers err in selecting the right leadership style when they move into management. Why do you think this happens?
2. If new managers don't know what leadership style to use, what does this say about leadership and leadership training?
3. Which leadership theories, if any, could help new leaders deal with this transition?
4. Do you think it's easier or harder to be promoted internally into a formal leadership position than to come into it as an outsider? Explain.

Source: Based on D. Koepfel, "A Tough Transition: Friend to Supervisor," *New York Times*, March 16, 2003, p. BU-12.



VIDEO CASE INCIDENT

How Bad Is Your Boss?

No matter where you work, you cannot escape the boss. He or she can be demanding, can be out of touch, and can stress you out.

Shaun Belding, a consultant and author, developed a quiz about the seven deadly sins of being a boss. Answer yes or no to the following questions to find out how bad your boss really is:

	Yes	No
1. Has your boss ever embarrassed you in front of co-workers?	_____	_____
2. Does your boss have a tough time making decisions?	_____	_____
3. Is your boss a poor communicator?	_____	_____
4. Does your boss hog the limelight when things go well but look to blame others when things go wrong?	_____	_____
5. Does your boss argue about everything?	_____	_____
6. Is your boss unclear about what he or she expects of you?	_____	_____
7. Does your boss pile on the work?	_____	_____

If you answered yes to one or two questions, you have a stressful boss the odd time. If you answered yes to three to six questions, you have a bad boss and need to take action. If you confront the boss, make sure you can substantiate your claims. If you answered yes to all seven questions, you have the boss from hell and should leave the workplace.

Jack Welsh, named the toughest boss ever, built General Electric (GE) into a \$400 billion powerhouse. He likens the boss's role to that of a gardener: "But some of the garden has weeds, and you have to cut those weeds out." He cut 100 000 of those weeds out of GE in massive layoffs in the 1980s, and every year he pruned by cutting out the bottom 10 percent of his workforce. His approach has been controversial, but Welsh makes no apologies. He adds that a boss is only as good as the number of employees he or she

has helped develop. A unit will sink if the boss does not build up great people.

Can you train a boss to be better? Robert Lemieux is the director of sales at the Delta Chelsea in Toronto. He has goals of reaching vice-president or president of the hotel, and knows he has to be a great boss to achieve that success. So, Lemieux is going to Boss Boot Camp. His drill sergeant, Lindsay Sukornyk, runs a coaching company on how to be a better manager. She meets with Lemieux's employees to hear about his leadership style.

Employees see Lemieux as extremely professional, self-contained, caring, and very intuitive in his leadership style. On the other hand, he sometimes appears standoffish and too busy to speak with employees. He also has a tendency to over-promise and under-deliver because of time constraints and competing demands. Lemieux should try to relinquish control, Sukornyk suggests.

Can Lemieux change his ways? He has owned up to his weaknesses and promises to do less talking and more listening. Lemieux feels the first team meeting with the new agenda was very powerful. It allowed employees to communicate how he could be a more effective leader—and they are committed to keeping him on task.

Questions

1. Would you identify Jack Welsh as a charismatic leader? Explain.
2. Is Robert Lemieux a manager or a leader? Explain.
3. If you were speaking in front of a room of top executives, what advice would you offer about why being a bad boss does not make good business sense?

Sources: "How Bad Is Your Boss?" *CBC Venture*, January 17, 2006, 14763; S. MacNaull, "Coping With an Employee Crunch," *Daily Courier* (Kelowna), January 21, 2006, p. B1; and G. Lowe, "Trust Is Tops," *Canadian Business*, April 10/23, 2006, pp. 85–86.

From Concepts to Skills

Practising to Be Charismatic

In order to be charismatic in your leadership style, you need to engage in the following behaviours:¹⁰⁴

1. *Project a powerful, confident, and dynamic presence.* This has both verbal and nonverbal components. Use a captivating and engaging tone of voice. Convey confidence. Talk directly to people, maintain direct eye contact, and hold your body posture in a way that says you are sure of yourself. Speak clearly, avoid stammering, and avoid sprinkling your sentences with noncontent phrases such as “ahhh” and “you know.”
2. *Articulate an overarching goal.* You need to share a vision for the future, develop an unconventional way of achieving the vision, and have the ability to communicate the vision to others.
The vision is a clear statement of where you want to go and how you are going to get there. You need to persuade others that the achievement of this vision is in their self-interest.
You need to look for fresh and radically different approaches to problems. The road to achieving your vision should be seen as novel but also appropriate to the context.
Charismatic individuals not only have a vision; they are also able to get others to buy into it. The real power of Martin Luther King Jr. was not that he had a dream but that he could articulate it in terms that made it accessible to millions.
3. *Communicate high performance expectations and confidence in others' ability to meet these expectations.* You need to demonstrate your confidence in people by stating ambitious goals for them individually and as a group. You then convey absolute belief that they will achieve their expectations.
4. *Be sensitive to the needs of followers.* Charismatic leaders get to know their followers individually. You need to understand their individual needs and develop intensely personal relationships with each. This is done by encouraging them to express their points of view, being approachable, genuinely listening to and caring about their concerns, and ask-

ing questions so that followers can learn what is really important to them.

Assessing Skills

After you've read this chapter, take the following Self-Assessments on your enclosed CD-ROM:

25. How Good Am I at Personal Planning?
29. What's My Leadership Style?
30. How Charismatic Am I?
32. Do Others See Me as Trustworthy?

Practising Skills

You recently graduated from college with your degree in business administration. You have spent the past two summers working at London Mutual Insurance (LMI), filling in as an intern on a number of different jobs while employees took their vacations. You have received and accepted an offer to join LMI full time as supervisor of the policy-renewal department.

LMI is a large insurance company. In the headquarters office alone, where you will be working, there are more than 1500 employees. The company believes strongly in the personal development of its employees. This translates into a philosophy, emanating from the top executive offices, of trust and respect for all LMI employees. The company is also regularly at the top of most lists of “best companies to work for,” largely because of its progressive work/life programs and strong commitment to minimizing layoffs.

In your new job, you will direct the activities of 18 policy-renewal clerks. Their jobs require little training and are highly routine. A clerk's responsibility is to ensure that renewal notices are sent on current policies, to tabulate any changes in premiums, to advise the sales division if a policy is to be cancelled as a result of nonresponse to renewal notices, and to answer questions and solve problems related to renewals.

The people in your work group range in age from 19 to 62, with a median age of 25. For the most part, they are

high school graduates with little previous working experience. They earn between \$1850 and \$2400 a month. You will be replacing a long-time LMI employee, Jan Allison. Jan is retiring after 37 years with LMI, the past 14 spent as a policy-renewal supervisor. Because you spent a few weeks in Jan's group last summer, you are familiar with Jan's style and are acquainted with most of the department members. But people don't know you very well and are suspicious of the fact that you are fresh out of university and have little experience in the department. And the reality is that you got this job because management wanted someone with a post-secondary degree to oversee the department. Your most vocal critic is Lillian Lantz. Lillian is well into her 50s, has been a policy-renewal clerk for over 12 years, and—as the person who has worked the longest in the department—carries a lot of weight with group members. It will be very hard to lead this department without Lillian's support.

Using your knowledge of leadership concepts, which leadership style would you choose and why?

Reinforcing Skills

1. Think of a group or team to which you currently belong or of which you have been a part. What type of leadership style did the leader of this group appear to exhibit? Give some specific examples of the types of leadership behaviours he or she used. Evaluate the leadership style. Was it appropriate for the group? Why or why not? What would you have done differently? Why?
2. Observe two sports teams (either college or professional—one that you consider successful and the other unsuccessful). What leadership styles appear to be used in these teams? Give some specific examples of the types of leadership behaviours you observe. How would you evaluate the leadership style? Was it appropriate for the team? Why or why not? To what degree do you think leadership style influenced the team's outcomes?

CHAPTER 9

Decision Making, Creativity, and Ethics

Nike's decision to manufacture shoes overseas has prompted critics to claim that it exploits workers in poor countries. Did Nike make a rational decision, and is the decision socially responsible?



- 1 Is there a right way to make decisions?
- 2 How do people actually make decisions?
- 3 What factors affect group decision making?
- 4 Should the leader make the decision or encourage the group to participate?
- 5 How can we get more creative decisions?
- 6 What is ethics and how can it be used for better decision making?
- 7 What is corporate social responsibility?

Nike's first "Corporate Responsibility Report," published in October 2001, confessed that making Nike's runners is "tedious, hard and doesn't offer a wonderful future."¹ Readers may have been startled to learn that employees in overseas factories making Nike products were being harassed by supervisors. Employees were also asked to work far more overtime than rules permitted. Finally, the company admitted to knowing far too little about day-to-day life in the factories, because it was not monitoring the situation closely enough.

These admissions might have seemed shocking to anyone who had not expected Nike to acknowledge what critics have been saying for years: Nike benefits from unfair labour practices in foreign-owned plants to which it subcontracts work. The company has since been trying to improve conditions at its overseas operations.

Nike's decision to publish a corporate responsibility report is just one example of the many decisions com-

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due to
copyright
restrictions.

panies face every day. Nike had also decided to move its manufacturing to low-wage countries, an action that has brought the company much criticism. So can organizations learn to make better decisions?

In this chapter, we describe how decisions in organizations are made. Decision making affects people at all levels of the organization, and is done by both individuals and groups. Thus, we consider the special characteristics of individual and group decision making. We also look at how creativity, ethics, and social responsibility are linked to decision making.

HOW SHOULD DECISIONS BE MADE?

After completing its first corporate responsibility report, Nike increased training for both managers and employees at its overseas operations.² Managers were told that treating employees properly will lead to "improved productivity, reduced labour turnover and less sick leave." Nike thus evaluated its problem and came up with ways to resolve it, in order to reduce criticism of its labour practices. How do individuals and companies make decisions?

A **decision** is the choice made from two or more alternatives. Decision making occurs as a reaction to a problem or an opportunity. A **problem** is a discrepancy between some current state of affairs and some desired state, requiring consideration of alternative

1 Is there a right way to make decisions?

Nike Canada
www.nike.com/canada/

OB IS FOR EVERYONE

- * Do people really consider every alternative when making a decision?
- * Is it okay to use intuition when making decisions?
- * Why is it that we sometimes make bad decisions?
- * Why are some people more creative than others?
- * Why do some people make more ethical decisions than others?

decision The choice made from two or more alternatives.

problem A discrepancy between some current state of affairs and some desired state.

opportunity An occasion that gives rise to thoughts about new ways of proceeding.

rational Refers to choices that are consistent and value-maximizing within specified constraints.

rational decision-making model
A six-step decision-making model that describes how individuals should behave in order to maximize some outcome.

courses of action.³ An **opportunity** occurs when something unplanned happens, giving rise to thoughts about new ways of proceeding.

Whenever any of us make a decision, we have a process that we go through to help us arrive at that decision. Some of us take a very rational approach, with specific steps by which we analyze parts of the decision, others rely on intuition, and some just decide to put two or more alternatives into a hat and pull one out.

Knowing how to make decisions is an important part of everyday life. Below we consider various decision-making models that apply to both individual and group choices. (Later in the chapter, we discuss special aspects of group decision making.) We start with the *rational model*, which describes decision making in the ideal world, a situation that rarely exists. We then look at alternatives to the rational model and how decisions actually get made.

The Rational Decision-Making Process

The **rational** decision maker makes consistent, high-quality choices within specified constraints.⁴ These choices are made following a six-step **rational decision-making model**.⁵

The Rational Model

The six steps in the rational decision-making model are listed in Exhibit 9-1.

First, the decision maker must *define the problem*. If you calculate your monthly expenses and find you are spending \$50 more than your monthly earnings, you have defined a problem. Many poor decisions can be traced to the decision maker overlooking a problem or defining the wrong problem.

Once a decision maker has defined the problem, he or she needs to *identify the criteria* that will be important in solving the problem. In this step, the decision maker determines what is relevant in making the decision. This step brings the decision maker's interests, values, and personal preferences into the process. Identifying criteria is important

because people can have different ideas about what is relevant. Also keep in mind that any factors not identified in this step are considered irrelevant to the decision maker.

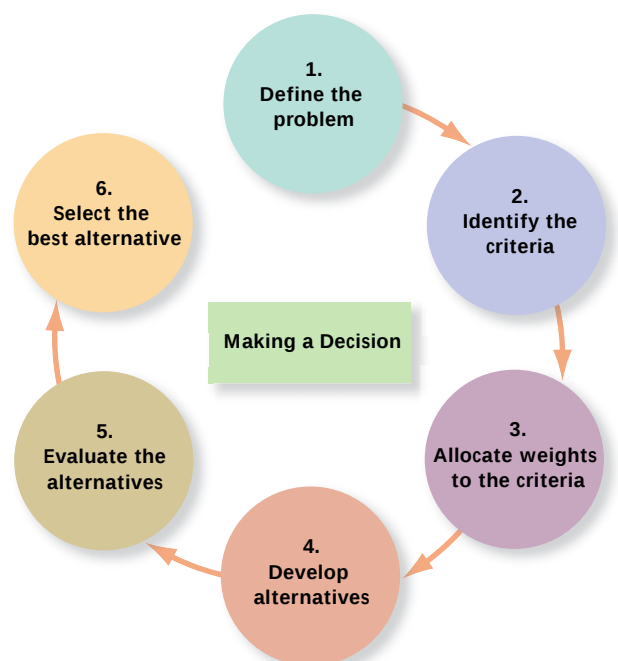
To understand the types of criteria that might be used to make a decision, consider the many sponsorship requests the Toronto-based Canadian Imperial Bank of Commerce (CIBC) receives each year. In making a decision about whether or not to support a request, the bank considers the following criteria:⁶

- Strategic fit with CIBC's overall goals and objectives
- Ability to achieve youth customer-segment marketing objectives
- Tangible and intangible benefits of the proposal, such as goodwill, reputation, and cost/potential revenue
- Organizational impact
- Business risks (if any)

If the sponsorship request does not meet these criteria, it is not funded.

The criteria identified are rarely all equal in importance. So the third step requires the decision maker to *allocate weights to the criteria* in order to give them the correct priority in the decision.

EXHIBIT 9-1 Steps in the Rational Decision-Making Model



The fourth step requires the decision maker to *develop alternatives* that could succeed in resolving the problem. No attempt is made in this step to appraise these alternatives, only to list them.

Once the alternatives are listed, the decision maker must *evaluate the alternatives*. The strengths and weaknesses of each alternative become evident as they are compared with the criteria and weights established in the second and third steps.

The final step in this model requires the decision maker to *select the best alternative*. This is done by evaluating each alternative against the weighted criteria and selecting the alternative with the highest total score.

Assumptions of the Model

The rational decision-making model we just described contains a number of assumptions.⁷ Let's briefly outline those assumptions.

- *Problem clarity.* The problem is clear and unambiguous. The decision maker is assumed to have complete information regarding the decision situation.
- *Known options.* It is assumed the decision maker can identify all the relevant criteria and list all the workable alternatives. The decision maker is also aware of all possible implications of each alternative.
- *Clear preferences.* Rationality assumes that the criteria and alternatives can be ranked and weighted to reflect their importance.
- *Constant preferences.* It is assumed that the specific decision criteria are constant and that the weights assigned to them are stable over time.
- *No time or cost constraints.* The decision maker can obtain full information about criteria and alternatives because it is assumed that there are no time or cost constraints.
- *Maximum payoff.* The decision maker will choose the alternative that yields the highest perceived value.

HOW DO INDIVIDUALS ACTUALLY MAKE DECISIONS?

Chaichana Homsombat, a 21-year-old employee at Pan Asia Footwear Public Company in Thailand, the world's third-largest Nike subcontractor factory, explains his job: "Each of us has to work constantly. The faster we meet the assigned quota, the earlier we can go home."⁸ Homsombat's quota is to pack 1296 pairs of runners into boxes each workday.

The deputy managing director of the plant, Boonrawd Indamanee, says the quotas improve productivity. A human rights inspector at the plant wonders whether employees are really getting a fair day's pay under the quota system. The management does not want trade unions in the plant, but the inspector fears that "Workers don't know their rights. They simply accept whatever is given to them." Thus when asked if the company gives benefits to employees, one responded: "The uniform. We get three of them when we join the company and two more each year." If employees are not aware of their rights, or do not have full information about them, or have few alternatives, are they really able to make an informed decision about how to behave?

The situation at the Nike plant in Thailand raises some questions: Do decision makers actually follow the rational model? Do they carefully assess problems, identify all relevant criteria, use their creativity to identify all workable alternatives, and painstakingly evaluate every alternative to find an optimizing choice?

2 How do people actually make decisions?

When decision makers are faced with a simple problem and few alternative courses of action, and when the cost of searching out and evaluating alternatives is low, the rational model provides a fairly accurate description of the decision process.⁹ However, such situations are the exception. Most decisions in the real world do not follow the rational model. For instance, people are usually content to find an acceptable or reasonable solution to their problem rather than an optimizing one. As such, decision makers generally make limited use of their creativity. Choices tend to be confined to the problem symptom and to the current alternative. As one expert in decision making has concluded: “Most significant decisions are made by judgment, rather than by a defined prescriptive model.”¹⁰

In the following sections, we identify areas where the reality of decision making conflicts with the rational model.¹¹ None of these ways of making decisions should be considered *irrational*; they are simply departures from the rational model that occur when information is unavailable or too costly to collect.

Problem Identification

Most of the decisions that get made reflect only the problems that decision makers see. Problems do not arrive with flashing neon lights to identify themselves. One person's *problem* may even be another person's *acceptable status quo*. So how do decision makers identify and select problems?

Problems that are visible tend to have a higher probability of being selected than ones that are important.¹² Why? We can offer at least two reasons. First, it's easier to recognize visible problems. They are more likely to catch a decision maker's attention. This explains why politicians are more likely to talk about the “crime problem” than the “illiteracy problem.” Second, remember that we are concerned with decision making in organizations. Decision makers want to appear competent and “on top of problems.” This motivates them to focus attention on problems that are visible to others.

Do not ignore the decision maker's self-interest. If a decision maker faces a conflict between selecting a problem that is important to the organization and one that is important to the decision maker, self-interest tends to win out.¹³ This also ties in with the issue of visibility. It is usually in a decision maker's best interest to attack high-profile problems. It conveys to others that things are under control. Moreover, when the decision maker's performance is later reviewed, the evaluator is more likely to give a high rating to someone who has been aggressively attacking visible problems than to someone whose actions have been less obvious.

Bounded Rationality in Considering Alternatives

★ *Do people really consider every alternative when making a decision?*

When you considered which college or university to attend, did you look at every possible alternative? Did you carefully identify all the criteria that were important to your decision? Did you evaluate each alternative against the criteria in order to find the school that is best for you? The answer to these questions is probably “no.” But don't feel bad, because few people selected their educational institution this way.

It is difficult for individuals to identify and consider every possible alternative available to them. Realistically speaking, people are limited by their ability to interpret, process, and act on information. This is called **bounded rationality**.¹⁴

Because of bounded rationality, individuals are not able to discover and consider every alternative for a decision. Instead, they identify a limited list of the most obvious choices. In most cases, these will include familiar criteria and previously tested solutions. Rather than carefully reviewing and evaluating each alternative in great detail, individuals will settle on an alternative that is “good enough”—one that meets an

bounded rationality Limitations on a person's ability to interpret, process, and act on information.

acceptable level of performance. The first alternative that meets the “good enough” criterion ends the search. So decision makers choose a final solution that **satisfices** rather than optimizes; that is, they seek a solution that is both satisfactory and sufficient. In practice this might mean that rather than interviewing 10 job candidates for a position, a manager interviews one at a time until one that is “good enough” is interviewed—that is, the first job candidate encountered who meets the minimum criteria for the job. The federal government has proposed this rule for its own hiring, as *OB in the Workplace* shows.

satisfice To provide a solution that is both satisfactory and sufficient.

OB IN THE WORKPLACE



Ottawa May Stop Hiring “Best Qualified”

Is hiring the “best-qualified” person too much work? Executives and middle managers working in the federal government think so.¹⁵ They argue that “being qualified and competent for a particular job should be enough” even though the person may not be the best possible candidate.

Public servants asked for the rules on hiring to be loosened so that they could actually start hiring and filling positions rather than spending so much time finding the “best-qualified” person. They find those searches excruciating and exhausting. When managers follow the federal guidelines for hiring, it can take six months or more to fill a position.

Steve Hindle, president of the Professional Institute of the Public Service of Canada, explains why hiring someone who is qualified is probably good enough: “If people are honest, what they want is someone who is qualified, but the idea of finding the best? Do we have the time, tools and money needed to find the very best? You want someone competent and good and if they’re the best, that’s great.”

However, not everyone agrees that changing the rules for hiring is a good idea. The public sector unions worry that favouritism may become more common. But they do agree that the current system has too much red tape. ✕

Intuition

✧ *Is it okay to use intuition when making decisions?*

Irene Khoo has just committed her corporation to spending more than \$40 million to build a new plant in New Westminister, BC, to manufacture electronic components for satellite communication equipment. As the vice-president of operations for her firm, Khoo reviewed a comprehensive analysis of five possible plant locations developed by a site-location consulting firm she had hired. This report

ranked the New Westminister location third among the five alternatives. After carefully reading the report and its conclusions, Khoo decided against the consultant’s recommendation. When asked to explain her decision, Khoo said, “I looked the report over very carefully. Despite its recommendation, I felt that the numbers didn’t tell the whole story. Intuitively, I just sensed that New Westminister would prove to be the best bet over the long run.”

Intuitive decision making, like that used by Irene Khoo, has recently come out of the closet and gained some respectability. Experts no longer automatically assume that using intuition to make decisions is irrational or ineffective.¹⁶ There is growing recognition that rational analysis has been overemphasized and that, in certain instances, relying on intuition can improve decision making.

What do we mean by intuitive decision making? There are a number of ways to conceptualize intuition.¹⁷ For instance, some consider it a form of extrasensory power or sixth

intuitive decision making A subconscious process created out of a person's many experiences.

sense, and some believe it is a personality trait that a limited number of people are born with. For our purposes, we define **intuitive decision making** as a subconscious process created out of distilled experience. It does not necessarily operate independently of rational analysis; rather, the two complement each other. Those who use intuition effectively often rely on their experiences to help guide and assess their intuitions. That is why many managers are able to rely on intuition.

A study of 60 experienced professionals holding high-level positions in major US organizations found that many of them used intuition to help them make workplace decisions.¹⁸ Twelve percent said they always used it, while 47 percent said they often used intuition. Only 10 percent said they rarely or seldom used intuition. More than 90 percent of managers said they were likely to use a mix of intuition and data analysis when making decisions.

When asked the types of decisions for which they most often used intuition, 40 percent reported that they used it to make people-related decisions such as hiring, performance appraisal, harassment complaints, and safety issues. The managers said they also used intuition for quick or unexpected decisions so they could avoid delays. They also were more likely to rely on intuition in novel situations that had a lot of uncertainty.

The results from this study suggest that intuitive decisions are best applied when time is short, when policies, rules, and guidelines do not give clear-cut advice, when there is a great deal of uncertainty, and when detailed numerical analysis needs a check and balance.

Intuition can be wrong, so it is important to develop one's intuition. Often, good intuition is really the result of recognizing the pattern in a situation and drawing upon previously learned information associated with that pattern to arrive quickly at a decision. The result is that the intuitive decision maker can decide rapidly with what appears to be very limited information. Decision making can be improved by analyzing one's decisions after the fact, to develop a better understanding of when good and bad decisions have been made.

So what does all of this tell us? Based on our discussion above, you should consider the following when making decisions:

- Make sure that you define the problem as best you can.
- Be clear on the factors that you will use to make your decision.
- Be sure to collect enough alternatives so that you can clearly differentiate among them.

Judgment Shortcuts

In examining the ways that people make decisions, two eminent psychologists, Daniel Kahneman (the 2002 winner of the Nobel Prize in economic sciences) and Amos Tversky discovered that individuals often rely on **heuristics**, or judgment shortcuts, to simplify the decision process, rather than going through all of the steps of the rational decision-making model.¹⁹ People tend to rely too heavily on experience, impulses, gut feelings, and convenient “rules of thumb” when they make decisions. In many instances, these shortcuts are helpful. However, in others, they may lead to poor decisions.

A growing body of research tells us that decision makers allow systematic biases and errors to creep into their judgments.²⁰ These come out of attempts to shortcut the decision process. In what follows, we discuss some of the most common judgment shortcuts to alert you to mistakes that are often made when making decisions.

heuristics Judgment shortcuts in decision making.

★ *So why is it that we sometimes make bad decisions?*

EXHIBIT 9-2 Examples of Decision Biases**Scenario 1: Answer part A before reading part B.**

A: Threatened by a superior enemy force, the general faces a dilemma. His intelligence officers say his soldiers will be caught in an ambush in which 600 of them will die unless he leads them to safety by one of two available routes. If he takes the first route, 200 soldiers will be saved. If he takes the second, there's a one-third chance that 600 soldiers will be saved and a two-thirds chance that none will be saved. Which route should he take?

B: The general again has to choose between two escape routes. But this time his aides tell him that if he takes the first, 400 soldiers will die. If he takes the second, there's a one-third chance that no soldiers will die, and a two-thirds chance that 600 soldiers will die. Which route should he take?

Scenario 2:

Linda is 31, single, outspoken, and very bright. She majored in philosophy in university. As a student, she was deeply concerned with discrimination and other social issues and participated in antinuclear demonstrations. Which statement is more likely?:

- a. Linda is a bank teller.
- b. Linda is a bank teller and active in the feminist movement.

Source: K. McKean, "Decisions, Decisions," *Discover*, June 1985, pp. 22–31.

Framing

Kahneman and Tversky discovered that even when people are trying to be coldly logical, they give radically different answers to the same question if it is posed in different ways.²¹ For instance, consider choices A and B in Scenario 1 in Exhibit 9-2. Most people come to an opposite conclusion for A and B, even though the problems are identical. The only difference is that the first states the problem in terms of lives saved, while the second states it in terms of lives lost.

This judgment error is called **framing**, and it refers to how the selective use of perspective alters the way we might view a situation in formulating a decision.

framing Error in judgment that arises from the selective use of perspective (that is, the way that a set of ideas, facts, or information is presented) that alters the way we view a situation in formulating a decision.

Statistical Regression to the Mean

Sometimes people make judgments while ignoring **statistical regression to the mean**, the statistical observation that a very good performance is often followed by a lesser performance, while a lesser performance is often followed by a very good performance; the result is average performance over time. This heuristic may be of particular interest to those trying to decide whether rewards or punishments work better with employees, colleagues, children, and even friends. Although many studies indicate that rewards are a more effective teaching tool than punishment, Kahneman was once faced with a student who begged to differ on this point. "I've often praised people warmly for beautifully executed manoeuvres, and the next time they almost always do worse. And I've screamed at people for badly executed manoeuvres, and by and large the next time they improve." Regression to the mean helps us understand that each person has an average performance level, so the highs and the lows balance out. Performance improvements happen over the long term. Thus, in this example, it would be helpful to realize that screaming is less likely to result in long-term improvements in behaviour and also tends to damage the relationship between people.

statistical regression to the mean The statistical observation that an above-average performance is often followed by a lesser performance, while a below-average performance is more likely followed by a better performance; the result is average performance over time.

Availability Heuristic

The **availability heuristic** is the tendency for people to base their judgments on information that is readily available to them rather than complete data. Events that evoke emotions, that are particularly vivid, or that have occurred more recently tend to be more available in our memories. As a result, we tend to overestimate unlikely events such as

availability heuristic The tendency for people to base their judgments on information that is readily available to them rather than complete data.

an airplane crash, compared with more likely events such as car crashes. The availability heuristic can also explain why managers, when doing annual performance appraisals, tend to give more weight to recent behaviours of an employee than to those behaviours of six or nine months ago.

Representative Heuristic

Many youngsters in Canada dream of playing hockey in the National Hockey League (NHL) when they grow up. In reality, they have a better chance of becoming medical doctors than they do of playing in the NHL, but these kids are suffering from a **representative heuristic**. They tend to assess the likelihood of an occurrence by trying to match it with a pre-existing category.²² They heard about someone from their neighbourhood who went to the NHL 25 years ago, and imagine that anyone from their neighbourhood can do the same. In the workplace, individuals use this heuristic to make any number of decisions. For instance, if three graduates from the same university were hired and turned out to be poor performers, a manager might predict that a current job applicant from the same university would not be a good employee. The manager is assuming that the small sample of graduates previously employed represents all graduates from that university. Scenario 2 in Exhibit 9-2 on page 299 gives another example of representativeness. In that case, Linda is assumed to be a bank teller and a feminist, given her concerns about social issues, even though the probability of both situations' being true is much less than the probability that she is just a bank teller.

representative heuristic The tendency for people to assess the likelihood of an occurrence by trying to match it with a pre-existing category.

National Hockey League (NHL)
www.nhl.com

ignoring the base rate Error in judgment that arises from ignoring the statistical likelihood that an event might happen.

I. H. Asper School of Business, University of Manitoba
<http://umanitoba.ca/management/indexGo.html>

Ignoring the Base Rate

Yet another judgment error that people make is **ignoring the base rate**, which is ignoring the statistical likelihood that an event might happen. For instance, if you were planning to become an entrepreneur and were asked whether your business would succeed, you would almost undoubtedly respond with a resounding “yes.” Individuals believe they will beat the odds, even when, in the case of founding a business, the failure rate is close to 90 percent. Ignoring the base rate is not due to inexperience of the decision maker. Professors Glen Whyte of the Joseph L. Rotman School of Management (University of Toronto) and Christina Sue-Chan of the I. H. Asper School of Business (University of Manitoba) found that even experienced human resource managers ignore the base rate when asked in an experiment to make hiring decisions.²³ They suggest the importance of reminding people of what the base rate is before asking them to make decisions.

People who ignore the base rate tend to do so because they take an *inside view* of a problem, simply assessing the facts of their situation as they know them and creating projections based on that. By contrast, people who take an *outside view* deliberately ignore the specific facts of their situation and instead consider the statistics for similar situations; this approach helps them better predict the likelihood of success of their situation.²⁴

Escalation of Commitment

Some decision makers escalate commitment to a failing course of action.²⁵ **Escalation of commitment** is an increased commitment to a previous decision despite negative information. For example, a friend has been dating a man for about four years. Although she admits that things are not going too well in the relationship, she is determined to marry the man. When asked to explain this seemingly nonrational choice of action, she responds: “I have a lot invested in the relationship.”

Individuals escalate commitment to a failing course of action when they view themselves as responsible for the failure. That is, they “throw good money after bad” to

escalation of commitment An increased commitment to a previous decision despite negative information.

demonstrate that their initial decision was not wrong and to avoid having to admit they made a mistake.

Many organizations have suffered large losses because a manager was determined to prove his or her original decision was right by continuing to commit resources to what was a lost cause from the beginning.

Overconfidence Bias

It's been said that "no problem in judgment and decision making is more prevalent and more potentially catastrophic than overconfidence."²⁶

When we are given factual questions and asked to judge the probability that our answers are correct, we tend to be far too optimistic. This is known as the **overconfidence bias**. For instance, studies have found that when people say they are 65 to 70 percent confident that they are right, they were actually correct only about 50 percent of the time.²⁷ And when they say they are 100 percent sure, they tended to be 70 to 85 percent correct.²⁸

From an organizational standpoint, one of the more interesting findings related to overconfidence is that those individuals whose intellectual and interpersonal abilities are *weakest* are most likely to overestimate their performance and ability.²⁹ So as managers and employees become more knowledgeable about an issue, they are less likely to display overconfidence.³⁰ Overconfidence is most likely to occur when individuals are considering issues or problems that are outside their area of expertise.

overconfidence bias

Overestimating the accuracy of our predictions.

Anchoring Bias

The **anchoring bias** is a tendency to fixate on initial information as a starting point. Once set, we then fail to adequately adjust for subsequent information.³¹ The anchoring bias occurs because our minds appear to give a disproportionate amount of emphasis to the first information they receive. So initial impressions, ideas, prices, and estimates carry undue weight relative to information received later.³²

Professional people such as advertising writers, managers, politicians, real estate agents, and lawyers widely rely on anchoring—they create first impressions to persuade people to act in particular ways. For instance, in a mock jury trial, one set of jurors was asked by the plaintiff's attorney to make an award in the range of \$15 million to \$50 million. Another set of jurors was asked to make an award in the range of \$50 million to \$150 million. Consistent with the anchoring bias, the median awards were the first numbers heard by the jurors: \$15 million in the first condition and \$50 million in the second condition.³³

anchoring bias A tendency to fixate on initial information as a starting point.

When making decisions, you should consider whether you are falling into any of the judgment and bias traps described above. In particular, understanding the base rates and making sure that you collect information beyond that which is immediately available to you will provide you with more alternatives from which to frame a decision. It is also useful to consider whether you are sticking with a decision simply because you have invested time in that particular alternative, even though it may not be wise to continue. *OB in Action—Reducing Biases and Errors in Decision Making* provides you with some ideas for improving your decision making. To learn more about your decision-making style, see the *Learning About Yourself Exercise* on pages 325–326.

OB IN ACTION

Reducing Biases and Errors in Decision Making

- **Focus on goals.** Clear goals make decision making easier and help you eliminate options that are inconsistent with your interests.
- **Look for information that disconfirms your beliefs.** When we deliberately consider various ways we could be wrong, we challenge our tendencies to think we are smarter than we actually are.
- **Don't create meaning** out of random events. Ask yourself if patterns can be meaningfully explained or whether they are mere coincidence. Don't attempt to create meaning out of coincidence.
- **Increase your options.** The more alternatives you can generate, and the more diverse those alternatives, the greater your chance of finding an outstanding one.

Source: S. P. Robbins, *Decide & Conquer: Making Winning Decisions and Taking Control of Your Life* (Upper Saddle River, NJ: Financial Times/Prentice Hall, 2004), pp. 164–168.

3 What factors affect group decision making?

GROUP DECISION MAKING

While a variety of decisions in both life and organizations are made at the individual level, the belief—characterized by juries—that two heads are better than one has long been accepted as a basic component of North America’s and many other countries’ legal systems. This belief has expanded to the point that, today, many decisions in organizations are made by groups, teams, or committees. In this section, we will review group decision making and compare it with individual decision making.

Groups vs. the Individual

Decision-making groups may be widely used in organizations, but does that mean group decisions are preferable to those made by an individual alone? The answer to this question depends on a number of factors we consider below.³⁴ See Exhibit 9-3 for a summary of our major points.

Strengths of Group Decision Making

Groups generate *more complete information and knowledge*. By combining the resources of several individuals, groups bring more input into the decision process. Groups can bring an *increased diversity of views* to the decision process, and, thus, the opportunity to consider more approaches and alternatives. In terms of decision outcomes, the evidence indicates that a group will almost always outperform even the best individual. So groups generate *higher quality decisions*.³⁵ Group decisions also tend to be more *accurate*. If *creativity* is important, groups tend to be more creative in their decisions than individuals.³⁶ Groups also lead to *increased acceptance of a solution*. Many decisions fail after the final choice is made because people do not accept them. Group members who participated in making a decision are likely to enthusiastically support the decision and encourage others to accept it.

Weaknesses of Group Decision Making

Despite the advantages noted, group decisions involve certain drawbacks. First, they are *time-consuming*. Groups typically take more time to reach a solution than an individual would. Thus, group decisions are not always efficient. Second, there are *conformity pressures* in groups. The desire of group members to be accepted and considered an asset to the group can result in quashing any overt disagreement. Third, group discussion can be *dominated by one or a few members*. If this dominant coalition is composed of low- and medium-ability members, the group’s overall effectiveness will diminish. Finally, group decisions suffer from *ambiguous responsibility*. In an individual decision, it is clear who is accountable for the final outcome. In a group decision, the responsibility of any single member is watered down.

EXHIBIT 9-3 Group vs. Individual Decision Making		
Criteria of Effectiveness	Groups	Individuals
More complete information	✓	
Diversity of views	✓	
Decision quality	✓	
Accuracy	✓	
Creativity	✓	
Degree of acceptance	✓	
Speed		✓
Efficiency		✓

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restrictions.

Molly Mak was chosen president of a national information technology solutions provider, Calgary-based Onward Computer Systems, by other partners in the firm after she showed that she had the vision and determination to lead the company to greater growth and profits. She says that consensus is not always possible, especially when it is important to get things accomplished under tight time constraints.

Groupthink and Groupshift

Two by-products of group decision making have received a considerable amount of attention by organizational behaviour (OB) researchers: groupthink and groupshift. As we will show, these two phenomena have the potential to affect the group's ability to appraise alternatives objectively and arrive at quality solutions.

Groupthink

Have you ever felt like speaking up in a meeting, classroom, or informal group, but decided against it? One reason might have been shyness. On the other hand, you might have been a victim of **groupthink**, a phenomenon in which group pressures for conformity prevent the group from critically appraising unusual, minority, or unpopular views. It describes a deterioration in an individual's mental efficiency, reality testing, and moral judgment as a result of group pressures.³⁷

We have all seen the symptoms of the groupthink phenomenon:³⁸

- *Illusion of invulnerability.* Group members become overconfident among themselves, allowing them to take extraordinary risks.
- *Assumption of morality.* Group members believe highly in the moral rightness of the group's objectives and do not feel the need to debate the ethics of their actions.
- *Rationalization.* Group members rationalize any resistance to the assumptions they have made. No matter how strongly the evidence may contradict their basic assumptions, members behave so as to reinforce those assumptions continually.
- *Stereotyping outgroups.* People outside the group who criticize decisions and actions are viewed as "enemies" who don't know what they are talking about.
- *Minimized doubts.* Group members who have doubts or hold 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.

groupthink A phenomenon in which group pressures for conformity prevent the group from critically appraising unusual, minority, or unpopular views.

- *Illusion of unanimity.* If someone does not speak, it's assumed that he or she is in full agreement. In other words, abstention becomes viewed as a yes vote.
- *Mindguards.* One or more members of the team become self-appointed guardians to make sure that negative or inconsistent information does not reach team members.
- *Peer pressure.* Group members apply direct pressure on those who momentarily express doubts about any of the group's shared views or who question the alternative favoured by the majority.

The Bre-X Saga

<http://www.canoe.ca/MoneyBreX/Saga/home.html>

As the Bre-X scandal was unfolding in early 1997, many people who possibly should have known better refused to accept the initial evidence that there might not be any gold at the Busang, Indonesia, mine. Because investors and the companies involved had convinced themselves that they were sitting on the gold find of the twentieth century, they were reluctant to challenge their beliefs when the first evidence of tampered core samples was produced. More recently, forecasters seemed to be suffering from groupthink as they pronounced the economy in recession, as this *OB in the Street* shows.

OB IN THE STREET



Recession: Are We There Yet?

How many economic forecasters does it take to change the economy? In early 2002, economic forecasters were absolutely astonished by all the good news they heard on the economic front in Canada and the United States. They were surprised that the economies of both countries had grown in the fourth quarter and by the job growth in Canada during January and February. They were even surprised that Canada's manufacturers and exporters had had a great January. They were surprised because they had been predicting either a recession at worst, or a recession with jobless recovery at best.

Forecasters started painting a gloomy picture after September 11, 2001, anticipating that the US national crisis would have a long-lasting impact on the world economy. Even as evidence failed to support this gloomy picture, forecasters struggled to find evidence that they were right.

Groupthink may well explain the forecasters' lingering negative predictions. The forecasters were from the financial industry, which was harder hit than most industries, except for the technology sector. Wall Street economists also lived next door to the World Trade Center, so this had a greater impact. Rather than search more widely for evidence, they looked more locally, at the economy right around Wall Street.

Stock prices and corporate profits fell significantly during much of 2001, and this is what they focused on. Meanwhile, housing prices and consumer spending continued to rise. The analysts figured this was a temporary upturn before the large downturn they were predicting. They also failed to notice that personal income continued to rise throughout the year.

In short, forecasters were calling for a recession. They convinced each other it was coming. "[Those] who didn't buy the line and suggested that maybe this was only a very sharp slowdown, invited ridicule."³⁹ 

The forecasters were suffering from some of the symptoms of groupthink. They rationalized resistance, suggesting it was everyone else who did not understand the economic numbers. They applied peer pressure to each other, ridiculing those who suggested that a recession might not occur. This might have led some analysts to minimize

their doubts and keep silent. All of these behaviours led forecasters to appear unanimous in their views on the coming recession.

With groupthink, individuals who hold a position that differs 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.

Does groupthink attack all groups? No. It seems to occur most often where there is a clear group identity, where members hold a positive image of their group, which they want to protect, and where the group perceives a collective threat to this positive image.⁴⁰ So groupthink is less a way to suppress dissenters than a means for a group to protect its positive image.

What can managers do to minimize groupthink?⁴¹

- *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.
- *Appoint one group member to play the role of devil's advocate.* This member's role is to overtly challenge the majority position and offer divergent perspectives.
- *Stimulate active discussion of diverse alternatives* to encourage dissenting views and more objective evaluations.

While considerable anecdotal evidence indicates the negative implications of groupthink in organizational settings, not much actual empirical work has been conducted in organizations in this area.⁴² In fact, researchers of groupthink have been criticized for suggesting that its effect is uniformly negative⁴³ and for overestimating the link between the decision-making process and its outcome.⁴⁴ A 1999 study of groupthink using 30 teams from five large corporations suggests that elements of groupthink may affect decision making differently. For instance, the illusion of invulnerability, belief in inherent group morality, and the illusion of unanimity were positively associated with team performance.⁴⁵ The most recent research suggests that we should be aware of groupthink conditions that lead to poor decisions, while realizing that not all groupthink symptoms harm decision making.

Groupshift

Evidence suggests that there are differences between the decisions groups make and the decisions that might be made by individual members within the group.⁴⁶ In some cases, group decisions are more conservative than individual decisions. More often, group decisions are riskier than individual decisions.⁴⁷ In either case, participants have engaged in **groupshift**, a phenomenon in which the initial positions of individual group members become exaggerated because of the interactions of the group.

What appears to happen in groups is that the discussion leads to a significant shift in the positions of members toward a more extreme position toward the direction in which they were already leaning before the discussion. So conservative types become more cautious and more aggressive types assume more risk. The group discussion tends to exaggerate the initial position of the group.

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

The greater shift toward risk has generated several explanations for the phenomenon.⁴⁸ It has been argued, for instance, that the discussion creates familiarity among the

groupshift A phenomenon in which the initial positions of individual group members become exaggerated because of the interactions of the group.

members. As they become more comfortable with each other, they also become bolder and more daring. Another argument is that our society values risk, that we admire individuals who are willing to take risks, and that group discussion motivates members to show that they are at least as willing as their peers to take risks. The most plausible explanation of the shift toward risk, however, seems to be that the group diffuses responsibility. Group decisions free any single member from accountability for the group's final choice. Greater risk can be taken because even if the decision fails, no one member can be held wholly responsible.

How should you use the findings on groupshift? You should 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 whether a group will shift toward greater risk or caution is a function of the members' pre-discussion inclinations.

Group Decision-Making Techniques

Groups can use a variety of techniques to stimulate decision making. We outline four of them below.

Interacting Groups

The most common form of group decision making takes place in **interacting groups**. In these groups, members meet face to face and rely on both verbal and nonverbal interaction to communicate with each other. All kinds of groups use this technique frequently, from groups organized to develop a class project, to a work team, to a senior management team. But as our discussion of groupthink demonstrates, interacting groups often censor themselves and pressure individual members toward conformity of opinion. *Brainstorming*, the *nominal group technique*, and *electronic meetings* have been proposed as ways to reduce many of the problems inherent in the traditional interacting group.

Brainstorming

Brainstorming is meant to overcome pressures for conformity within the interacting group that prevent the development of creative alternatives.⁴⁹ It achieves this by using an idea-generation process that specifically encourages any and all alternatives while withholding any criticism of those alternatives.

You have no doubt engaged in brainstorming when you have tried to come up with ideas for how to present a project for class. In a typical brainstorming session, a half-dozen to a dozen people sit around a table. The group leader, or even another team member, states the problem in a clear manner so that all participants understand it. Members then “freewheel” as many alternatives as they can in a given period of time. No criticism is allowed, and all the alternatives are recorded for later discussion and analysis. With one idea stimulating others and judgments of even the most bizarre suggestions withheld until later, group members are encouraged to “think the unusual.”

A more recent variant of brainstorming is electronic brainstorming, which is done by people interacting on computers to generate ideas. For example, Calgary-based Jerilyn Wright & Associates uses electronic brainstorming to help clients design their workspaces through software that has been adapted for office-space design.⁵⁰

The Executive Decision Centre at Queen's University was “one of the first electronic [decision-making] facilities in North America and the first to be made accessible to the public.”⁵¹ Professor Brent Gallupe, the founding director and another facilitator at the centre have conducted more than 600 decision-making sessions with a variety of North American organizations, including GlaxoSmithKline, Bombardier, DuPont, Imperial Oil, the Department of National Defence and Canadian Forces, the Canadian Security Intelligence Service, and the United Way. The strength of the Queen's system is that

interacting groups Typical groups, where 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.

Jerilyn Wright & Associates
www.jwadesign.com

**Executive Decision Centre,
Queen's University**
<http://business.queensu.ca/qedc/>

participants simultaneously interact via computer terminals, all responses are anonymous, and the speed allows for generating numerous ideas in a short time. Whitby, Ontario-based McGraw-Hill Ryerson has become a regular user since finding that one of its divisions experienced a surge in sales after visiting the Queen's centre. "They came up with a better, more soundly developed strategy, with more commitment on the part of the people. People feel very committed to the outcomes of the process because they don't feel like they've been strong-armed into the outcomes. They've had a voice in it," says John Dill, former president and CEO of McGraw-Hill Ryerson.

However, brainstorming is not always the right strategy to use. For example, president and CEO Terry Graham of Scarborough, Ontario-based Image Processing Systems (now part of Photon Dynamics), which won Canada's 1997 Export Award, saw brainstorming backfire when doing business in China. He says that meetings with Chinese business people "are definitely not for brainstorming. We learned this lesson the hard way. Our team thought we could show our creativity by placing fresh alternatives in front of an important manager. It was two years before the company would talk to us again."⁵² Brainstorming, we should also note, is merely a process for generating ideas. The following two techniques go further by offering methods of actually arriving at a preferred solution.⁵³

Nominal Group Technique

The **nominal group technique** restricts discussion or interpersonal communication during the decision-making process; thus the term *nominal* (which means "in name only"). Group members are all physically present, as in a traditional committee meeting, but members operate independently. Specifically, a problem is presented and then the following steps take place:

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.

- Members meet as a group, but before any discussion takes place each member independently writes down his or her ideas about the problem.
- After this silent period, each member presents one idea to the group. Group members take turns presenting a single idea until all ideas have been presented and recorded. No discussion takes place until all ideas have been recorded.
- The group then discusses the ideas for clarity and evaluates them.
- Each group member silently and independently ranks the ideas. The idea with the highest overall ranking determines the final decision.

The steps of the nominal group technique are illustrated in Exhibit 9-4. The chief advantage of this technique is that it permits the group to meet formally but does not restrict independent thinking as the interacting group does.

A number of studies suggest that brainstorming by nominal groups is more effective than brainstorming by interacting groups. However, recent research suggests that nominal groups generate more ideas and more original ideas, but not necessarily more quality ideas.⁵⁴

EXHIBIT 9-4 Nominal Group Technique

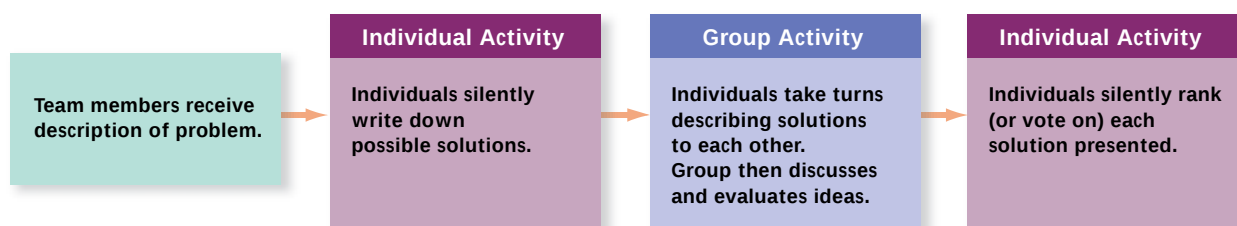


EXHIBIT 9-5 Evaluating Group Effectiveness

Effectiveness Criteria	Type of Group			
	Interacting	Brainstorming	Nominal	Electronic
<i>Number of ideas</i>	Low	Moderate	High	High
<i>Quality of ideas</i>	Low	Moderate	High	High
<i>Social pressure</i>	High	Low	Moderate	Low
<i>Money costs</i>	Low	Low	Low	High
<i>Speed</i>	Moderate	Moderate	Moderate	High
<i>Task orientation</i>	Low	High	High	High
<i>Potential for interpersonal conflict</i>	High	Low	Moderate	Low
<i>Feelings of accomplishment</i>	High to low	High	High	High
<i>Commitment to solution</i>	High	Not applicable	Moderate	Moderate
<i>Development of group cohesiveness</i>	High	High	Moderate	Low

Source: Based on J. K. Murnighan, "Group Decision Making: What Strategies Should You Use?" *Academy of Management Review*, February 1981, p. 61.

Electronic Meetings

The most recent approach to group decision making blends the nominal group technique with sophisticated computer technology.⁵⁵ It's called the computer-assisted group, or **electronic meeting**. Once the technology is in place, the concept is simple. As many as 50 people sit around a horseshoe-shaped table, which is empty except for a series of computer terminals. Issues are presented to the participants, and they type their responses onto their computer monitors. Individual comments, as well as total votes, are displayed on a projection screen in the room.

The major advantages of the electronic meeting are anonymity, honesty, and speed. Participants can anonymously type any messages they want, and they flash on the screen for all to see at the push of buttons on participants' keyboards. This type of meeting also allows people to be brutally honest without penalty. In addition, it is fast because chit-chat is eliminated, discussions do not digress, and many participants can "talk" at once without stepping on one another's toes. The future of group meetings undoubtedly will include extensive use of this technology.

Each of these four group-decision techniques has its own strengths and weaknesses. The choice of one technique over another will depend on what criteria you want to emphasize and the cost-benefit trade-off. For instance, as Exhibit 9-5 indicates, the interacting group is effective for building group cohesiveness, brainstorming keeps social pressures to a minimum, the nominal group technique is an inexpensive means for generating a large number of ideas, and electronic meetings process ideas quickly.

THE INFLUENCE OF THE LEADER ON GROUP DECISION MAKING

- 4** Should the leader make the decision or encourage the group to participate?

You are the head of your own business or the manager of your division at work, and you are trying to decide whether you should make a decision by yourself or involve the members of your team. Is there anything that can inform you about whether it is better for the leader to make a decision alone or get everyone involved in the decision-making process?

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

The **leader-participation model** presents the various actions a leader might take with respect to the decision-making processes of the group he or she leads.⁵⁶ The model provides a sequential set of rules that should be followed to determine the form and amount of participation desired by the manager or group leader in decision making, as dictated by the situation. It is a complex decision tree incorporating eight contingency variables that identify which of five leadership styles to use when making decisions.

The five leadership styles the model proposes leaders can use in a given situation are Autocratic I (AI), Autocratic II (AII), Consultative I (CI), Consultative II (CII), and Group II (GII). Thus the group leader or manager has the following alternatives from which to choose when deciding how involved to be with decisions that affect a work group:

- AI:** You solve the problem or make a decision yourself using whatever facts you have at hand.
- AII:** You obtain the necessary information from employees and then decide on the solution to the problem yourself. You may or may not tell them about the nature of the situation you face. You seek only relevant facts from them, not their advice or counsel.
- CI:** You share the problem with relevant employees one-on-one, getting their ideas and suggestions. However, the final decision is yours alone.
- CII:** You share the problem with your employees as a group, collectively obtaining their ideas and suggestions. Then you make the decision, which may or may not reflect your employees' influence.
- GII:** You share the problem with your employees as a group. Your goal is to help the group concur on a decision. Your ideas are not given any greater weight than those of others.

The original leader-participation model has been revised to include 12 contingency variables, 8 problem types, and 5 leadership styles, and is too complex to describe in detail in a basic OB textbook. There is a computer program that cuts through the complexity of the new model. The major decision factors include the quality of the decision required, the degree of commitment needed from participants, and the time available to make the decision.

Research testing of the original leader-participation model was very encouraging.⁵⁷ We have every reason to believe that the revised model provides an excellent guide to help managers choose the most appropriate leadership style in different situations.

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.

CREATIVITY IN ORGANIZATIONAL DECISION MAKING

“Canada is not a very creative culture,” according to a National Research Council report written by Professor David Bentley of the English Department at the University of Western Ontario.⁵⁸ The report suggests that concrete steps need to be taken to promote a culture of innovation, and improve the creativity of individuals. The report gives a number of suggestions for improving creativity, including using metaphors, empathetic thinking, and imagining to help see things in new ways.

Bentley's call for improving creativity is consistent with a survey showing that 58 percent of large public companies and entrepreneurs recognize a link between creative thinking within the organization and having a competitive edge.⁵⁹ “It [creative thinking] will not necessarily spell the difference between success and failure. But it is one of those tangential issues that can add a few cents per share profit,” noted the head of an Ontario agriproducts company, who was not identified by the survey. Moreover, research

5 How can we get more creative decisions?

creativity The process of creating novel products, ideas, or procedures that are potentially relevant or useful to an organization.

shows that the organizational benefits of individual creativity include “higher-quality products, more effective decision making, better group performance, and more innovative solutions to organizational problems.”⁶⁰ A variety of definitions exist for the concept of creativity, with some viewing it as a characteristic of a person while others view it as a process.⁶¹ Most contemporary researchers and theorists use a definition that addresses either the product or the outcome of the product development process.⁶² In our next discussion, we consider **creativity** as the process of creating products, ideas, or procedures that are novel or original and are potentially relevant or useful to an organization.⁶³

Factors That Affect Individual Creativity

★ *Why are some people more creative than others?*

Edward De Bono
www.edwdebono.com

People differ in their inherent creativity. Albert Einstein, Marie Curie, Thomas Edison, Pablo Picasso, and Wolfgang Amadeus Mozart were individuals of exceptional creativity. In more recent times, Canadian artist Emily Carr, legendary Canadian concert pianist Glenn Gould, basketball star Michael Jordan, and Canadian author Margaret Atwood have been noted for the creative contributions they have made to their fields. Not surprisingly, exceptional creativity is scarce. For example, a study of lifetime creativity of 461 men and women found that less than 1 percent were exceptionally creative.⁶⁴ But 10 percent were highly creative and about 60 percent were somewhat creative. These results suggest that most of us have creative potential, if we can learn to unleash it.

A large body of literature has examined the personal attributes associated with creative achievement.⁶⁵ In general, “these studies have demonstrated that a stable set of core personal characteristics, including broad interests, attraction to complexity, intuition, aesthetic sensitivity, toleration of ambiguity, and self-confidence, relate positively and consistently to measures of creative performance across a variety of domains.”⁶⁶ While personality and cognitive skills are linked to creativity,⁶⁷ the task itself plays an important role. Individuals are more creative when they are motivated by intrinsic interest, challenge, task satisfaction, and self-set goals.⁶⁸ Those who are extrinsically motivated are more likely to look for the most efficient solution to a problem in order to receive the desired rewards. Those who are intrinsically motivated may take more time exploring issues and situations, which gives them the opportunity to see things in a different light.⁶⁹ The setting also makes a difference, and those settings that provide opportunities, absence of constraints,⁷⁰ and rewards⁷¹ encourage creativity.

There is some evidence that the brain is set up to think linearly, rather than laterally, and yet lateral thinking is needed for creative thinking. Edward De Bono, a leading authority on creative and conceptual thinking for over 25 years, has written a number of books on this topic, including *Six Thinking Hats* and *The Mechanism of Mind*.⁷² He has identified various tools for helping one use more lateral thinking. De Bono’s “six thinking hats” concept is a simple yet powerful tool that is intended to change the way people think. He suggests that innovative and creative problem-solving can develop from working through

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Creativity and the bottom line can go hand in hand. In fact, at Vancouver-based Big House Communications, creativity rules. Big House develops communications, including websites, for other companies. It is known for giving clients several alternatives: traditional, wacky, and fun. The company must be doing something right. It is 10 years old, which makes it *really* old for this type of business.

decisions using each of the frameworks represented by the individual hats. The hats are metaphors for different kinds of thinking.⁷³

- The *white hat* represents impartial thinking, focusing strictly on the facts.
- The *red hat* represents expression of feelings, passions, intuitions, emotions.
- The *black hat* stands for a critical, deliberate, evaluating outlook.
- The *yellow hat* represents an optimistic, upbeat, positive outlook.
- The *green hat* represents creativity, inspiration, imagination, and the free flow of new concepts.
- The *blue hat* represents control, an overall “managerial” perspective of the process.

Each hat has its own place in the decision-making process. De Bono suggests that we use all six in order to fully develop our capacity to think more creatively. Groups could do the same by assigning each person to the role of one of the hats. For more suggestions on solving problems creatively, see *From Concepts to Skills* on page 329–330.

Organizational Factors That Affect Creativity

In two decades of research analyzing the link between the work environment and creativity, six organizational factors have been found to affect creativity.⁷⁴

- *Challenge.* When people are matched up with the right assignments, their expertise and skills can be brought to the task of creative thinking. Individuals should be stretched, but not overwhelmed.
- *Freedom.* To be creative, once a person is given a project, he or she needs the freedom to determine the process. In other words, let the person decide how to tackle the problem. This heightens intrinsic motivation.
- *Resources.* Time and money are the two main resources that affect creativity. Thus, managers need to allot these resources carefully.

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Videogame maker Electronic Arts (EA) created an on-site labyrinth to help employees unleash their creative potential. EA encourages video and computer game developers to wander the maze when their creativity levels are running low. While walking the maze, they can think about their challenges in divergent ways for designing innovative products.

- *Work-group features.* In Chapter 5, our discussion of group composition and diversity concluded that diverse groups were likely to come up with more creative solutions. In addition to ensuring a diverse group of people, team members need to share excitement about the goal, must be willing to support each other through difficult periods, and must recognize one another's unique knowledge and perspectives.
- *Supervisory encouragement.* To sustain passion, most people need to feel that what they are doing matters to others. Managers can reward, collaborate, and communicate to nurture the creativity of individuals and teams.
- *Organizational support.* Creativity-supporting organizations reward creativity, and also make sure that there is information sharing and collaboration. They make sure that negative political problems do not get out of control.

Five organizational factors have been found that can block your creativity at work:

- *Expected evaluation.* Focusing on how your work is going to be evaluated.
- *Surveillance.* Being watched while you are working.
- *External motivators.* Focusing on external, tangible rewards.
- *Competition.* Facing win-lose situations with peers.
- *Constrained choice.* Being given limits on how you can do your work.⁷⁵

WHAT ABOUT ETHICS IN DECISION MAKING?

At the Pan Asia Footwear Public Company in Thailand, managers set quotas in order to keep productivity high.⁷⁶ The difficulty, as one inspector points out, is “Shoes with complex details sometimes can't be finished in eight hours. This means that staff might work 10 hours for an eight-hour wage.” The company does not pay overtime when this happens, because the employee has not met the quota on time. Employees are not paid by the hour. They simply receive a flat fee for a day's work. How can we determine whether this is an ethical practice by the company?

6 What is ethics, and how can it be used for better decision making?

ethics The study of moral values or principles that guide our behaviour and inform us whether actions are right or wrong.

No contemporary discussion of decision making would be complete without the inclusion of ethics, because ethical considerations should be an important criterion in organizational decision making. **Ethics** is the study of moral values or principles that guide our behaviour and inform us whether actions are right or wrong. Ethical principles help us “do the right thing.” In this final section, we present three ways to frame decisions ethically and examine the factors that shape an individual's ethical decision-making behaviour. We also examine organizational responses to the demand for ethical behaviour, as well as consideration of ethical decisions when doing business in other cultures. To learn more about your ethical decision-making approach, see the *Ethical Dilemma Exercise* on pages 327. To consider the extent to which ethical decision making blurs the lines between work and personal life, see *Case Incident—Bankers' Excess Gets Them Fired* on the CD-ROM that accompanies this textbook.

Four Ethical Decision Criteria

An individual can use four different criteria in making ethical choices.⁷⁷ The first is the *utilitarian* criterion, in which decisions are made solely on the basis of their outcomes or consequences. The goal of **utilitarianism** is to provide the greatest good for the greatest number. This view tends to dominate business decision making. It is consistent with goals such as efficiency, productivity, and high profits. By maximizing profits, for instance,

utilitarianism A decision focused on outcomes or consequences that emphasizes the greatest good for the greatest number.

a business executive can argue that he or she is securing the greatest good for the greatest number—as he or she hands out dismissal notices to 15 percent of the employees.

BMO Nesbitt Burns ignored unethical behaviour by an employee because the company stood to gain from the behaviour, as *Focus on Ethics* shows.

BMO Nesbitt Burns
www.bmonesbittburns.com

FOCUS ON ETHICS



Making Profits at the Expense of Clients

Can profits really drive unethical decisions? In spring 2001, BMO Nesbitt Burns in Winnipeg agreed to pay the highest fine in Manitoba securities history (\$100 000 plus \$60 000 toward investigation costs) after being investigated by the Manitoba Securities Commission, the Investment Dealers Association (IDA), and the Canadian Banking Ombudsman for ignoring unethical behaviour by one of its investment brokers over several years.⁷⁸

These investigations stemmed from continuing complaints about broker Randolph McDuff's behaviour, for which the company took little action. McDuff was first investigated by BMO Nesbitt Burns in March 1999 for trading in clients' accounts without their permission. McDuff admitted he had made unauthorized trades in client accounts; a compliance officer noted that "McDuff did not seem to understand that a client must be contacted prior to a trade being executed." The head of compliance at Nesbitt Burns' head office in Toronto recommended that McDuff be fired.

However, McDuff was not fired. Instead he was fined \$2000 and warned that "any further occurrences may result in termination of employment." This was not the first incident of unethical behaviour by McDuff. An internal document dated January 28, 1999, noted, "We have experienced a large increase in the amount of settlements [anticipated and settled]" regarding McDuff.

Nevertheless, Tom Waitt, senior vice-president of BMO Nesbitt Burns' Prairie division and McDuff's supervisor in Manitoba, urged the head office to avoid taking drastic action, and to supervise McDuff instead. A memo McDuff wrote to his supervisor in September 1999 may explain why the Winnipeg office was so interested in ignoring his behaviour: "I know there is this great big cloud over my head and that head office wants me out of here. Does head office forget about my contributions to this firm over the years? In addition to providing for more than 15% of the office revenue consistently over the past five years, I have been an advocate of Nesbitt Burns... Rookies and marketers are still amazed at my work ethic. Some have said that it inspires them to work harder." ✖

Decision makers, particularly in for-profit organizations, tend to feel safe and comfortable when they use utilitarianism. Many questionable actions can be justified when framed as being in the "best interests" of the organization and stockholders. But many critics of business decision makers argue that this perspective should change because it can result in ignoring the rights of some individuals, particularly those with minority representation in the organizations.⁷⁹

A second ethical criterion is *rights*. This criterion calls on individuals to make decisions consistent with fundamental liberties and privileges as set forth in documents such as the Canadian Charter of Rights and Freedoms. An emphasis on rights in decision making means respecting and protecting the basic rights of individuals, such as the rights to privacy, free speech, and due process. For instance, this criterion would be used to protect whistle-blowers when they report unethical or illegal practices by their organizations to the media or to government agencies on the grounds of their right to free speech.

Canadian Charter of Rights and Freedoms
www.canadianheritage.gc.ca/progs/
pdp-hrp/canada/freedom_e.cfm

Stewart Leibl, president of Perth's, a Winnipeg dry-cleaning chain, is a founding sponsor of the Koats for Kids program. The company's outlets are a drop-off point for no-longer-needed children's coats, which Perth's cleans free of charge before distributing them to children who have no winter coats. Leibl is going beyond utilitarian criteria when he says, "We all have a responsibility to contribute to the society that we live in." He is also looking at social justice.

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copyright
restrictions.

A third ethical criterion is *justice*. This criterion requires individuals to impose and enforce rules fairly and impartially so there is an equitable distribution of benefits and costs. Union members typically favour this criterion. It justifies paying people the same wage for a given job, regardless of performance differences, and it uses seniority as the primary determination in making layoff decisions. A focus on justice protects the interests of the underrepresented and less powerful, but it can encourage a sense of entitlement that reduces risk-taking, innovation, and productivity.

A fourth ethical criterion is *care*. The ethics of care can be stated as follows: "The morally correct action is the one that expresses care in protecting the special relationships that individuals have with each other."⁸⁰ Care as an ethical criterion came out of feminist literature⁸¹ to address the idea that the male-dominated view of ethics was too impersonal and ignored the relationships among individuals.⁸² The care criterion suggests that individuals should be aware of the needs, desires, and well-being of those to whom they are closely connected. Recent research does not suggest that men and women differ in their use of justice vs. care in making decisions.⁸³ However, this criterion does remind us of the difficulty of being impartial in all decisions.

Factors That Influence Ethical Decision-Making Behaviour

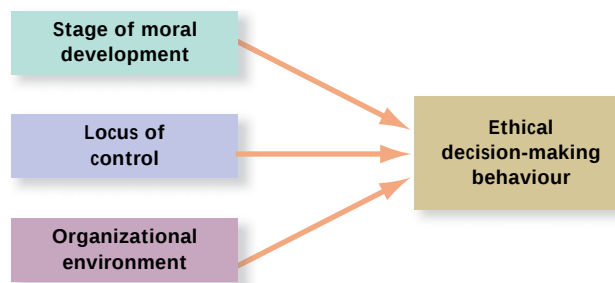
★ *Why do some people make more ethical decisions than others?*

What accounts for unethical behaviour in organizations? Is it immoral individuals or work environments that promote unethical activity? The answer is *both*! The evidence indicates that ethical or unethical actions are largely a function of both the individual's characteristics and the environment in which he or she works.⁸⁴ The model in Exhibit 9-6 illustrates factors affecting ethical decision making and emphasizes three factors: stage of moral development, locus of control, and the organizational environment.

Stages of Moral Development

Stages of moral development assess a person's capacity to judge what is morally right.⁸⁵ Research suggests that there are three levels of moral development, and each level has two stages.⁸⁶ The higher one's moral development, the less dependent he or she is on outside influences and thus the more he or she will be predisposed to behave ethically. The first level is the preconventional level, the second is the conventional

stages of moral development
The developmental stages that explain a person's capacity to judge what is morally right.

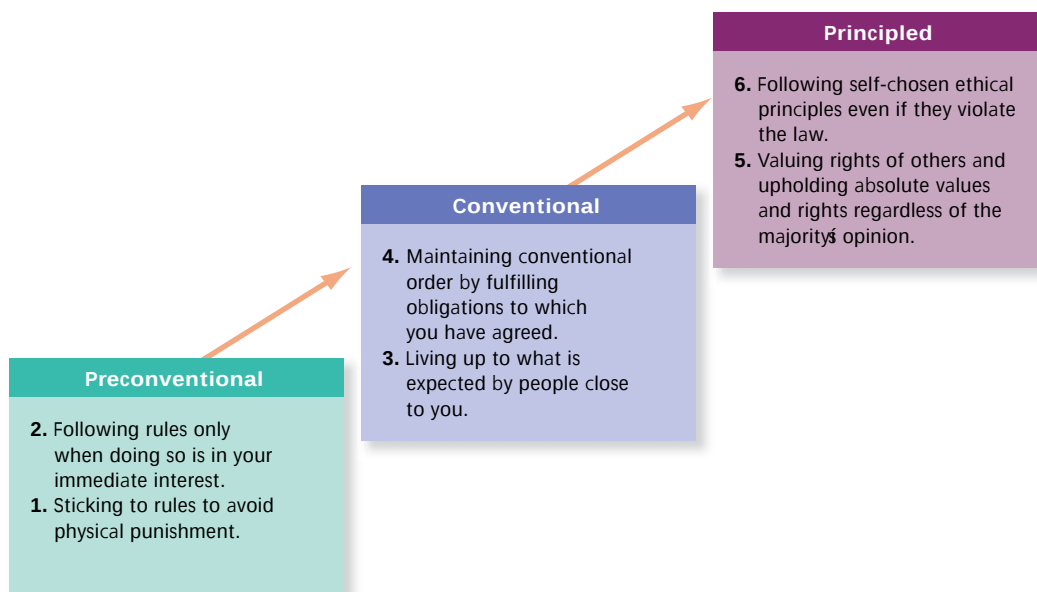
EXHIBIT 9-6 Factors Affecting Ethical Decision-Making Behaviour

level, and the highest level is the principled level. These levels and their stages are described in Exhibit 9-7.

The research indicates that people proceed through the stages one step at a time, though they do not necessarily reach the highest stage.⁸⁷ Most adults are at a mid-level of moral development—they are strongly influenced by peers and will follow an organization's rules and procedures. Those individuals who have progressed to the higher stages place increased value on the rights of others, regardless of the majority's opinion, and are likely to challenge organizational practices they personally believe are wrong. Those at the higher stages are most likely to make ethical decisions using the criteria of rights, justice, and care, which we discuss earlier.

Locus of Control

Research indicates that people with an external *locus of control* (that is, they believe their lives are controlled by outside forces, such as luck or chance) are less likely to take

EXHIBIT 9-7 Stages of Moral Development

Source: Based on L. Kohlberg, "Moral Stages and Moralization: The Cognitive-Developmental Approach," in *Moral Development and Behaviour: Theory, Research, and Social Issues*, ed. T. Lickona (New York: Holt, Rinehart and Winston, 1976), pp. 34–35.

responsibility for the consequences of their behaviour and are more likely to rely on external influences to determine their behaviour. Those with an internal locus of control (they believe they are responsible for their destinies), on the other hand, are more likely to rely on their own internal standards of right and wrong to guide their behaviour.

Organizational Environment

The *organizational environment* refers to an employee's perception of organizational expectations. Does the organizational culture encourage and support ethical behaviour by rewarding it or discourage unethical behaviour by punishing it? Characteristics of an organizational environment that are likely to foster high ethical decision making include written codes of ethics; high moral behaviour by senior management; realistic performance expectations; performance appraisals that evaluate means as well as ends; visible recognition and promotions for individuals who display high moral behaviour; and visible punishment for those who act unethically. An organization that has policies to protect **whistle-blowers**—individuals who report unethical practices to the press or government agencies—also makes it possible for people to speak out if they observe questionable activities. Unfortunately, many people who speak out against irregularities end up being punished for doing so, which is why strong company policies are necessary. WestJet, for example, as discussed in this chapter's *CBC Video Case Incident*, introduced a whistle-blowing policy after being taken to court by Air Canada and Jetsgo for questionable conduct.

In summary, people who lack a strong moral sense are much less likely to make unethical decisions if they are constrained by an organizational environment that frowns on such behaviours. Conversely, righteous individuals can be corrupted by an organizational environment that permits or encourages unethical practices. In the next section, we consider how to formulate an ethical decision.

Making Ethical Decisions

While there are no clear-cut ways to differentiate ethical from unethical decision making, there are some questions you should consider.

Exhibit 9-8 illustrates a decision tree to guide ethical decisions. This tree is built on three of the ethical decision criteria—utilitarianism, rights, and justice—presented earlier. The first question you need to answer addresses self-interest vs. organizational goals.

The second question concerns the rights of other parties. If the decision violates the rights of someone else (his or her right to privacy, for instance), then the decision is unethical.

The final question that needs to be addressed relates to whether the decision conforms to standards of equity and justice. The department head who raises the performance evaluation of a favoured employee and lowers the evaluation of a disfavoured employee—and then uses these evaluations to justify giving the former a big raise and nothing to the latter—has treated the disfavoured employee unfairly.

Unfortunately, the answers to the questions in Exhibit 9-8 are often argued in ways to make unethical decisions seem ethical. Powerful people, for example, can become very adept at explaining self-serving behaviours in terms of the organization's best interests. Similarly, they can persuasively argue that unfair actions are really fair and just. Our point is that immoral people can justify almost any behaviour. Those who are powerful, articulate, and persuasive are the most likely to be able to get away with unethical actions successfully. When faced with an ethical dilemma, try to answer the questions in Exhibit 9-8 truthfully.

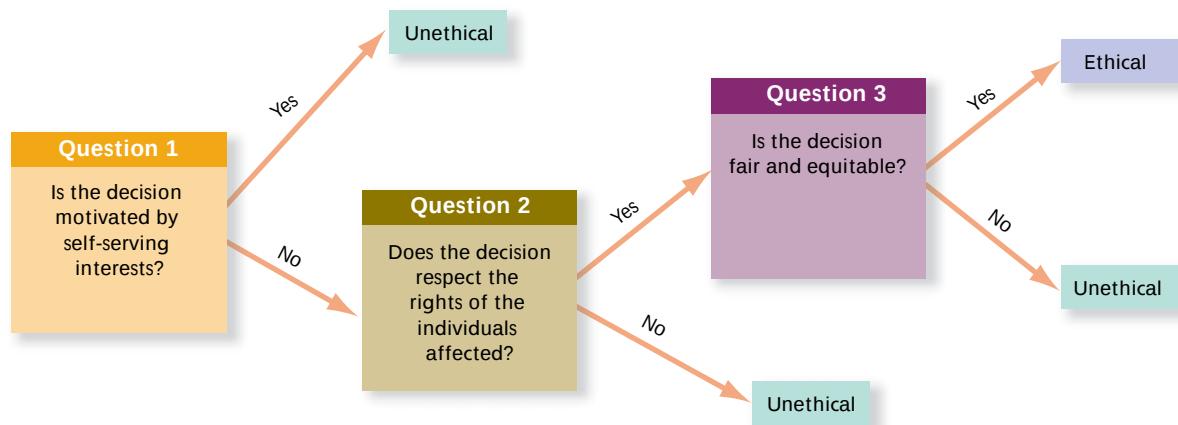
Organizational Response to Demands for Ethical Behaviour

During the 1990s, an explosion in the demand for more ethics occurred in Canada and the United States. A second explosion occurred in 2002, after the Enron, WorldCom, and

whistle-blowers Individuals who report unethical practices by their employers to outsiders.



Corporate Espionage in the Canadian Airline Industry

EXHIBIT 9-8 Is a Decision Ethical?

Source: Based on G. F. Cavanagh, D. J. Moberg, and M. Valasquez, "The Ethics of Organizational Politics," *Academy of Management Journal*, June 1981, pp. 363–374.

other accounting scandals. In Canada, more than 120 ethics specialists now offer services as in-house moral arbitrators, mediators, watchdogs, and listening posts. Some work at Canada's largest corporations, including the CIBC, Canada Post, Magna International, Royal Bank of Canada, and McDonald's Canada. These corporate ethics officers hear about issues such as colleagues making phone calls on company time, managers yelling at their employees, product researchers being asked to fake data to meet a deadline, or a company wanting to terminate a contract because the costs are higher than anticipated. Ethics professor Wayne Norman of the Université de Montréal believes that ethics officers are a positive trend, noting, "all sorts of studies show the companies that take ethics seriously tend to be more successful."⁸⁸

Many corporations are also developing codes of ethics. For example, about 60 percent of Canada's 650 largest corporations have some sort of ethics code.⁸⁹ Having a corporate ethics policy is not enough; employees must be instructed in how to follow the policy. Yet only about 39 percent of Canadian firms provided training in ethical decision making in 2000, although this was up from 21 percent in 1997. While no comparable Canadian data are available, a survey of employees in US businesses with ethics codes found that 75 percent of those surveyed had observed ethical or legal violations in the previous 12 months, including deceptive sales practices, unsafe working conditions, sexual harassment, conflicts of interest, and environmental violations.⁹⁰ Companies with codes of ethics may not do enough monitoring. For instance, David Nitkin, president of Toronto-based EthicScan Canada, an ethics consultancy, notes that "only about 15% of [larger Canadian corporations with codes of ethics] have designated an ethics officer or ombudsman" or provide an ethics hotline, and that less than 10 percent offer whistle-blower protection.⁹¹ *OB in Action—Developing a Meaningful Code of Ethics* shows how to implement codes of ethics in organizations.

Only 14 percent of companies evaluate their ethics-related performance, suggesting that most are not focused on improv-

Canada Post
www.canadapost.ca

McDonald's Canada
www.mcdonalds.ca

OB IN ACTION

Developing a Meaningful Code of Ethics

- Clearly **state basic principles** and expectations.
- Realistically **focus on potential ethical dilemmas** that employees face.
- **Distribute the code** to all employees.
- **Train individuals** so that they understand the code.
- **Enforce penalties** for violating of the code.

Source: Based on W. E. Stead, D. L. Worrell, and J. G. Stead, "An Integrative Model for Understanding and Managing Ethical Behavior in Business Organizations," *Journal of Business Ethics* 9, no. 3 (March 1990), pp. 233–242.

ing ethics in the workplace.⁹² However, a small group of companies is even starting a new trend in monitoring ethical practices, hiring an ethical auditor, much like they would hire a financial auditor. The ethical auditor is hired to “double-check an organization’s perception of its own morals.”⁹³ Vancouver City Savings Credit Union (Vancity), Bell Canada, Tetra Pak, British Telecom, the University of Toronto, and The Body Shop have all brought in ethical auditors.

Another way to encourage ethical behaviour is to create mechanisms that encourage employees to speak up when they see wrongdoing. Toronto-based BBDO Canada encourages “candour moments.” Employees are empowered “to call each other on behaviour that goes against company values, even junior employees who want to be candid with managers,” says the ad agency’s president and CEO, Gerry Frascione.⁹⁴

BBDO Canada
www.bbdo.ca

What About National Culture?

We have already shown that there are differences between Canada and the United States in the legal treatment of ethics violations and the creation of an ethical corporate culture. However, it is important to note that what is considered unethical in one country may not be viewed similarly in another country. The reason is that there are no global ethical standards. Contrasts between Asia and the West provide an illustration.⁹⁵ In Japan, people doing business together often exchange gifts, even expensive ones. This is part of Japanese tradition. When North American and European companies started doing business in Japan, most North American executives were not aware of the Japanese tradition of exchanging gifts and wondered whether this was a form of bribery. Most have come to accept this tradition now and have even set different limits on gift giving in Japan from other countries.⁹⁶

In another instance illustrating the differences between Asia and North America, a manager of a large US company that operates in China caught an employee stealing. Following company policy, she fired the employee and turned him over to the local authorities for his act. Later she discovered, much to her horror, that the former employee had been executed for the theft.⁹⁷ These examples indicate that standards for ethical behaviour and the consequences of particular acts are not universally similar. The fact that standards for ethical behaviour and the consequences of particular acts are not universal presents a variety of problems for those doing business in other countries.

United Parcel Service (UPS) Canada
www.ups.com/canada/
engindex.html

United Parcel Service (UPS) Canada, based in Fredericton, New Brunswick, wants to make sure that its employees approach ethical dilemmas with the confidence to make the right decisions. Therefore, the company conducts an ethics training program for all of its employees, from senior managers to service providers.

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restrictions.

Companies operating branches in foreign countries are faced with tough decisions about how to conduct business under ethical standards that differ from those in Canada. For instance, Canadian companies must decide whether they want to operate in countries such as China, Burma, and Nigeria, which abuse human rights. Although the Canadian government permits investing in these countries, it also encourages companies to act ethically.

While ethical standards may seem ambiguous in the West, criteria defining right and wrong are actually much clearer in the West than in Asia. John McWilliams, senior vice-president, general counsel, and secretary for Calgary-based Nexen, notes that requests for bribes are not necessarily direct: “Usually, they don’t say, ‘Give me X thousands of dollars and you’ve got the deal.’ It’s a lot more subtle than that.”⁹⁸ Michael Davies, vice-president and general counsel for Mississauga-based General Electric Canada, offers an example: “A payment [is] made to an administrative official to do the job that he’s supposed to do. In other words, you pay a fellow over the counter \$10 when you’re in the airport in Saudi Arabia to get on the flight you’re supposed to get on, because, otherwise, he’s going to keep you there for two days.”

Bribing foreign public officials is widespread. The US government reported that between 1994 and 2001, bribery was uncovered in more than 400 competitions for international contracts.⁹⁹ The need for global organizations to establish ethical principles for decision makers in all countries may be critical if high standards are to be upheld and if consistent practices are to be achieved.

Nexen
www.nexeninc.com

General Electric Canada
www.ge.com/ca

CORPORATE SOCIAL RESPONSIBILITY

In 1999 Nike gave a \$7.7 million (US) grant to the International Youth Foundation (IYF) to establish an organization called the Global Alliance for Workers and Communities.¹⁰⁰ Global Alliance, founded to improve working conditions in overseas factories, has been critical of Nike, publishing a report in 2001 on abuses in Indonesian factories making Nike products. “Verbal abuse was the most marked, with 30 percent of the workers having personally experienced and 56 percent having observed the problem. An average of 7 percent of workers reported receiving unwelcome sexual comments and 3 percent reported being physically abused,” the report said.

Nike admitted that it was unaware of these problems when the 2001 report was published. The company has since increased training for both managers and employees at its overseas facilities to avoid some of the abuses in the factories, and a 2003 report noted significant progress.¹⁰¹ Maria Eitel, the company’s vice-president for corporate responsibility, says: “The factory managers are telling us that as they increase their work around social responsibility, they are seeing improvements.” To what extent should companies be held socially responsible?

Corporate social responsibility is defined as an organization’s responsibility to consider the impact of its decisions on society. Thus, organizations may try to better society, through such things as charitable contributions or providing better wages to employees working in offshore factories. Organizations may engage in these practices because they feel pressured by society to do so, or they may seek ways to improve society because they feel it is the right thing to do.

Eighty percent of Canadians feel that Ottawa should establish standards for corporate social responsibility and require corporations to report on how they are meeting guidelines, according to a recent survey.¹⁰² Many Canadian companies are feeling the pressure to demonstrate social responsibility as well. The Environics Group recently found that 49 percent of the 25 000 consumers interviewed worldwide made product decisions on the basis of companies’ social responsibility.¹⁰³ This exceeded the 40 percent who made decisions based on brand quality and reputation. Moreover, 23 percent said they had punished a company in the previous year for not meeting what they thought were its social obligations.

7 What is corporate social responsibility?

corporate social responsibility
An organization’s responsibility to consider the impact of its decisions on society.

Not everyone agrees with the position of organizations assuming social responsibility. For example, economist Milton Friedman remarked in *Capitalism and Freedom* that “few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible.”¹⁰⁴

Joel Bakan, professor of law at the University of British Columbia, author of *The Corporation*,¹⁰⁵ and co-director of the documentary of the same name, is more critical of organizations than Friedman, though he finds that current laws support corporate behaviour that some might find troubling. Bakan suggests that today’s corporations have many of the same characteristics as a psychopathic personality (self-interested, lacking empathy, manipulative, and reckless in their disregard of others). Bakan notes that even though companies have a tendency to act psychopathically, this is not why they are fixated on profits. Rather, the only legal responsibility corporations have is to maximize organizational profits for stockholders. He suggests more laws and more restraints need to be put in place if corporations are to behave with more social responsibility, as current laws direct corporations to be responsible to their shareholders and make little mention of responsibility toward other stakeholders.

Interestingly enough, a recent study shows that MBA students change their views about social responsibility during the course of their program.¹⁰⁶ Students from 13 international business schools, including the Richard Ivey School of Business at the University of Western Ontario and the Schulich School of Business at York University, were asked at the beginning and the end of their MBA programs about their attitudes toward corporate social responsibility. At the start of their program, 40 percent reported that one of the primary responsibilities of a company is to produce useful, high quality goods and services. By the time the students graduated, only 30 percent of them thought this was a valuable corporate goal. Instead, 75 percent of the students suggested that a company’s primary responsibility was to maximize shareholder value.

Some Canadian companies do practise social responsibility, however. Both Vancouver-based Vancity and Bolton, Ontario-based Husky Injection Molding Systems have “taken comprehensive steps to include customer, employee, community and environmental concerns in both long-term planning and day-to-day decision making.”¹⁰⁷ Vancity’s electronic banking arm, Citizens Bank, has an “Ethical Policy,” which states, for instance, that the bank is against excessive environmental harm and will not do business with companies that either violate the fundamental rights of children or are involved in weapons.¹⁰⁸ This chapter’s *Case Incident*—*Syncrude Wants to Be a Good Neighbour* on page 328 describes a socially responsible approach to running a business located near an Aboriginal community. For more on the debate about social responsibility vs. concentrating on the bottom line, see this chapter’s *Point/Counterpoint* on page 324.

Vancity
www.vancity.com

Husky Injection Molding
Systems
www.husky.ca

SUMMARY AND IMPLICATIONS

SNAPSHOT SUMMARY

1 How Should Decisions Be Made?

The Rational Decision-Making Process

- 1 **Is there a right way to make decisions?** The rational decision-making model describes the six steps individuals take to make decisions: (1) Define the problem, (2) identify the criteria, (3) allocate weights to the criteria, (4) develop alternatives, (5) evaluate the alternatives, and (6) select the best alternative. This is an ideal model, and not every decision thoroughly follows these steps.
- 2 **How do people actually make decisions?** Most decisions in the real world do not follow the rational model. For instance, people are usually content to find an acceptable or reasonable solution to their problem rather than an optimizing one. Thus decision makers may rely on bounded rationality, satisficing, intuition, and judgment shortcuts in making decisions.

- 3 **What factors affect group decision making?** Groups generate more complete information and knowledge, they offer increased diversity of views, they generate higher quality decisions, and they lead to increased acceptance of a solution. However, group decisions are time-consuming. They also lead to conformity pressures, and the group discussion can be dominated by one or a few members. Finally, group decisions suffer from ambiguous responsibility, and the responsibility of any single member is watered down.
- 4 **Should the leader make the decision or encourage the group to participate?** The revised leader-participation model uses a decision tree to determine whether a leader should make a decision alone or incorporate some level of group participation. The major factors considered in the model include the quality of the decision required, the degree of commitment needed from participants, and the time available to make the decision.
- 5 **How can we get more creative decisions?** While there is some evidence that individuals vary in their ability to be creative, we also know that individuals are more creative when they are motivated by intrinsic interest, challenge, task satisfaction, and self-set goals. Five organizational factors have been found that can block creativity at work: (1) *expected evaluation*—focusing on how work is going to be evaluated; (2) *surveillance*—being watched while working; (3) *external motivators*—emphasizing external, tangible rewards; (4) *competition*—facing win-lose situations with peers; and (5) *constrained choice*—being given limits on how to do the work.
- 6 **What is ethics and how can it be used for better decision making?** Ethics is the study of moral values or principles that guide our behaviour and inform us whether actions are right or wrong. Ethical principles help us “do the right thing.” An individual can use four different criteria in making ethical choices. The first is the *utilitarian* criterion, in which decisions are made solely on the basis of their outcomes or consequences. The second is *rights*; this ethical criterion focuses on respecting and protecting the basic rights of individuals. The third is *justice*; this ethical criterion requires individuals to impose and enforce rules fairly and impartially so there is an equitable distribution of benefits and costs. The fourth is *care*; this ethical criterion suggests that we should be aware of the needs, desires, and well-being of those to whom we are closely connected. There are advantages and disadvantages to each of these criteria.
- 7 **What is corporate social responsibility?** Corporate social responsibility is defined as an organization’s responsibility to consider the impact of its decisions on society. Thus, organizations may try to better society, through such things as charitable contributions or providing better wages to employees working in offshore factories. Organizations may engage in these practices because they feel pressured by society to do so, or they may seek ways to improve society because they feel it is the right thing to do.

2 How Do Individuals Actually Make Decisions?

Problem Identification
Bounded Rationality in Considering Alternatives
Intuition
Judgment Shortcuts

3 Group Decision Making

Groups vs. the Individual
Groupthink and Groupshift
Group Decision-Making Techniques

4 The Influence of the Leader on Group Decision Making

5 Creativity in Organizational Decision Making

Factors That Affect Individual Creativity
Organizational Factors That Affect Creativity

6 What About Ethics in Decision Making?

Four Ethical Decision Criteria
Factors That Influence Ethical Decision-Making Behaviour
Making Ethical Decisions
Organizational Response to Demands for Ethical Behaviour
What About National Culture?

7 Corporate Social Responsibility

For Review

1. What is the rational decision-making model? Under what conditions is it applicable?
2. Describe organizational factors that might constrain decision makers.
3. What role does intuition play in effective decision making?
4. What is groupthink? What is its effect on decision-making quality?
5. What is groupshift? What is its effect on decision-making quality?
6. Identify five organizational factors that block creativity at work.
7. Describe the four criteria that individuals can use in making ethical decisions.
8. Are unethical decisions more a function of the individual decision maker or the decision maker's work environment? Explain.
9. What is corporate social responsibility, and why do companies engage in it?

For Critical Thinking

1. "For the most part, individual decision making in organizations is an irrational process." Do you agree or disagree? Discuss.
2. What factors do you think differentiate good decision makers from poor ones? Relate your answer to the six-step rational decision-making model.
3. Have you ever increased your commitment to a failed course of action? If so, analyze the follow-up decision to increase your commitment and explain why you behaved as you did.
4. If group decisions consistently achieve better-quality outcomes than those achieved by individuals, how did the phrase "a camel is a horse designed by a committee" become so popular and ingrained in our culture?

OB for You

- In some decision situations, you might consider following the rational decision-making model. This will ensure that you examine a wider variety of options before committing to a particular decision.
- Analyze decision situations and be aware of your biases. We all bring biases to the decisions we make. Combine rational analysis with intuition. As you gain experience, you should feel increasingly confident in using your intuition with your rational analysis.
- Use creativity-stimulation techniques. You can improve your overall decision-making effectiveness by searching for innovative solutions to problems. This can be as basic as telling yourself to think creatively and to look specifically for unique alternatives.
- When making decisions, you should consider their ethical implications. A quick way to do this is to ask yourself: Would I be embarrassed if this action were printed on the front page of the local newspaper?



POINT

Organizations Should Just Stick to the Bottom Line

The major goals of organizations are and should be efficiency, productivity, and high profits. By maximizing profits, businesses ensure that they will survive and thus make it possible to provide employment. Doing so is in the best interests of the organization, employees, and stockholders. Moreover, it is up to individuals to show that they are concerned about the environment through their investment and purchasing activities, not for corporations to lead the way.

Let's examine some of the reasons why it is not economically feasible to place all of the burden of protecting the environment on the shoulders of big business.

Studies show that environmental regulations are too costly. The Conference Board of Canada has suggested that environmental regulations cost Canadian companies \$580 million to \$600 million a year.¹⁰⁹ The Fraser Institute in Vancouver reported that all regulations, including those designed to protect the environment, cost Canadian industry \$103 billion a year.¹¹⁰ Environmental regulations can also be harmful to jobs. In British Columbia, the Forest Practices Code is said to have added \$1 billion a year to harvesting costs and resulted in a number of job cuts.

While businesses are concerned with the high cost that results from environmental regulations, the general public is not completely supportive of protecting the environment either, particularly if it will inconvenience them.¹¹¹

Companies would be better off sticking to the bottom line, and governments should stay away from imposing costly environmental regulations on business. Stringent environmental standards cause trade distortions, and governments rarely consider the cost of complying with regulations. Companies should be allowed to take their lead from shareholders and customers. If these constituencies want businesses to pay for environmental protection, they will indicate this by investing in firms that do so. Until they do, the cost of environmental legislation is simply too high.



COUNTERPOINT

Environmental Responsibility Is Part of the Bottom Line

Going green makes good economic sense. The studies reported in the *Point* argument tend to overstate the cost of environmental regulations.¹¹² They do not consider the benefits to society of those regulations.

A closer look at a few companies that have devoted efforts to being more environmentally friendly will illustrate the benefits of this approach. When the Quaker Oats Company of Canada started working toward a "greener" work environment, its plant in Peterborough, Ontario, saved more than \$1 million in three years through various environmental initiatives.¹¹³ As another example, Toronto-based Inco spent \$600 million to change the way it produces nickel at its Sudbury, Ontario, operations in order to be less devastating to the local environment. Its smelting process is one of the most energy efficient and environmentally friendly in the world. Inco continues to work to restore the appearance of Sudbury. Trees have grown back, the wildlife has returned, and the air is clean. Sudbury has even been listed as one of the 10 most desirable places to live in Canada. While Inco invested a lot of money to change its production process, Doug Hamilton, controller at Inco's Ontario division in Sudbury, has said, "Our Sulphur Dioxide Abatement Program was an awesome undertaking. Not only did this investment allow us to capture 90 percent of the sulphur in the ore we mine, but the new processes save the company \$90 million a year in production costs. That strikes me as a pretty smart investment."¹¹⁴ London, Ontario-based 3M Canada started a Pollution Prevention Pays (3P) program more than 20 years ago.¹¹⁵ The program emphasizes stopping pollution at the source to avoid the expense and effort of cleaning it up or treating it after the fact. The recycling program at 3M Canada's tape plant in Perth, Ontario, reduced its waste by 96 percent and saved the company about \$650 000 annually. The capital cost for the program was only \$30 000.

The examples of Quaker Oats, Inco, and 3M show that companies that are environmentally friendly have an advantage over their competitors. If organizations control their pollution costs better than their competitors, they will use their resources more efficiently and therefore increase profitability.

LEARNING ABOUT YOURSELF EXERCISE

Decision-Making Style Questionnaire

Circle the response that comes closest to the way you usually feel or act. There are no right or wrong responses to any of these items.

1. I am more careful about
 - a. people's feelings
 - b. their rights
2. I usually get along better with
 - a. imaginative people
 - b. realistic people
3. It is a higher compliment to be called
 - a. a person of real feeling
 - b. a consistently reasonable person
4. In doing something with other people, it appeals more to me
 - a. to do it in the accepted way
 - b. to invent a way of my own
5. I get more annoyed at
 - a. fancy theories
 - b. people who do not like theories
6. It is higher praise to call someone
 - a. a person of vision
 - b. a person of common sense
7. I more often let
 - a. my heart rule my head
 - b. my head rule my heart
8. I think it is a worse fault
 - a. to show too much warmth
 - b. to be unsympathetic
9. If I were a teacher, I would rather teach
 - a. courses involving theory
 - b. factual courses

Which word in the following pairs appeals to you more? Circle a or b.

10. a. Compassion b. Foresight
11. a. Justice b. Mercy
12. a. Production b. Design
13. a. Gentle b. Firm
14. a. Uncritical b. Critical
15. a. Literal b. Figurative
16. a. Imaginative b. Matter-of-fact

Scoring Key:

Mark each of your responses on the following scales. Then use the point value column to arrive at your score. For example, if you answered a to the first question, you would check 1a in the Feeling column. This response receives zero points when you add up the point value column. Instructions for classifying your scores are indicated following the scales.

Sensation	Point Value	Intuition	Point Value	Thinking	Point Value	Feeling	Point Value
2b _____	1	2a _____	2	1b _____	1	1a _____	0
4a _____	1	4b _____	1	3b _____	2	3a _____	1
5a _____	1	5b _____	1	7b _____	1	7a _____	1
6b _____	1	6a _____	0	8a _____	0	8b _____	1
9b _____	2	9a _____	2	10b _____	2	10a _____	1
12a _____	1	12b _____	0	11a _____	2	11b _____	1
15a _____	1	15b _____	1	13b _____	1	13a _____	1
16b _____	2	16a _____	0	14b _____	0	14a _____	1
Maximum Point Value	(10)		(7)		(9)		(7)

Circle *Intuition* if your Intuition score is equal to or greater than your Sensation score. Circle *Sensation* if your Sensation score is greater than your Intuition score. Circle *Feeling* if your Feeling score is greater than your Thinking score. Circle *Thinking* if your Thinking score is greater than your Feeling score.

A high score on *Intuition* indicates you see the world in holistic terms. You tend to be creative. A high score on *Sensation* indicates that you are realistic and see the world in terms of facts. A high score on *Feeling* means you make decisions based on gut feeling. A high score on *Thinking* indicates a highly logical and analytical approach to decision making.

Source: Based on a personality scale developed by D. Hellriegel, J. Slocum, and R. W. Woodman, *Organizational Behavior*, 3rd ed. (St. Paul, MN: West Publishing, 1983), pp. 127–141, and reproduced in J. M. Ivancevich and M. T. Matteson, *Organizational Behavior and Management*, 2nd ed. (Homewood, IL: BPI/Irwin, 1990), pp. 538–539.

BREAKOUT GROUP EXERCISES

Form small groups to discuss the following topics, as assigned by your instructor:

1. Apply the rational decision-making model to deciding where your group might eat dinner this evening. How closely were you able to follow the rational model in making this decision?
2. The company that makes your favourite snack product has been accused of being weak in its social responsibility efforts. What impact will this have on your purchase of any more products from that company?
3. You have seen a classmate cheat on an exam or an assignment. Do you do something about this or ignore it?

WORKING WITH OTHERS EXERCISE

The Lifeboat Exercise

1. Your ship has crashed. Luckily your group has found a lifeboat. However there are 10 people who are currently surrounding your lifeboat and asking to join you. Unfortunately, your lifeboat has room for only 3 additional people beyond those in your group. (If you have 6 people in your group, your boat can fit 9, etc.)

continued

OB AT WORK

2. Here is what you know about the 10 people surrounding your lifeboat:

An elderly couple	A doctor
A newlywed couple	A naval officer
A 7-year-old child	A man in his 30s
A minister	A wounded woman

3. As a group, decide what to do with the 10 people. How would you arrive at your decision? What ethical criteria would you use to make your decision?

Source: Unknown.

ETHICAL DILEMMA EXERCISE

Five Ethical Decisions: What Would You Do?

Assume you are a middle manager in a company with about 1000 employees. How would you respond to each of the following situations?

1. You are negotiating a contract with a potentially very large customer whose representative has hinted that you could almost certainly be assured of getting his business if you gave him and his wife an all-expenses-paid cruise to the Caribbean. You know the representative's employer would not approve of such a "payoff," but you have the discretion to authorize such an expenditure. What would you do?
2. You have the opportunity to steal \$100 000 from your company with absolute certainty that you would not be detected or caught. Would you do it?
3. Your company policy on reimbursement for meals while travelling on company business is that you will be repaid for your out-of-pocket costs, which are not to exceed \$50 a day. You do not need receipts for these expenses—the company will take your word. When travelling, you tend to eat at fast-food places and rarely spend more than \$15 a day. Most of your colleagues submit reimbursement requests in the range of \$45 to \$50 a day regardless of what their actual expenses are. How much would you request for your meal reimbursements?
4. You want to get feedback from people who are using one of your competitor's products. You believe you will get much more honest responses from these people if you disguise the identity of your company. Your boss suggests you contact possible participants by using the fictitious name of the Consumer Marketing Research Corporation. What would you do?
5. You have discovered that one of your closest friends at work has stolen a large sum of money from the company. Would you do nothing? Go directly to an executive to report the incident before talking about it with the offender? Confront the individual before taking action? Make contact with the individual with the goal of persuading that person to return the money?
6. You are in the process of hiring a new assistant, and your number-one client in terms of dollar value in sales has suggested that his sister-in-law would be ideal for the job. You have interviewed her, but believe that another candidate you interviewed is better qualified. You are concerned that if you don't hire the client's sister-in-law, however, you may lose some or all of your client's business.

Source: Several of these scenarios are based on D. R. Altany, "Torn Between Halo and Horns," *IndustryWeek*, March 15, 1993, pp. 15–20.

CASE INCIDENT

Syncrude Wants to Be a Good Neighbour

Fort McMurray, Alberta-based Syncrude is “the largest non-governmental employer of Aboriginal people in Canada.” The company, the largest producer of light sweet crude oil from oil sand, is strongly committed to working with the Aboriginal community. According to Syncrude’s website, “Commitment to the Aboriginal people of our region is not only motivated by our responsibility as a good corporate citizen, but by our desire to be a good neighbour.”

In order to make sure that members of the Aboriginal community are employable, Syncrude provides them with skill training before they are even considered for hiring. This makes it possible for Aboriginal people to compete for jobs in the oil sands industry on an equal footing with nonAboriginal people. Nora Flett, Syncrude’s Aboriginal development program coordinator, explains that companies cannot just hire Aboriginal people directly without training, “because you don’t just take someone from a small community, put them in a big corporation environment and expect that people will survive there, because that’s quite a bit of a culture shock.”

In addition to being sensitive to the employment needs of the Aboriginal community, Syncrude is committed to being a good neighbour in the community. The company gives

preference to local suppliers to help the local population benefit economically from Syncrude’s presence. Syncrude supports literacy programs for schools. As well, employment counsellors offer advice about the company, helping Aboriginal families learn about the company and what is expected of its employees.

Questions

1. What benefits do you think Syncrude might derive from being a good neighbour in Fort McMurray?
2. Should the company engage in practices that help the Aboriginal community, even if it means that the return to shareholders is not as large?
3. How does social responsibility explain what Syncrude does?

Sources: A. Kellogg, “Punch the Query ‘Canada’s Best Major Corporate Citizen’ into Google on Your Computer and It’s Likely the Image of Eric Newell Will Pop Up,” *Calgary Herald*, November 30, 2003, p. C2; C. Petten, “Syncrude, Cameco Strike Gold With PAR,” *Windspeaker*, March 2002, pp. B7–B8; <http://www.syncrude.com/community/aboriginal.html>; and http://www.syncrude.com/business/business_04.html#4b.



VIDEO CASE INCIDENT

Corporate Espionage in the Canadian Airline Industry

Sneaky moves, claims of corporate espionage, and shredded documents. This is not a fictitious spy thriller, but a true story of rivalry in the Canadian airline business. The companies involved are Air Canada, its arch enemy WestJet Airlines, and rival Jetsgo. All were locked in a ruthless battle for passengers.

The story began when one of the founders of WestJet, Mark Hill, gained access to Air Canada’s protected website through a password from a former Air Canada employee. In the website, Hill found information on Air Canada’s routes and the number of passengers on planes.

This kind of corporate snooping happens a lot more than people think, especially in high-tech firms, very competitive industries, and industries that are at the cutting edge of

development. “Information is power,” Hill says. “One of the reasons we were so successful is that we knew more about this business than the other discount airlines that were trying to get going around this time,” he adds.

Air Canada might never have known that Hill had accessed its protected website, except a whistle-blower from WestJet tipped Air Canada off. By the time he was revealed, Hill had accessed the website 243 000 times in less than a year.

In another twist in this tale, Air Canada sent private investigators to Hill’s home in Victoria, BC, to do a little digging of their own. The investigators dumped all the shredded paper in Hill’s garbage into their pickup truck, which caught a neighbour’s attention. The neighbour informed the police and Hill. A few weeks later, the private investigators were

OB AT WORK

back for more garbage, but this time Hill was ready for them, with a camera. His pictures showed up on the front page of one of Canada's national newspapers, proof of Air Canada's "dumpster digging."

After Air Canada pieced together the retrieved shredded documents, it launched a \$220-million lawsuit against WestJet, accusing it of a malicious attempt to take away business and schedule competing flights. WestJet responded with a countersuit, accusing Air Canada of trespassing and stealing private property. Michel Leblanc, president of the discount airline Jetsgo, claimed some of his company's private documents were also found in Hill's garbage. Jetsgo filed a lawsuit against WestJet for \$50 million.

WestJet President Clive Beddoe eventually apologized to his employees and shareholders about the situation. Beddoe said, "I have to take responsibility for this event as I should have known what Mark Hill was doing. Neither I nor the board condone this sort of activity. . . . Furthermore, we have introduced a new corporate whistle-blowing policy . . . we have no intention of letting a situation like this happen again." Hill subsequently resigned from the company.

By the end of May 2006, WestJet and Air Canada had settled their dispute, with WestJet paying \$5.5 million for Air Canada's investigation and legal fees, and \$10 million to children's charities. Jetsgo filed for bankruptcy in March 2005.

Questions

1. Using the four ethical decision-making criteria (utilitarianism, rights, justice, and care), assess the ethics of WestJet Airlines' and Air Canada's actions.
2. What were the factors influencing ethical or unethical decision-making behaviour of the main characters in this airline saga?
3. What could WestJet do to prevent this type of ruthless, corporate espionage behaviour in the future?

Sources: "Corporate Espionage—Under the Radar," *CBC Venture*, October 31, 2004, VA2085A, 925; M. McClearn, E. Pooley, and J. Gray, "Spy vs. Spy," *Canadian Business*, January 31–February 13, 2005, pp. 32–45; and "Air Canada, WestJet Settle Spying Lawsuit," *CBC News*, May 30, 2006, <http://www.cbc.ca/story/business/national/2006/05/29/westjet-aircansettle.html> (accessed June 9, 2006).

From Concepts to Skills

Solving Problems Creatively

You can be more effective at solving problems creatively if you use the following 10 suggestions:¹¹⁷

1. *Think of yourself as creative.* Research shows that if you think you can't be creative, you won't be. Believing in your ability to be creative is the first step to becoming more creative.
2. *Pay attention to your intuition.* Every individual has a subconscious mind that works well. Sometimes answers will come to you when you least expect them. Listen to that "inner voice." In fact, most creative people will keep notepads near their beds and write down ideas when the thoughts come to them.
3. *Move away from your comfort zone.* Every individual has a comfort zone in which certainty exists. But creativity and the known often do not mix. To be creative, you need to move away from the status quo and focus your mind on something new.
4. *Determine what you want to do.* This includes such things as taking time to understand a problem before beginning to try to resolve it, getting all the facts in mind, and trying to identify the most important facts.
5. *Think outside the box.* Use analogies whenever possible (e.g., could you approach your problem like a fish out of water and look at what the fish does to cope? Or can you use the things you have to do to find your way when it's foggy to help you solve your problem?). Use different problem-solving strategies, such as verbal, visual, mathematical, or theatrical. Look at your problem from a different perspective or ask yourself what someone else, like your grandmother, might do if faced with the same situation.
6. *Look for ways to do things better.* This may involve trying consciously to be original, not worrying about looking foolish, keeping an open mind, being alert to odd or puzzling facts, thinking of unconventional

continued

ways to use objects and the environment, discarding usual or habitual ways of doing things, and striving for objectivity by being as critical of your own ideas as you would be of someone else's.

7. *Find several right answers.* Being creative means continuing to look for other solutions even when you think you have solved the problem. A better, more creative solution just might be found.
8. *Believe in finding a workable solution.* Like believing in yourself, you also need to believe in your ideas. If you don't think you can find a solution, you probably won't.
9. *Brainstorm with others.* Creativity is not an isolated activity. Bouncing ideas off of others creates a synergistic effect.
10. *Turn creative ideas into action.* Coming up with creative ideas is only part of the process. Once the ideas are generated, they must be implemented. Keeping great ideas in your mind, or on papers that no one will read, does little to expand your creative abilities.

Assessing Skills

After you've read this chapter, take the following Self-Assessments on your enclosed CD-ROM:

5. How Creative Am I?
20. What's My Decision-Making Style?
22. How Do My Ethics Rate?

Practising Skills

Every time the phone rings, your stomach clenches and your palms start to sweat. And it's no wonder! As sales

manager for Brinkers, a machine tool parts manufacturer, you are besieged by calls from customers who are upset about late deliveries. Your boss, Carter Herrera, acts as both production manager and scheduler. Every time your sales representatives negotiate a sale, it's up to Carter to determine whether production can actually meet the delivery date the customer specifies. Carter invariably says, "No problem." The good thing about this is that you make a lot of initial sales. The bad news is that production hardly ever meets the shipment dates that Carter authorizes. He doesn't seem to be all that concerned about the aftermath of late deliveries. He says, "Our customers know they're getting outstanding quality at a great price. Just let them try to match that anywhere. It can't be done. So even if they have to wait a couple of extra days or weeks, they're still getting the best deal they can." Somehow the customers do not see it that way, and they let you know about their unhappiness. Then it's up to you to try to smoothe over the relationship. You know this problem has to be taken care of, but what possible solutions are there? After all, how are you going to keep from making your manager angry or making the customers angry? Use your knowledge of creative problem solving to come up with solutions.

Reinforcing Skills

1. Take 20 minutes to list as many medical or health-care-related jobs as you can that begin with the letter *r* (for instance, radiologist, registered nurse). If you run out of listings before time is up, it's OK to quit early. But try to be as creative as you can.
2. List on a piece of paper some common terms that apply to both *water* and *finance*. How many were you able to come up with?

CHAPTER 10

Organizational Culture and Change

How does a for-profit Crown corporation with a \$7-million deficit get back in the black? Changing its culture is part of the answer.



- 1 What is the purpose of organizational culture?
- 2 How do you create and maintain organizational culture?
- 3 What kind of organizational culture might suit you?
- 4 Can organizational culture have a downside?
- 5 How do organizations manage change?
- 6 Why do people and organizations resist change?

When David Dingwall was appointed president and CEO of the Ottawa-based Royal Canadian Mint in March 2003, the mint was a for-profit Crown corporation that had a \$7-million deficit.¹ He described the culture that led to this deficit: “There was no discipline. There was no focus. There was no accountability and there was no transparency.” He also noted that there was no urgency in wanting to help customers.

Dingwall noted that business processes “were essentially broken or non-existent. We had a very unprofitable jewellery line business; I’m talking about high-end jewellery that you or I would not buy for our spouses because we’d have to mortgage our house. In our foreign circulation coin we were floundering.” Dingwall observed that the organization’s culture needed to be changed if it was to become a profitable business.

Although Dingwall resigned amidst controversy in September 2005, he was later cleared of wrongdoing. Most reports reviewing his performance agreed that he had significantly turned around the fortunes of the Mint. Auditor General Sheila Fraser, in her 2005 performance review of the Mint, gave “good marks to management for introducing a ‘lean enterprise’ initiative to control costs.” After completing a government-requested investigation in spring 2006 of the circumstances surrounding Dingwall’s severance pay, George Adams, a retired

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Ontario Superior Court judge, reported that as head of the Mint Dingwall “had performed his job well.” What did Dingwall do to change the culture of the Mint?

In this chapter, we show that every organization has a culture. We examine how that culture reveals itself and the impact it has on the attitudes and behaviours of members of that organization. An understanding of what makes up an organization’s culture and how culture is created, sustained, and learned enhances our ability to explain and predict the behaviour of people at work. We also look at different approaches organizations take to managing change.

WHAT IS ORGANIZATIONAL CULTURE?

When Henry Mintzberg, professor at McGill University and one of the world’s leading management experts, was asked to compare organizational structure and corporate culture, he said, “Culture is the soul of the organization—the beliefs and values, and how they are manifested. I think of the structure as the skeleton, and as the flesh and blood. And culture is the soul that holds the thing together and gives it life force.”²

Mintzberg’s metaphor provides a clear image of how to think about culture. Culture provides stability to an organization and gives employees a clear understanding of “the

1 What is the purpose of organizational culture?

Royal Canadian Mint
www.mint.ca

Henry Mintzberg
www.henrymintzberg.com

OB IS FOR EVERYONE

* What does organizational culture do?

* Is culture the same as rules?

* What kind of organizational culture would work best for you?

* Are there positive approaches to change?

* How do you respond to change?

* What makes organizations resist change?

way things are done around here.” Culture sets the tone for how organizations operate and how individuals within the organization interact. Think of the different impressions you have when a receptionist tells you that “Ms. Dettweiler” will be available in a moment, while at another organization you are told that “Emma” will be with you as soon as she gets off the phone. It’s clear that in one organization the rules are more formal than in the other.

As we discuss organizational culture, you may want to remember that organizations differ considerably in the cultures they adopt. Consider the different cultures of Calgary-based WestJet Airlines and Montreal-based Air Canada. WestJet is viewed as having a “young, spunky, can-do environment, where customers will have more fun.”³ Air Canada, by contrast, is considered less helpful and friendly. One analyst even suggested that Air Canada staff “tend to make their customers feel stressed” by their confrontational behaviour.⁴ Our discussion of culture should help you understand how these differences across organizations occur.

Culture provides stability to an organization and gives employees a clear understanding of “the way things are done around here.” It sets the tone for how organizations operate and how individuals within the organization interact. Thus, it has an impact on the employees who work for the firm.

As you start to think about different organizations where you might work, you will want to consider their cultures. An organization that expects employees to work 15 hours a day may not be one in which you would like to work. An understanding of culture might help you discover the firm’s expectations before you accept a job, or it might help you understand why you like (or don’t like) the college or university you attend.

Below, we propose a specific definition and review several issues that revolve around this definition. *From Concepts to Skills* on pages 365–366 tells you how to read an organization’s culture. You may want to complete the *Learning About Yourself Exercise* on page 361, which assesses whether you would be more comfortable in a formal, rule-oriented culture or a more informal, flexible culture.

Definition of Organizational Culture

Organizational culture is the pattern of shared values, beliefs, and assumptions considered to be the appropriate way to think and act within an organization. The key features of culture are as follows:

- Culture is shared by the members of the organization.
- Culture helps members of the organization solve and understand the things that the organization encounters, both internally and externally.
- Because the assumptions, beliefs, and expectations that make up culture have worked over time, members of the organization believe they are valid. Therefore, they are taught to people who join the organization.
- These assumptions, beliefs, and expectations strongly influence how people perceive, think, feel, and behave within the organization.⁵

Not every group develops a culture, although any group that has existed for a while and has shared learnings will likely have a culture. Groups that experience high turnover (so that learnings are not passed down to new members very effectively) and groups that have not experienced any challenging events may not develop cultures.

Levels of Culture

Because organizational culture has multiple levels,⁶ the metaphor of an iceberg has often been used to describe it.⁷ However, a simmering volcano may better represent the layers of culture: beliefs, values, assumptions bubble below the surface, producing

WestJet Airlines
www.westjet.com

Air Canada
www.aircanada.com

organizational culture The pattern of shared values, beliefs, and assumptions considered appropriate for thinking and acting within an organization.

EXHIBIT 10-1 Layers of Culture



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due to
copyright
restrictions.

observable aspects of culture at the surface. Exhibit 10-1 reminds us that culture is very visible at the level of **artifacts**. These are what you see, hear, and feel when you encounter an organization's culture. You may notice, for instance, that employees in two offices have very different dress policies, or one office displays great works of art while another posts company mottos on the wall.

Exhibit 10-1 also shows us that beliefs, values, and assumptions, unlike artifacts, are not always readily observable. Instead, we rely on the visible artifacts (material symbols, special language used, rituals carried out, and stories told to others) to help us uncover the organization's beliefs, values, and assumptions. **Beliefs** are the understandings of how objects and ideas relate to each other. **Values** are the stable, long-lasting beliefs about what is important. For instance, Winnipeg-based Palliser Furniture, a

artifacts Aspects of an organization's culture that you see, hear, and feel.

beliefs The understandings of how objects and ideas relate to each other.

values The stable, long-lasting beliefs about what is important.



Image omitted
due to
copyright
restrictions.

Montreal-based PEAK Financial Group send employees to "The Academy," an intensive three-day orientation for all new hires. Afterward, all employees join together in a welcome ceremony, where new employees are asked to give a two-minute speech telling who they are and why they chose to work at PEAK. PEAK's programs make sure that employees feel part of the culture from day one and feel comfortable interacting one another. Here we see Robert Frances (right), president and CEO, welcoming a new employee during a staff meeting.

assumptions The taken-for-granted notions of how something should be.

manufacturer of wooden and upholstered furniture, promotes the following corporate values: “demonstrating integrity in all relationships, promoting the dignity and value of each other, and striving for excellence.”⁸ **Assumptions** are the taken-for-granted notions of how something should be. When basic assumptions are held by the entire group, members will have difficulty conceiving of another way of doing things. For instance, in Canada, some students hold a basic assumption that universities should not consider costs when setting tuition but that they should keep tuition low for greater access by students. Beliefs, values, and assumptions, if we can uncover them, help us understand why organizations do the things that we observe.

Characteristics of Culture

Research suggests that seven primary characteristics capture the essence of an organization's culture:⁹

- *Innovation and risk-taking.* The degree to which employees are encouraged to be innovative and take risks.
- *Attention to detail.* The degree to which employees are expected to work with precision, analysis, and attention to detail.
- *Outcome orientation.* The degree to which management focuses on results, or outcomes, rather than on the techniques and processes used to achieve these outcomes.
- *People orientation.* The degree to which management decisions take into consideration the effect of outcomes on people within the organization.
- *Team orientation.* The degree to which work activities are organized around teams rather than individuals.
- *Aggressiveness.* The degree to which people are aggressive and competitive rather than easygoing and supportive.
- *Stability.* The degree to which organizational activities emphasize maintaining the status quo in contrast to growth.

Each of these characteristics exists on a continuum from low to high. For instance, the Royal Canadian Mint, discussed in this chapter's vignette, is high on innovation and risk-taking, and high on people orientation and team orientation. But the Mint is low on stability, as its goal is to be able to move quickly when opportunities arise.

When individuals consider their organizations according to these seven characteristics, they get a composite picture of the organizations' culture. This picture becomes the basis for feelings of shared understanding that members have about the organization, how things are done in it, and the way members are supposed to behave. Exhibit 10-2 on page 335 demonstrates how these characteristics can be mixed to create highly diverse organizations.

Culture's Functions

Culture performs a number of functions within an organization:

- It has a boundary-defining role because it creates distinction between one organization and others.
- It conveys a sense of identity to organization members.
- It helps create commitment to something larger than an individual's self-interest.
- It enhances stability; it is the social glue that helps hold the organization together by providing appropriate standards for what employees should say and do.

★ What does organizational culture do?

EXHIBIT 10-2 Contrasting Organizational Cultures

Organization A	Organization B
• Managers must fully document all decisions. • Creative decisions, change, and risks are not encouraged. • Extensive rules and regulations exist for all employees. • Productivity is valued over employee morale. • Employees are encouraged to stay within their own departments. • Individual effort is encouraged.	• Management encourages and rewards risk-taking and change. • Employees are encouraged to run with "ideas, and failures are treated as "learning experiences." • Employees have few rules and regulations to follow. • Productivity is balanced with treating its people right. • Team members are encouraged to interact with people at all levels and functions. • Many rewards are team-based.

- It serves as a control mechanism that guides and shapes the attitudes and behaviour of employees, and helps them make sense of the organization.

This last function is of particular interest to us.¹⁰ As the following quotation makes clear, culture defines the rules of the game:

*Culture by definition is elusive, intangible, implicit, and taken for granted. But every organization develops a core set of assumptions, understandings, and implicit rules that govern day-to-day behaviour in the workplace. Until newcomers learn the rules, they are not accepted as full-fledged members of the organization. Transgressions of the rules on the part of high-level executives or front-line employees result in universal disapproval and powerful penalties. Conformity to the rules becomes the primary basis for reward and upward mobility.*¹¹

The role of culture in influencing employee behaviour appears to be increasingly important in today's workplace.¹² As organizations widen spans of control, flatten structures, introduce teams, reduce formalization, and empower employees, the *shared meaning* provided by a strong culture ensures that everyone is pointed in the same direction. Geoffrey Relph, IBM Canada's marketing director of professional services, compared the culture of his previous company (GE Appliances in Louisville, Kentucky) with that of IBM: "The priorities in GE are: 'Make the financial commitments. Make the financial commitments. Make the financial commitments.' At IBM, the company's attention is divided among customer satisfaction, employee morale, and positive financial results."¹³ These two cultures give employees and managers different messages about where they should direct their attention. Recent research suggests, moreover, that employees are more likely to behave appropriately when there are clear norms about behaviour, rather than general guidelines, such as "be honest."¹⁴

Culture can also influence people's ethical behaviour. When lower-level employees see their managers padding expense reports, this sends a signal that the firm tolerates such dishonest behaviour. Firms that emphasize individual sales records may encourage unhealthy competition among sales staff, including "misplacing" phone messages and not being helpful to someone else's client. Toronto-based GMP Securities, on the other hand, emphasizes the importance of a teamwork culture, so that individuals are not competing against one another and engaging in questionable activities. Founding partner Brad Griffiths notes that "the corporate culture is to make an environment where everybody feels they're involved. We want to be successful, but not at the expense of the individual."¹⁵ For further discussion of the effect of culture on ethical behaviour, see this chapter's *Ethical Dilemma Exercise* on pages 362–363.

IBM Canada
www.ibm.com/ca/en/

GMP Securities
www.gmpsecurities.com

Do Organizations Have Uniform Cultures?

Organizational culture represents a common perception held by the organization's members. This was made explicit when we defined culture as a system of *shared* meaning. We should expect, therefore, that individuals with different backgrounds or at different levels in the organization will tend to describe the organization's culture in similar terms.¹⁶

However, the fact that organizational culture has common properties does not mean that there cannot be subcultures within it. Most large organizations have a dominant culture and numerous sets of subcultures.¹⁷

A **dominant culture** expresses the core values that are shared by a majority of the organization's members. When we talk about an *organization's culture*, we are referring to its dominant culture. It is this macro view of culture that gives an organization its distinct personality.¹⁸ **Subcultures** tend to develop in large organizations to reflect common problems, situations, or experiences that members face. These subcultures are likely to be defined by department designations and geographical separation.

An organization's purchasing department, for example, can have a subculture that is unique to the members of that department. It will include the **core values**—the primary, or dominant, values in the organization—plus additional values unique to members of the purchasing department. Similarly, an office or unit of the organization that is physically separated from the organization's main operations may take on a different personality. Again, the core values are basically retained but modified to reflect the distinct situation of the separated unit.

If organizations had no dominant culture and were composed only of numerous subcultures, the value of organizational culture as an independent variable would be significantly lessened. This is because there would be no uniform interpretation of what represented appropriate and inappropriate behaviour. It is the “shared meaning” aspect of culture that makes it such a potent device for guiding and shaping behaviour. That is what allows us to say that Microsoft's culture values aggressiveness and risk-taking,¹⁹ and then to use that information to better understand the behaviour of Microsoft executives and employees. But we cannot ignore the reality that as well as a dominant culture, many organizations have subcultures that can influence the behaviour of members. Some strong subcultures can even make it difficult for managers to introduce organizational change. This sometimes happens in unionized environments, and can occur in nonunionized environments as well. To learn more about how to identify the culture of an organization, see *From Concepts to Skills* on pages 365–366.

dominant culture A system of shared meaning that expresses the core values shared by a majority of the organization's members.

subcultures Minicultures within an organization, typically defined by department designations and geographical separation.

core values The primary, or dominant, values that are accepted throughout the organization.

CREATING AND SUSTAINING AN ORGANIZATION'S CULTURE

To address the problems of the culture he faced when he started at the Royal Canadian Mint, president and CEO David Dingwall needed to make a number of changes.²⁰ He introduced a lean enterprise model and a new management team, including a new chief financial officer as well as a new vice-president of sales and marketing. He made \$15 million in cuts, including getting rid of the jewellery business, reducing inventory by 50 percent and lowering travel and advertising expenses. He also reduced the time it took to get a product to market from more than 460 days to just 150, with the aim of becoming even faster in the future. To show that he was intent on creating a new culture, Dingwall involved employees in the changes. He encouraged them to help figure out how to create better work processes. Employees helped map out the steps for change and then implemented them. Dingwall complimented the employees on the job they did. “We had inventory savings. We had time savings. We were able to redirect some of our labour to other projects.”

Dingwall recognized the importance of acknowledging good performance from employees. He wanted employees to meet customer demands quickly and efficiently. He suggested that the old culture at the Mint was partially responsible for not encouraging new ideas and initiatives by employees. “One of the big things I found at the Mint was a real reluctance to celebrate,” he said.

Dingwall gave each of his vice-presidents a budget for celebrating achievements. “I am sure there was some celebration in the past, but now if you don’t have celebrations in your operations I want to know why. That is the difference.” In what other ways might Dingwall have created a high-performance culture at the Mint?

An organization’s culture does not pop out of thin air. Once established, it rarely fades away. Exhibit 10-3 summarizes how an organization’s culture is established and sustained. The original culture derives from the founder’s philosophy. This in turn strongly influences the criteria used in hiring. The actions of the current top management set the general climate of what is acceptable behaviour and what is not. How employees are to be socialized will depend both on the degree of success an organization achieves in matching new employees’ values to its own in the selection process and on top management’s preference for socialization methods. We describe each part of this process below.

2 How do you create and maintain organizational culture?

How a Culture Begins

* *Is culture the same as rules?*

An organization’s current customs, traditions, and general way of doing things largely owe to what it has done before and how successful those previous endeavours have been. This leads us to the ultimate source of an organization’s culture: its founders.²¹

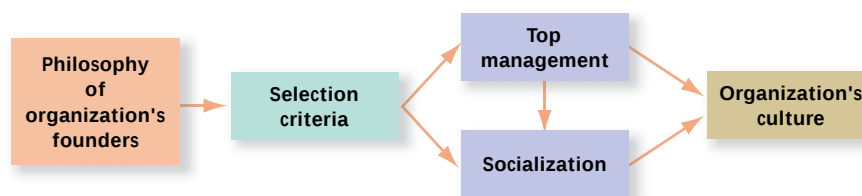
The founders traditionally have a major impact on that organization’s early culture. They have a vision of what the organization should be. They are not constrained by previous customs or ideologies. Because new organizations are typically small, it is possible for the founders to impose their vision on all organizational members.

A culture can be created in three ways.²² First, founders hire and keep only employees who think and feel the way they do. Second, they indoctrinate and socialize these employees to their way of thinking and feeling. Finally, the founders’ behaviour acts as a role model, encouraging employees to identify with the founders and internalize those beliefs, values, and assumptions. When the organization succeeds, the founders’ vision is seen as a primary determinant of that success. At that point, the founders’ entire personality becomes embedded in the culture of the organization.

For example, Microsoft’s culture is largely a reflection of its co-founder, chair, and chief software architect (and former CEO), Bill Gates. Gates is personally aggressive, competitive, and highly disciplined. Those are the same characteristics often used to describe the software giant he founded. Other contemporary examples of founders who

Bill Gates, Microsoft
www.microsoft.com/billgates/default.asp

EXHIBIT 10-3 How Organizational Cultures Form



IKEA founder Ingvar Kamprad grew up in a poor farming area in Sweden where people worked hard and lived frugally. He combined the lessons he learned growing up with his vision of helping people live a better life at home by offering them affordable, functional, and well-designed furniture. He named his company IKEA by combining his initials plus the first letters of Elmtaryd and Agunnaryd, the farm and village where he grew up. The success of IKEA in expanding to more than 220 stores in 35 countries stems from Kamprad's vision.

Image omitted
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Ted Rogers, Rogers Communications

www.rogers.com/english/aboutrogers/historyofrogers/index.html

have had an immeasurable impact on their organizations' cultures are Ted Rogers of Toronto-based Rogers Communications, Frank Stronach of Aurora, Ontario-based Magna International, Anita Roddick of The Body Shop, and Richard Branson of the Virgin Group.

Keeping a Culture Alive

Once a culture is in place, human resource practices within the organization act to maintain it by giving employees a set of similar experiences.²³ For example, the selection process, performance evaluation criteria, training and career development activities, and promotion procedures ensure that new employees fit in with the culture, rewarding those who support it and penalizing (even expelling) those who challenge it. Three forces play a particularly important part in sustaining a culture: *selection* practices, the actions of *top management*, and *socialization* methods. Let's take a closer look at each.

Selection

The explicit goal of the selection process is to identify and hire individuals who have the knowledge, skills, and abilities to perform the jobs within the organization successfully. Typically, more than one candidate will meet any given job's requirements. The final decision as to who is hired is significantly influenced by the decision maker's judgment of how well each candidate will fit into the organization. This attempt to ensure a proper match, either deliberately or inadvertently, results in the hiring of people who have values consistent with those of the organization, or at least a good portion of those values.²⁴

At the same time, the selection process provides information about the organization to applicants. If they perceive a conflict between their values and those of the organization, they can remove themselves from the applicant pool. Selection, therefore, becomes a two-way street, allowing the employer or applicant to look elsewhere if there appears to be a mismatch. In this way, the selection process sustains an organization's culture by selecting out those individuals who might attack or undermine its core values. *OB in the Workplace* shows how one company's use of multiple interviews ensures that applicants are right for the job.

Image omitted
due to
copyright
restrictions.

At Pret A Manger, a British sandwich shop chain, job applicants spend a trial day working at a shop, after which the shop's team of employees decide whether the applicants would make good additions to the staff.

OB IN THE WORKPLACE



Surviving Procter & Gamble's Intensive Screening Process

How does a company make sure an applicant is right for the job? Applicants for entry-level positions in brand management at household products maker Procter & Gamble (P&G) move through an exhaustive application and screening process. Their interviewers are part of an elite group who have been selected and trained extensively via lectures, videotapes, films, practice interviews, and role plays to identify applicants who will successfully fit in at P&G. Applicants are interviewed in depth for such qualities as their ability to “turn out high volumes of excellent work,” “identify and understand problems,” and “reach thoroughly substantiated and well-reasoned conclusions that lead to action.” P&G values rationality and seeks applicants who demonstrate that quality. University and college applicants have two interviews and write a general-knowledge test on campus before being flown back to head office for three more one-on-one interviews and a group interview at lunch. Each encounter seeks corroborating evidence of the traits that the firm believes correlate highly with “what counts” for success at P&G.²⁵ 

Top Management

The actions of top management also have a major impact on the organization's culture.²⁶ Through what they say and how they behave, senior executives establish norms that filter down through the organization. These norms establish whether risk-taking is desirable; how much freedom managers should give their employees; what is appropriate dress; what actions will pay off in terms of pay raises, promotions, and other rewards; and the like.

As we noted earlier, managers at the Royal Canadian Mint didn't seem to value celebrating employees' positive actions before David Dingwall took over. The manager of Sheraton Suites Calgary Eau Claire discovered how important changing the culture of the organization was to improve its performance, as *OB in the Workplace* shows.

OB IN THE WORKPLACE



Employees Have Feelings Too

Can a culture change help with turnover problems? Sheraton Suites Calgary Eau Claire had turnover problems almost from the time it opened.²⁷ Though the hotel ranked third out of 210 Sheratons across Canada in a 1999 customer satisfaction survey, its key employees kept leaving.

General manager Randy Zupanski wanted to improve employee morale and he hired a consulting group to uncover problems in the workplace through a series of seminars. The consultants uncovered interesting concerns. The hotel management had focused on team process, encouraging and rewarding team behaviour. However, the team culture was having a negative effect on many employees. They did not feel that they were being recognized and rewarded for what they were doing as individuals.

Zupanski and his managers introduced changes to the hotel's culture. They made the recognition program more personal, rewarding such things as attendance, performance, and extra work. Some employees received an extra day off with pay for their hard work.

The result, said the hotel's human resource manager, was an incredible change in atmosphere. Individual employees felt less stressed and more rewarded, which led to overall performance improvements by everyone. Customer satisfaction improved so much that the Eau Claire Sheraton received the Highest Overall Guest Satisfaction award among 230 Sheratons in North America in 2001, 2002, 2003, and 2004; it was also named #1 Sheraton Worldwide Hotel of the Year in 2005. Zupanski noted that working together to change the hotel's culture brought "us together and brought trust and understanding into the team atmosphere." 

The example of Sheraton Suites Calgary Eau Claire shows that being aware of how culture affects individual performance can help managers identify specific practices that lead to poor morale. However, we would not want to leave you with the impression that changing culture is easy. In fact, it is a difficult process. For a specific example of the difficulties of culture change, see *Case Incident—EnCana's New Culture Presents Challenges* on the CD-ROM that accompanies this textbook. We discuss the process of changing culture later in this chapter.

Socialization

No matter how effectively the organization recruits and selects new employees, they are not fully trained in the organization's culture when they start their jobs. Because they are unfamiliar with the organization's culture, new employees may disturb the beliefs and customs that are in place. The organization will, therefore, want to help new employees adapt to its culture. This adaptation process is called **socialization**.²⁸

New employees at the Japanese electronics company Sanyo are socialized through a particularly long training program. At their intensive five-month course, trainees eat and sleep together in company-subsidized dorms and are required to vacation together at company-owned resorts. They learn the Sanyo way of doing everything—from how to speak to managers to proper grooming and dress.²⁹ The company considers this program essential for transforming young employees, fresh out of school, into dedicated *kaisha senshi*, or corporate warriors.

Sheraton Suites Calgary
Eau Claire
www.sheratonsuites.com

socialization The process that adapts new employees to an organization's culture.

Sanyo Canada
www.sanyocanada.com

As we discuss socialization, keep in mind that the new employee's entry into the organization is the most critical stage. This is when the organization seeks to mould the outsider into an employee "in good standing." Those employees who fail to learn the essential role behaviours risk being labelled "nonconformists" or "rebels," which often leads to their being fired. The organization continues to socialize every employee, though maybe not as explicitly, throughout his or her career in the organization. This further contributes to sustaining the culture. (Sometimes, however, employees are not fully socialized. For instance, you will note in Exhibit 10-4 that the cartoon employees had learned they were supposed to wear checkerboard caps to work, but clearly didn't know why.)

EXHIBIT 10-4



Source: Drawing by Mick Stevens in *The New Yorker*, October 3, 1994.
Copyright © 1994 by *The New Yorker Magazine*, Inc. Reprinted by permission.

MATCHING PEOPLE WITH ORGANIZATIONAL CULTURES

There is now a substantive body of evidence to demonstrate that organizations try to select new members who fit well with the organizations' cultures.³⁰ Most job candidates similarly try to find organizations where their values and personality will fit in.

Research by Goffee and Jones provides some interesting insights on different organizational cultures and guidance for prospective employees.³¹ They have identified four distinct cultural types. Let's take a look at their cultural framework and how you can use it to select an employer where you will best fit.

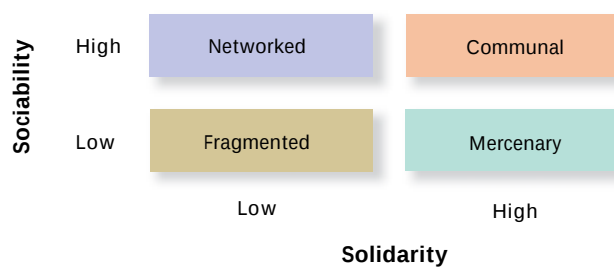
Goffee and Jones argue that two dimensions underlie organizational culture. The first is *sociability*. This is a measure of friendliness. High sociability means people do kind things for one another without expecting something in return and they relate to each other in a friendly, caring way. In terms of the characteristics of organizational culture presented at the beginning of this chapter, sociability is consistent with a high people orientation, high team orientation, and focuses on processes rather than outcomes.

The second dimension is *solidarity*. It considers the strength of the group's task orientation. High solidarity means people can overlook personal biases and rally behind common interests and common goals. Again, referring back to our earlier discussion of the characteristics of culture, solidarity is consistent with high attention to detail and high aggressiveness. Exhibit 10-5 on page 342 illustrates a matrix with these two dimensions rated as either high or low. They create four distinct cultural types:

★ What kind of organizational culture would work best for you?

- *Networked culture* (high on sociability, low on solidarity). Organizations with this type of culture view members as family and friends. People know and like each other. People willingly give assistance to others and openly share information. The major downside to this culture is that the focus on friendships can lead to a tolerance for poor performance and creation of political cliques.

3 What kind of organizational culture might suit you?

EXHIBIT 10-5 Four-Culture Typology

Source: Adapted from R. Goffee and G. Jones, *The Character of a Corporation: How Your Company's Culture Can Make or Break Your Business* (New York: HarperBusiness, 1998), p. 21.

Heineken Canada
www.heineken.com/canada

Unilever and Heineken are examples of companies with networked cultures. Heineken, for example, has more than 60 000 employees but retains the feeling of friendship and family more typical in small firms. The company's highly social culture produces a strong sense of belonging and often a passionate identification with its product. Family businesses can often have this type of culture, although not all family businesses would have a networked culture.

- *Mercenary culture (low on sociability, high on solidarity).* Organizations with this type of culture are fiercely goal-focused. People are intense and determined to meet goals. They have a zest for getting things done quickly and a powerful sense of purpose. A mercenary culture is not just about winning; it is about destroying the enemy. This focus on goals and objectivity leads to a minimal degree of politicking. The major downside to this culture is that it can lead to an almost inhumane treatment of people who are perceived as low performers.

Mars Incorporated
www.mars.com

Enron, Mars, Campbell Company of Canada, and Komatsu Canada (the Japanese heavy-equipment manufacturer) have classic mercenary cultures. At Virginia-based candy manufacturer Mars, for instance, meetings are concerned almost totally with work issues. There is little tolerance for socializing or small talk.

- *Fragmented culture (low on sociability, low on solidarity).* Organizations with this type of culture are made up of individualists. Commitment is first and foremost to individual members and their job tasks. There is little or no identification with the organization. In a fragmented culture, employees are judged solely on their productivity and the quality of their work. The major downside to this culture is that it can lead to excessive critiquing of others and an absence of collegiality and cooperation. Some large accounting and law firms have this type of culture.

Most top-tier universities and some large accounting and law firms take on the properties of fragmented cultures. Professors at major universities, for instance, are judged on their research and scholarship. Senior professors with big reputations do not need to be friendly to their peers or attend social functions to retain their status. Similarly, law partners who bring in new clients and win cases need to expend little energy getting to know co-workers or being visible in the office.

- *Communal culture (high on sociability, high on solidarity).* Organizations with this type of culture value both friendship and performance. People have a feeling of belonging, but there is still a ruthless focus on goal achievement. Leaders of these cultures tend to be inspirational and charismatic, with a clear vision of the organizations' future. The major downside to this culture is that

Hewlett-Packard Canada
www.hp.com/country/ca/en/welcome.html

it often consumes employees' lives. Its charismatic leaders frequently expect to create disciples rather than followers, resulting in a work climate that is almost "cult-like." Apple under Steve Jobs, particularly in its early years, is an example of a communal culture, as are Hewlett-Packard Canada, Johnson & Johnson Canada, and consulting firm Bain & Company. HP historically has been large and very goal-focused. Yet it is also a company known for its strong family feel. The "HP Way" is a set of values the company has developed that govern how people should behave and interact with each other. The HP Way's value of trust and community encourages loyalty to the company. The company returns that loyalty to employees as long as they perform well. Many start-ups exhibit a communal culture. During the height of the dot-com era, 20-something employees thought nothing of working around the clock, even sleeping and eating at their workplaces.

How important is the culture-person fit? In a study of accounting firms, new employees whose personalities meshed with the company were 20 percent less likely to leave their jobs in the first three years than those who did not fit as well.³² *OB in Action—Finding Your Culture* provides a checklist to help you find the culture in which you might be most comfortable.

OB IN ACTION

Finding Your Culture

How do you know which culture is a good fit for you?

- ✓ *You are cut out for a **networked culture** if you possess good social skills and empathy; you like to forge close, work-related friendships; you thrive in a relaxed and convivial atmosphere; and you are not obsessed with efficiency and task performance.*
- ✓ *You are well matched to a **mercenary culture** if you are goal-oriented, thrive on competition, like clearly structured work tasks, enjoy risk-taking, and are able to deal openly with conflict.*
- ✓ *You are likely to fit in well in a **fragmented culture** if you are independent, have a low need to be part of a group atmosphere, are analytical rather than intuitive, and have a strong sense of self that is not easily undermined by criticism.*
- ✓ *You might fit in with a **communal culture** if you have a strong need to identify with something bigger than yourself, enjoy working in teams, and are willing to put the organization above family and personal life.*

THE LIABILITIES OF ORGANIZATIONAL CULTURE

When David Dingwall took over as president and CEO of the Royal Canadian Mint, he faced a large deficit and inefficient business processes.³³ Dingwall recognized the need to streamline the Mint's activities, but also knew that he might face great resistance by employees. The culture of the organization before he arrived was generally accepted by the employees.

Dingwall knew that part of what he had to do to change the culture was to get the employees onside with the changes. "I gave a commitment to all of our employees that nobody, but nobody, would lose their job as a result of the lean enterprise. And some of them didn't believe that, but when they saw that we were walking the walk, that we weren't laying people off as a result of lean enterprise (practices), then it became more believable. We started to see the exhilaration from employees in terms of improving our processes," he says.

At the end of 2004, just 20 months after Dingwall started, the Mint was set to have an unprecedented good year. The Winnipeg plant doubled its staff during 2004, allowing it to operate day and night. Revenue was \$330 million, considerably higher than the Mint's \$250-million revenue in 2003. Net income for 2004 was \$13 million, wiping out the deficit Dingwall faced when he started. How does culture affect an employee's willingness to contribute to the organization?

We have treated organizational culture in a nonjudgmental manner thus far. We have not said that it is good or bad, only that it exists. Many of its functions, as outlined, are valuable for both the organization and the employee. Culture enhances organizational commitment and increases the consistency of employee behaviour. These are clearly benefits to an organization. From an employee's standpoint, culture is valuable because it reduces ambiguity. It tells employees how things are done and what is important. However, we should not ignore the potentially dysfunctional aspects of culture, especially of a strong culture, on an organization's effectiveness. *Focus on Ethics* discusses how Enron's pressure-cooker culture led to the company's ultimate collapse.

4 Can organizational culture have a downside?

FOCUS ON ETHICS



Pressure-Cooker Culture Leads to Enron's Demise

Would employees knowingly do wrong for their employer? “At Enron, losers fell by the wayside but victors stayed in the game,” wrote two *Washington Post* reporters.³⁴ The “winner-take-all” culture demanded that employees do whatever they could to make Enron’s stock price continually rise. Executives thus took risks with investments and accounting procedures, inflating revenues and hiding debts. Those who could not (or would not) play this game were forced out. As the company’s annual report stated, “We insist on results.”

“The driver was this unbelievable desire to keep portraying Enron as something very, very different and keep the track record going and going,” said Forrest Hoglund, a former senior manager.

Enron’s culture set up an in-crowd and an out-crowd, and employees knew whether they were “in” or “out.” Everyone wanted to be liked in the organization, according to Sally Ison, another employee. “You do everything you can do to keep that.”

Employees were even willing to blatantly acknowledge they were doing wrong among themselves, according to Margaret Ceconi, a former Enron Energy Services (EES) manager, who was only briefly employed by Enron. After she was laid off, she wrote a memo to Kenneth Lay, former chair of Enron, and phoned federal regulators twice. In her memo to Lay she said, “EES has knowingly misrepresented EES’ earnings,” and, she added, “This is common knowledge among all the EES employees, and is actually joked about . . . [Enron] must investigate all these goings-on.” 

Enron’s culture led its employees to engage in various unethical accounting practices. Consistent with what happened at Enron, recent research suggests that cultures that strongly emphasize competition can lead to negative organizational consequences.³⁵

We now consider culture’s impact on change, diversity, and mergers and acquisitions.

Culture as a Barrier to Change

Culture is a liability when the shared values do not agree with those that will further the organization’s effectiveness. Employees are less likely to have shared values when the organization’s environment is dynamic. When the environment is undergoing rapid change, the organization’s entrenched culture may no longer be appropriate. Consistency of behaviour is an asset to an organization when it faces a stable environment. However, it may burden the organization and make it difficult to respond to changes in the environment. For many organizations with strong cultures, practices that led to previous successes can lead to failure when those practices no longer match up well with environmental needs.³⁶ When employees at the Royal Canadian Mint failed to act rapidly to create a commemorative coin for Canadian golfer Mike Weir, then president and CEO David Dingwall felt this underscored the Mint’s reluctance to respond to a competitive environment. Consistent with this, research shows that overly friendly cultures may prevent managers from making important strategic decisions for fear of harming relationships.³⁷ This chapter’s *Point/Counterpoint* on page 360 further explores the question of whether a culture can change.

Culture as a Barrier to Diversity

Hiring new employees who, because of race, gender, disability, or other differences, are not like the majority of the organization’s members creates a paradox.³⁸ Management

wants the new employees to accept the organization's core cultural values. Otherwise, these employees are unlikely to fit in or be accepted. But at the same time, management wants to openly acknowledge and demonstrate support for the differences that these employees bring to the workplace.

Strong cultures put considerable pressure on employees to conform. They limit the range of values and styles that are acceptable. It is no coincidence that employees at Disney theme parks appear to be almost universally attractive, clean, and wholesome looking, with bright smiles. That's the image the Walt Disney Company seeks. It selects employees who will maintain that image. Once the theme-park employees are on the job, a strong culture—supported by formal rules and regulations—ensures that they will act in a relatively uniform and predictable way.

A strong culture that ignores prejudice can even undermine formal corporate diversity policies. A widely publicized example is the Texaco case in the United States, which senior managers made disparaging remarks about minorities and, as a result of legal action on behalf of 1400 employees, paid a settlement of \$246 million.³⁹ Organizations seek out and hire diverse individuals because of the new strengths they bring to the workplace. Yet these diverse behaviours and strengths are likely to diminish in strong cultures as people try to fit in. Strong cultures, therefore, can be liabilities when they effectively eliminate the unique strengths that people of different backgrounds bring to the organization. Moreover, strong cultures can also be liabilities when they support institutional bias or become insensitive to people who are different.

The Walt Disney Company
<http://disney.go.com>

1996 Texaco Discrimination Case
www.courtstv.com/archive/legaldocs/business/texaco/

Culture as a Barrier to Mergers and Acquisitions

Historically, the key factors that management looked at in making merger or acquisition decisions were related to financial advantages or product synergy. In recent years, cultural compatibility has become the primary concern.⁴⁰ While a favourable financial statement or product line may be the initial attraction of an acquisition candidate, whether the acquisition actually works seems to have more to do with how well the two organizations' cultures match up.

A number of mergers fail within the first several years, and the primary cause is often conflicting organizational cultures.⁴¹ Even if mergers do not fail, the impact on employees can be devastating. For instance, employees from Andersen Canada merged with Toronto-based Deloitte & Touche LLP Canada in June 2002, after they were basically forced out of work with little notice as the Enron scandal unfolded. Colin Taylor, CEO and managing partner of Deloitte in Canada, noted that “given the circumstances, you have a lot of employees worried, anxious, traumatized even. They are in shock that a professional service firm of this size would have this happen to them so quickly.”⁴² Andersen's employees were not in a very good bargaining position when accepted into Deloitte. Unlike mergers where the two merging organizations fight over the name of the new company, and who gets what titles, Andersen's employees were concerned about having any jobs at all. This may affect how comfortable Andersen employees feel with the Deloitte culture as time passes.

Deloitte
www.deloitte.com

Strategies for Merging Cultures

Organizations can use several strategies when considering how to merge the cultures of two organizations:⁴³

- *Assimilation.* The entire new organization is determined to take on the culture of one of the merging organizations. This strategy works best when one of the organizations has a relatively weak culture. However, if a culture is simply imposed on an organization, it rarely works.
- *Separation.* The organizations remain separate, and keep their individual cultures. This strategy works best when the organizations have little overlap in the industries in which they operate.

- *Integration.* A new culture is formed by merging parts of each of the organizations. This strategy works best when aspects of each organization's culture need to be improved.

While an integration strategy may take a lot of work, it can pay off, as *OB in the Workplace* shows.

OB IN THE WORKPLACE



Agrium Creates Its Own Culture Through Blending

Can an organization successfully merge many companies together? Calgary-based Agrium, a fertilizer producer with production plants in Canada, the United States, and Argentina, grew aggressively during the 1990s through a series of mergers and acquisitions, which included companies such as Western Farm Services and Nu-West Industries.⁴⁴ Agrium grew out of the fertilizer division of Vancouver-based Cominco (now Teck Cominco), and then absorbed fertilizer divisions and spin-off companies from the mining and oil-and-gas industries, including Esso, Sheritt, and Unocal.

Since Agrium is the result of multiple mergers of companies, employees created a rule that if anyone mentions a former employer, he or she must contribute money to a fund. The fund is used for a “team-building event,” in which employees go out together for lunch or dinner.

CEO Michael Wilson's explanation of the company's approach to merging cultures suggests that Agrium has used an integration strategy. “We take the best of the mining culture, which is very proactive, decisive, willing to act, willing to take appropriate risks . . . We blend it with the oil-and-gas culture [which is] very thorough in its analysis, in dotting of the i's and crossing of the t's, in making sure everyone's marching at the same pace.” Wilson adds the culture of Dow Chemicals to the mix, where he worked for 18 years and learned “how to build collaboration across very strong business units, how to get results when you don't have full accountability.”

Agrium has performed well in recent years, and Wilson sees this as a measure of a successful organizational culture. However, he believes that success is more than just earnings: “I have a saying, ‘You have to be happy, healthy, and wise,’ in that order.” Wilson goes on to say, “There's nothing nicer than when you're at a convention with all your competition. And you look over your team, it's the bottom of the cycle, business is tough, and they're smiling. And you look over to the competition and they're all depressed because business is tough. And that's one measure right there: Is your team happy?” ✕

APPROACHES TO MANAGING CHANGE

5 How do organizations manage change?

change agents People who act as catalysts and assume the responsibility for managing change.

Our discussion of organizational culture as well as the issues that arise when organizations merge leads to a fundamental question for all organizations: How can change be managed? Below we consider several approaches to managing change: Lewin's classic three-step model of the change process, Kotter's eight-step plan for implementing change, action research, and appreciative inquiry. We should also note that recent research emphasizes the need in change processes to manage the “hard stuff” as well as the “soft,” or people, issues in order to be successful.⁴⁵

Who is responsible for managing change in an organization? The answer is **change agents**.⁴⁶ Change agents can be managers or nonmanagers, employees of the organization, or outside consultants. This chapter's *CBC Video Case Incident* examines how a company introduced and managed change.



Corporate Culture Meets
G.A.P. Adventures

EXHIBIT 10-6 Lewin's Three-Step Change Model

Lewin's Three-Step Model

Assuming that an organization has uncovered a need for change, how does it engage in the change process? Kurt Lewin argued that successful change in organizations should follow three steps, which are illustrated in Exhibit 10-6: **unfreezing** the status quo, **moving** to a new state, and **refreezing** the new change to make it permanent.⁴⁷ The value of this model can be seen in the following example, where the management of a large company decided to reorganize its marketing function in Western Canada.

The oil company had three regional offices in the West, located in Winnipeg, Calgary, and Vancouver. The decision was made to consolidate the marketing divisions of the three regional offices into a single regional office to be located in Calgary. The reorganization meant transferring more than 150 employees, eliminating some duplicate managerial positions, and instituting a new hierarchy of command. As you might guess, such a huge move was difficult to keep secret. The rumours preceded the announcement by several months. The decision itself was made unilaterally. It came from the executive offices in Toronto. Those people affected had no say whatsoever in the choice. For anyone in Vancouver or Winnipeg who might have disliked the decision and its consequences—the problems involved in transferring to another city, pulling youngsters out of school, making new friends, having new co-workers, undergoing the reassignment of responsibilities—the only recourse was to quit. The status quo was about to change.

The status quo can be considered an equilibrium state. To move from this equilibrium—to overcome the pressures of both individual resistance and group conformity—unfreezing is necessary. Exhibit 10-7 shows that unfreezing can occur in one of three ways. The **driving forces**, which direct behaviour away from the status quo, can be increased. The **restraining forces**, which hinder movement from the existing equilibrium, can be decreased. A third alternative is to *combine the first two approaches*.

The oil company's management expected employee resistance to the consolidation and outlined its alternatives. Management could use positive incentives to encourage employees to accept the change. For instance, the company could offer pay increases to those who accept the transfer. It could also offer to pay all moving expenses. Management might offer low-cost mortgage funds to allow employees to buy new homes in Calgary. Of course, management might also consider unfreezing acceptance of the status quo by removing restraining forces. Employees could be counselled individually. Each employee's concerns and apprehensions could be heard and specifically clarified. Assuming that most of the fears are unjustified, the counsellor could assure the employees that there was nothing to fear and then demonstrate, through tangible evidence, that restraining forces are unwarranted. If resistance is extremely high, management may have to resort to both reducing resistance and increasing the attractiveness of the alternative so the unfreezing can succeed.

Once the consolidation change has been implemented, if it is to be successful, the new situation must be refrozen so that it can be sustained over time. Unless this last step is taken, there is a very high chance that the change will be short-lived and that

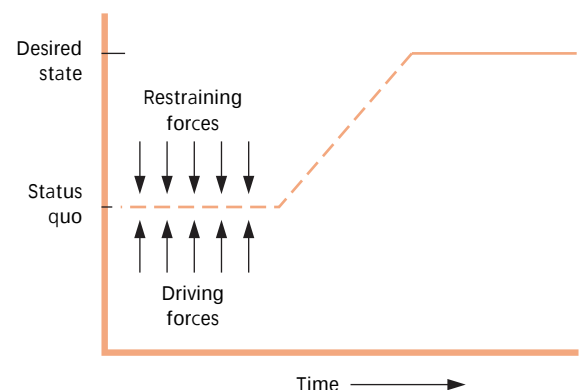
unfreezing Change efforts to overcome the pressures of both individual resistance and group conformity.

moving Efforts to get employees involved in the change process.

refreezing Stabilizing a change intervention by balancing driving and restraining forces.

driving forces Forces that direct behaviour away from the status quo.

restraining forces Forces that hinder movement away from the status quo.

EXHIBIT 10-7 Unfreezing the Status Quo

employees will try to revert to the previous state of equilibrium. The objective of refreezing, then, is to stabilize the new situation by balancing the driving and restraining forces.

How could the oil company's management refreeze its consolidation change? It could systematically replace temporary forces with permanent ones. For instance, management might impose a new bonus system tied to the specific changes desired. The formal rules and regulations governing behaviour of those affected by the change could also be revised to reinforce the new situation. Over time, of course, the work group's own norms will evolve to sustain the new equilibrium. But until that point is reached, management will have to rely on more formal mechanisms. The *Working With Others Exercise* on page 360 gives you the opportunity to identify driving and restraining forces for another company experiencing problems with change and to make some recommendations for change.

A key feature of Lewin's three-step model is its conception of change as an episodic activity, with a beginning, a middle, and an end. However, the structure of today's workplaces requires change to take place as an ongoing, if not chaotic, process. Certainly the adjustment that companies have made to the realities of e-commerce indicates a more chaotic change, rather than a controlled and planned change.

Kotter's Eight-Step Plan for Implementing Change

John Kotter, professor of leadership at Harvard Business School, built on Lewin's three-step model to create a more detailed approach for implementing change.⁴⁸

Kotter began by listing common failures that occur when managers try to initiate change. These include the inability to create a sense of urgency about the need for change; failure to create a coalition for managing the change process; the absence of a vision for change and to effectively communicate that vision; not removing obstacles that could impede the achievement of the vision; failure to provide short-term and achievable goals; the tendency to declare victory too soon; and not anchoring the changes in the organization's culture.

Kotter then established eight sequential steps to overcome these problems. These steps are listed in Exhibit 10-8.

Notice how Exhibit 10-8 builds on Lewin's model. Kotter's first four steps essentially represent the "unfreezing" stage. Steps 5 through 7 represent "moving." The final step works on "refreezing." Kotter's contribution lies in providing managers and change agents with a more detailed guide for implementing change successfully.

EXHIBIT 10-8 Kotter's Eight-Step Plan for Implementing Change

1. Establish a sense of urgency by creating a compelling reason for why change is needed.
2. Form a coalition with enough power to lead the change.
3. Create a new vision to direct the change and strategies for achieving the vision.
4. Communicate the vision throughout the organization.
5. Empower others to act on the vision by removing barriers to change and encouraging risk-taking and creative problem solving.
6. Plan for, create, and reward short-term "wins" that move the organization toward the new vision.
7. Consolidate improvements, reassess changes, and make necessary adjustments in the new programs.
8. Reinforce the changes by demonstrating the relationship between new behaviours and organizational success.

Source: Based on J. P. Kotter, *Leading Change* (Boston: Harvard Business School Press, 1996).

Action Research

Action research refers to a change process based on the systematic collection of data and then selection of a change action based on what the analyzed data indicate.⁴⁹ The importance of this approach is that it provides a scientific method for managing planned change.

The process of action research, carried out by a change agent, consists of five steps:

1. *Diagnosis.* The change agent gathers information about problems, concerns, and needed changes from members of the organization by asking questions, reviewing records, and listening to the concerns of employees.
2. *Analysis.* The change agent organizes the information gathered into primary concerns, problem areas, and possible actions.
3. *Feedback.* The change agent shares with employees what has been found during diagnosis and analysis. The employees, with the help of the change agent, develop action plans for bringing about any needed change.
4. *Action.* The employees and the change agent carry out the specific actions to correct the problems that have been identified.
5. *Evaluation.* The change agent evaluates the action plan's effectiveness, using the data gathered initially as a benchmark.

Action research provides at least two specific benefits for an organization. First, it is problem-focused. The change agent objectively looks for problems and the type of problem determines the type of change action. While this may seem intuitively obvious, a lot of change activities are not done this way. Rather, they are solution-centred. The change agent has a favourite solution—for example, implementing flextime, teams, or a process re-engineering program—and then seeks out problems that his or her solution fits. Second, because action research so heavily involves employees in the process, resistance to change is reduced. In fact, once employees have actively participated in the feedback stage, the change process typically takes on a momentum of its own. The employees and groups that have been involved become an internal source of sustained pressure to bring about the change.

Appreciative Inquiry

* Are there positive approaches to change?

Most organizational change approaches start from a negative perspective: The organization has problems that need solutions. **Appreciative inquiry** accentuates the positive.⁵⁰ Rather than looking for problems to fix, this approach seeks to identify the unique qualities and special strengths of an organization, which can then be built on to improve performance. That is, it focuses on an organization's successes rather than on its problems.

Advocates of appreciative inquiry argue that problem-solving approaches always ask people to look backward at yesterday's failures, to focus on shortcomings, and they rarely result in new visions. Instead of creating a climate for positive change, action research and organizational development (OD) techniques such as survey feedback and process consultation end up placing blame and generating defensiveness. Proponents of appreciative inquiry claim it makes more sense to refine and enhance what the organization is already doing well. This allows the organization to change by playing to its strengths and competitive advantages.

action research A change process based on the systematic collection of data and then selection of a change action based on what the analyzed data indicate.

appreciative inquiry An approach to change that seeks to identify the unique qualities and special strengths of an organization, which can then be built on to improve performance.

The appreciative inquiry process essentially consists of four steps, or “Four D’s,” often played out in a large-group meeting over a two- or three-day time period, and overseen by a trained change agent:

- *Discovery.* The idea is to find out what people think are the strengths of the organization. For instance, employees are asked to recount times they felt the organization worked best or when they specifically felt most satisfied with their jobs.
- *Dreaming.* The information from the discovery phase is used to speculate on possible futures for the organization. For instance, people are asked to envision the organization in five years and to describe what is different.
- *Design.* Based on the dream articulation, participants focus on finding a common vision of how the organization will look and agree on its unique qualities.
- *Destiny.* In this final step, participants discuss how the organization is going to fulfill its dream. This typically includes the writing of action plans and the development of implementation strategies.

Appreciative inquiry has proven an effective change strategy in organizations such as Toronto-based Orchestras Canada, Ajax, Ontario-based Nokia Canada, Burnaby, BC-based TELUS, Calgary-based EnCana, and Toronto-based CBC.

The use of appreciative inquiry in organizations is relatively recent, and it has not yet been determined when it is most appropriately used for organizational change.⁵¹ However, it does give us the opportunity of viewing change from a much more positive perspective.

RESISTANCE TO CHANGE

6 Why do people and organizations resist change?

One of the most well-documented findings from studies of individual and organizational behaviour is that organizations and their members resist change. In a sense, this is positive. It provides a degree of stability and predictability to behaviour. If there were no resistance, organizational behaviour would take on characteristics of chaotic randomness. Resistance to change can also be a source of functional conflict. For example, resistance to a reorganization plan or a change in a product line can stimulate a healthy debate over the merits of the idea and result in a better decision. However, there is a definite downside to resistance to change: It hinders adaptation and progress.

Resistance to change does not necessarily surface in standard ways. Resistance can be overt, implicit, immediate, or deferred. It is easiest for management to deal with resistance when it is overt and immediate. For instance, a change is proposed, and employees respond immediately by voicing complaints, engaging in work slowdowns, threatening to go on strike, or the like. The greater challenge is managing resistance that is implicit or deferred. Implicit resistance efforts are more subtle—loss of loyalty to the organization, loss of motivation to work, increased errors or mistakes, increased absenteeism due to “sickness”—and hence more difficult to recognize. Similarly, deferred actions cloud the link between the source of resistance and the reaction to it. A change may produce what appears to be only a minimal reaction at the time it is initiated, but then resistance surfaces weeks, months, or even years later. Or a single change that in and of itself might have little impact becomes the straw that breaks the camel’s back. Reactions to change can build up and then explode in some response that seems totally out of proportion to the change action it follows. The resistance, of course, has merely been deferred and stockpiled. What surfaces is a response to the accumulation of previous changes.

Let’s look at the sources of resistance. For analytical purposes, we have categorized them as individual and organizational sources. In the real world, the sources often overlap.

Individual Resistance

* How do you respond to change?

Individual sources of resistance to change reside in basic human characteristics such as perceptions, personalities, and needs. This chapter's *Case Incident—GreyStar Art & Greetings Makes Technological Changes* on page 361 looks at an individual who resists change in the workplace. Exhibit 10-9 summarizes five reasons why individuals may resist change:

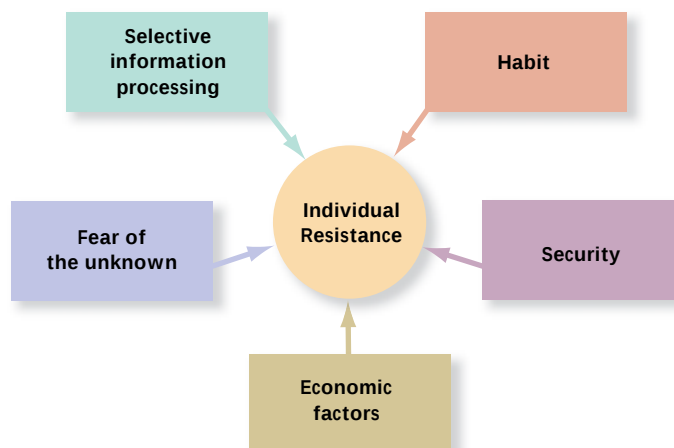
- **Habit.** To cope with life's complexities, we rely on habits or programmed responses. But when confronted with change, this tendency to respond in our accustomed ways becomes a source of resistance.
- **Security.** People with a high need for security are likely to resist change because it threatens their feelings of safety.
- **Economic factors.** Changes in job tasks or established work routines can arouse economic fears if people are concerned that they will not be able to perform the new tasks or routines to their previous standards, especially when pay is closely tied to productivity.
- **Fear of the unknown.** Change substitutes ambiguity and uncertainty for the known. This is also referred to as the “status quo bias,” in which individuals assume that their current state is better than whatever the changed state might be.⁵²
- **Selective information processing.** Individuals are guilty of selectively processing information in order to keep their perceptions intact. They hear what they want to hear, and they ignore information that challenges the world they have created.

Cynicism

In addition to simple resistance to change, employees often feel cynical about the change process, particularly if they have been through several rounds of change, and nothing appears (to them) to have changed. Three researchers from Ohio State University identified sources of cynicism in the change process of a large unionized manufacturing plant.⁵³ The major elements contributing to the cynicism were as follows:

- Feeling uninformed about what was happening
- Lack of communication and respect from one's manager

EXHIBIT 10-9 Sources of Individual Resistance to Change



- Lack of communication and respect from one's union representative
- Lack of opportunity for meaningful participation in decision making

The researchers also found that employees with negative personalities were more likely to be cynical about change. While organizations might not be able to change an individual's personality, they certainly have the ability to provide greater communication and respect, as well as opportunities to take part in decision making. The researchers found that cynicism about change led to such outcomes as lower commitment, less satisfaction, and reduced motivation to work hard. Exhibit 10-10 illustrates why some employees, particularly Dilbert, may have reason to feel cynical about organizational change.

Organizational Resistance

★ *What makes organizations resist change?*

Organizations, by their very nature, are conservative.⁵⁴ They actively resist change. You do not have to look far to see evidence of this phenomenon. Government agencies want to continue doing what they have been doing for years, whether the need for their service changes or remains the same. Organized religions are deeply entrenched in their history. Attempts to change church doctrine require great persistence and patience. Educational institutions, which exist to open minds and challenge established ways of thinking, are themselves extremely resistant to change. Most school systems are using essentially the same teaching technologies today that they were 50 years ago. Similarly, most business firms appear highly resistant to change. Half of the 309 human resource executives of Canadian firms who took part in a 1998 survey rated their companies' ability to manage change as "fair."⁵⁵ One-third of them said that their ability to manage change was their weakest skill, and only 25 percent of the companies made a strong effort to train leaders in the change process. When organizations refuse to change with the times, they can fail, as was the case with Eaton's, which never really adjusted to the arrival of Wal-Mart. When Eaton's was founded in 1869 by Irish immigrant Timothy Eaton, it was regarded as a "new wave" department store. Eaton's continued to set that pace for many years, but by the early 1980s, the store was considered dowdy rather than fashionable.⁵⁶

Six major sources of organizational resistance to change (shown in Exhibit 10-11 on page 353) have been identified:⁵⁷

- *Structural inertia.* Organizations have built-in mechanisms—such as their selection processes and formal regulations—to produce stability. When an organiza-

EXHIBIT 10-10



Source: Dilbert, by Scott Adams. August 3, 1996. DILBERT reprinted by permission of United Feature Syndicate, Inc.

tion is confronted with change, this structural inertia acts as a counterbalance to sustain stability.

- *Limited focus of change.* Organizations are made up of a number of interdependent subsystems. One cannot be changed without affecting the others. So limited changes in subsystems tend to be nullified by the larger system.
- *Group inertia.* Even if individuals want to change their behaviour, group norms may act as a constraint.
- *Threat to expertise.* Changes in organizational patterns may threaten the expertise of specialized groups.
- *Threat to established power relationships.* Any redistribution of decision-making authority can threaten long-established power relationships within the organization.
- *Threat to established resource allocations.* Groups in the organization that control sizable resources often see change as a threat. They tend to be content with the way things are.

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due to
copyright
restrictions.

Overcoming Resistance to Change

Michael Adams, president of Environics Research Group in Toronto, has noted that Canadians have become more resistant to change in recent years.⁵⁸ Between 1983 and the mid-1990s, Canadians reported that they “felt confident in their ability to cope with change.” This trend has reversed in recent years. Half of Canadians aged 15 to 33 now “feel left behind and overwhelmed by the pace of life and the prevalence of technology.” Those who feel left behind tend to be those who are not college- or university-educated, highly skilled, or adaptive.

Though most people and organizations resist change, at Advantech AMT, located in Montreal, Quebec, change is the norm. François Binette, chief finance officer, says that “Managing change forms an intrinsic part of our corporate DNA and it is this environment that has allowed us to consistently develop unique and innovative products.”

It probably cannot be emphasized enough that in order to break down resistance to change, it is essential to communicate a sense of urgency in the need for change. Doing so provides a framework for people to understand why the change is occurring.

EXHIBIT 10-11 Sources of Organizational Resistance to Change



Also, it is important to communicate and celebrate early successes to keep the momentum going, as change is a lengthy process. Kotter and Schlesinger have identified six tactics organizations use to deal with resistance to change:⁵⁹

- *Education and communication.* Resistance can be reduced through communicating with employees to help them see the logic of a change. Communication can be achieved through one-on-one discussions, memos, group presentations, or reports.
- *Participation and involvement.* It is difficult for individuals to resist a change decision in which they have participated. Before making a change, those opposed can be brought into the decision process. Assuming that the participants have the expertise to make a meaningful contribution, their involvement can reduce resistance, obtain commitment, and increase the quality of the change decision.
- *Facilitation and support.* Organizations undergoing change can offer a range of supportive efforts to reduce resistance such as employee counselling and therapy, new-skills training, or a short paid leave of absence.
- *Negotiation and agreement.* Another way for organizations to deal with potential resistance to change is to exchange something of value for less resistance. For instance, if the resistance is centred in a few powerful individuals, a specific reward package can be negotiated that will meet their individual needs.
- *Manipulation and co-optation.* Manipulation refers to covert influence attempts. Twisting and distorting facts to make them appear more attractive, withholding undesirable information, and creating false rumours to get employees to accept a change are all examples of manipulation. Co-optation, on the other hand, is a form of both manipulation and participation. It seeks to “buy off” the leaders of a resistance group by giving them a key role in the change decision.
- *Explicit and implicit coercion.* Coercion is the application of direct threats or force upon the resisters. If the corporate management is determined to close a manufacturing plant should employees not acquiesce to a pay cut, then coercion would be the label attached to its change tactic. Other examples of coercion are threats of transfer, loss of promotions, negative performance evaluations, and poor letters of recommendation.

Exhibit 10-12 on page 355 describes when each of these approaches is best used, and the advantages and drawbacks of each.

The Politics of Change

No discussion of resistance to change would be complete without a brief mention of the politics of change. Because change invariably threatens the status quo, it inherently implies political activity.⁶⁰

Politics suggests that the demand for change is more likely to come from employees who are new to the organization (and have less invested in the status quo) or managers who are slightly removed from the main power structure. Those managers who have spent their entire careers with a single organization and eventually achieve a senior position in the hierarchy are often major impediments to change. Change itself is a very real threat to their status and position. Yet they may be expected to implement changes to demonstrate that they are not merely caretakers.

By trying to bring about change, senior managers can symbolically convey to various constituencies—stockholders, suppliers, employees, customers—that they are on top of problems and adapting to a dynamic environment. Of course, as you might guess,

EXHIBIT 10-12 Strategies for Overcoming Resistance to Change

Approach	Commonly Used in Situations	Advantages	Drawbacks
Education + communication	Where there is a lack of information or inaccurate information and analysis.	Once persuaded, people will often help with the implementation of the change.	Can be very time-consuming if lots of people are involved.
Participation + involvement	Where the initiators do not have all the information they need to design the change, and where others have considerable power to resist.	People who participate will be committed to implementing change, and any relevant information they have will be integrated into the change plan.	Can be very time-consuming if participants design an inappropriate change.
Facilitation + support	Where people are resisting because of adjustment problems.	No other approach works as well with adjustment problems.	Can be time-consuming, expensive, and still fail.
Negotiation + agreement	Where someone or some group will clearly lose out in a change, and where that group has considerable power to resist.	Sometimes it is a relatively easy way to avoid major resistance.	Can be too expensive in many cases if it alerts others to negotiate for compliance.
Manipulation + co-optation	Where other tactics will not work, or are too expensive.	It can be a relatively quick and inexpensive solution to resistance problems.	Can lead to future problems if people feel manipulated.
Explicit + implicit coercion	Where speed is essential, and the change initiators possess considerable power.	It is speedy and can overcome any kind of resistance.	Can be risky if it leaves people angry with the initiators.

Source: Methods for dealing with resistance to change, J. P. Kotter and L. A. Schlesinger, "Choosing Strategies for Change," *Harvard Business Review*, March–April 1979, p. 111, Exhibit 1. Reprinted with permission.

when forced to introduce change, these long-time power holders tend to introduce changes that do not fundamentally challenge the status quo. Radical change is too threatening. This, incidentally, explains why boards of directors that recognize the need for the rapid introduction of fundamental, radical change in their organizations often turn to outside candidates for new leadership.⁶¹

You may remember that we discussed politics in Chapter 7 and gave some suggestions on how to more effectively encourage people to go along with your ideas. That chapter also indicated how individuals acquire power, which provides further insight into the ability of some individuals to resist change.

SUMMARY AND IMPLICATIONS

- 1 What is the purpose of organizational culture?** Organizational culture is the pattern of shared values, beliefs, and assumptions considered the appropriate way to think and act within an organization. Culture provides stability to an organization and gives employees a clear understanding of “the way things are done around here.”
- 2 How do you create and maintain organizational culture?** The original culture of an organization is derived from the founder’s philosophy. That philosophy then influences what types of employees are hired. The culture of the organization is then reinforced by top management, who signal what is acceptable behaviour and what is not.

SNAPSHOT SUMMARY

- 1 What Is Organizational Culture?**
Definition of Organizational Culture
Levels of Culture

Characteristics of Culture
 Culture's Functions
 Do Organizations Have
 Uniform Cultures?

2 Creating and Sustaining an Organization's Culture

How a Culture Begins
 Keeping a Culture Alive

3 Matching People With Organizational Cultures

4 The Liabilities of Organizational Culture

Culture as a Barrier to Change
 Culture as a Barrier to Diversity
 Culture as a Barrier to Mergers and Acquisitions

5 Approaches to Managing Change

Lewin's Three-Step Model
 Kotter's Eight-Step Plan for Implementing Change
 Action Research
 Appreciative Inquiry

6 Resistance to Change

Individual Resistance
 Organizational Resistance
 Overcoming Resistance to Change
 The Politics of Change

- 3 **What kind of organizational culture might suit you?** There is no one right organizational culture because individuals vary in the type of cultures with which they are comfortable. Organizational cultures can be analyzed in terms of their members' friendliness (*sociability*) and the degree to which their members are task oriented (*solidarity*). These dimensions combine to create four distinct cultural types: *networked*, *mercenary*, *fragmented*, and *communal*.
- 4 **Can organizational culture have a downside?** Many of culture's functions are valuable for both the organization and the employee. Culture enhances organizational commitment and increases the consistency of employee behaviour. Culture also reduces ambiguity for employees by telling them what is important and how things are done. However, a strong culture can have a negative effect, such as Enron's pressure-cooker culture, which led to the company's ultimate collapse. Culture can act as a barrier to change, it can make it difficult to create an inclusive environment, and it can hinder the success of mergers and acquisitions.
- 5 **How do organizations manage change?** Kurt Lewin argued that successful change in organizations should follow three steps: *unfreezing* the status quo, *moving* to a new state, and *refreezing* the new change to make it permanent. John Kotter built on Lewin's three-step model to create a more detailed eight-step plan for implementing change. Another approach to managing change is action research. *Action research* refers to a change process based on the systematic collection of data and then selection of a change action based on what the analyzed data indicate. Some organizations use appreciative inquiry to manage change. *Appreciative inquiry* seeks to identify the unique qualities and special strengths of an organization, which can then be built on to improve performance.
- 6 **Why do people and organizations resist change?** Individuals resist change because of basic human characteristics such as perceptions, personalities, and needs. Organizations resist change because they are conservative, and because change is difficult. The status quo is often preferred by those who feel they have the most to lose if change goes ahead.

For Review

1. How can an outsider assess an organization's culture?
2. What defines an organization's subcultures?
3. Can an employee survive in an organization if he or she rejects its core values? Explain.
4. What benefits can socialization provide for the organization? For the new employee?
5. Describe four cultural types and the characteristics of employees who fit best with each.
6. How can culture be a liability to an organization?
7. How does Lewin's three-step model of change deal with resistance to change?
8. How does Kotter's eight-step plan for implementing change deal with resistance to change?
9. What are the factors that lead individuals to resist change?
10. What are the factors that lead organizations to resist change?

For Critical Thinking

1. How are an individual's personality and an organization's culture similar? How are they different?
2. Is socialization brainwashing? Explain.
3. Can you identify a set of characteristics that describes your college's or university's culture? Compare them with several of your peers' lists. How closely do they agree?
4. "Resistance to change is an irrational response." Do you agree or disagree? Explain.

OB for You

- Carefully consider the culture of any organization at which you are thinking of being employed. You will feel more comfortable in cultures that share your values and expectations.
- When you work in groups on student projects, the groups create mini-cultures of their own. Be aware of the values and norms that are being supported early on in the group's life, as these will greatly influence the group's culture.
- Be aware that change is a fact of life. If you need to change something in yourself, be aware of the importance of creating new systems to replace the old. Saying you want to be healthier, without specifying that you intend to go to the gym three times a week, or eat five servings of fruits and vegetables a day, means that change likely will not occur. It's important to specify goals and behaviours as part of that change.



POINT

Organizational Culture Doesn't Change

An organization's culture develops over many years and is rooted in deeply held values to which employees are strongly committed. In addition, there are a number of forces continually operating to maintain a given culture. These would include written statements about the organization's mission and philosophy, the design of physical spaces and buildings, the dominant leadership style, hiring criteria, past promotion practices, entrenched rituals, popular stories about key people and events, the organization's historical performance evaluation criteria; and the organization's formal structure.

Selection and promotion policies are particularly important devices that work against cultural change. Employees chose the organization because they perceived their values as a "good fit" with those of the organization. They become comfortable with that fit and will strongly resist efforts to disturb the equilibrium.

Those in control in organizations will also select senior managers who will continue the current culture. Even attempts to change a culture by going outside the organization to hire a new chief executive are unlikely to be effective. The evidence indicates that the culture is more likely to change the executive than the other way around. Why? It's too entrenched, and change becomes a potential threat to member self-interest. In fact, a more pragmatic view of the relationship between an organization's culture and its chief executive would be to note that the practice of filling senior-level management positions from the ranks of current managerial employees ensures that those who run the organization have been fully indoctrinated in the organization's culture. Promoting from within provides stability and lessens uncertainty. When a company's board of directors selects as a new chief executive officer an individual who has spent 30 years in the company, it virtually guarantees that the culture will continue unchanged.

Our argument, however, should not be viewed as saying that culture can never be changed. In the unusual case when an organization confronts a survival-threatening crisis—a crisis that is universally acknowledged as a true life-or-death situation—members of the organization will be responsive to efforts at cultural change. However, anything less than a crisis is unlikely to be effective in bringing about cultural change.



COUNTERPOINT

How to Change an Organization's Culture

Changing an organization's culture is extremely difficult, but cultures can be changed. The evidence suggests that cultural change is most likely to occur when most or all of the following conditions exist:

- *A dramatic crisis.* This is the shock that undermines the status quo and calls into question the relevance of the current culture. Examples of these crises might be a surprising financial setback, the loss of a major customer, or a dramatic technological breakthrough by a competitor. The *Columbia* space-shuttle disaster was a dramatic crisis for NASA. A \$7-million deficit was a dramatic crisis for the Royal Canadian Mint.
- *Turnover in leadership.* New top leadership, which can provide an alternative set of key values, may be perceived as more capable of responding to the crisis. This would definitely be the organization's chief executive, but also might need to include all senior management positions. The recent rush to hire outside CEOs after the Enron and WorldCom scandals illustrates attempts to create more ethical climates through the introduction of new leadership. At NASA, some of the top leadership was moved to other positions after the *Columbia* disaster. A new CEO at the Royal Canadian Mint, who was determined to turn around a deficit situation, brought about many changes to that organization.
- *Young and small organization.* The younger the organization is, the less entrenched its culture will be. Similarly, it's easier for management to communicate its new values when the organization is small. This point helps explain the difficulty that multibillion-dollar corporations have in changing their cultures.
- *Weak culture.* The more widely held a culture is and the higher the agreement among members on its values, the more difficult it will be to change. A strong culture has been one of the problems facing NASA. Conversely, weak cultures are more open to change than strong ones.

Efforts directed at changing organizational culture do not usually yield immediate or dramatic results. For, in the final analysis, cultural change is a lengthy process—measured in years, not months. But we can ask the question "Can culture be changed?" and the answer is "Yes!"

LEARNING ABOUT YOURSELF EXERCISE

What Kind of Organizational Culture Fits You Best?

For each of the following statements, circle the level of agreement or disagreement that you personally feel:

SA = Strongly agree
 A = Agree
 U = Uncertain
 D = Disagree
 SD = Strongly disagree

- | | |
|--|---------------------|
| 1. I like being part of a team and having my performance assessed in terms of my contribution to the team. | SA A U D SD |
| 2. No person's needs should be compromised in order for a department to achieve its goals. | SA A U D SD |
| 3. I like the thrill and excitement of taking risks. | SA A U D SD |
| 4. If a person's job performance is inadequate, it's irrelevant how much effort he or she made. | SA A U D SD |
| 5. I like things to be stable and predictable. | SA A U D SD |
| 6. I prefer managers who provide detailed and rational explanations for their decisions. | SA A U D SD |
| 7. I like to work where there isn't a great deal of pressure and where people are essentially easygoing. | SA A U D SD |

Scoring Key:

For items 1, 2, 3, 4, and 7, score as follows: Strongly Agree = +2, Agree = +1, Uncertain = 0, Disagree = -1, Strongly Disagree = -2.

For items 5 and 6, reverse the score (Strongly Agree = -2, and so on).

Add up your total. Your score will fall somewhere between +14 and -14.

What does your score mean? The lower your score, the more comfortable you will be in a formal, mechanistic, rule-oriented, and structured culture. This is often associated with large corporations and government agencies. Positive scores indicate a preference for informal, humanistic, flexible, and innovative cultures, which are more likely to be found in research units, advertising firms, high-tech companies, and small businesses.

BREAKOUT GROUP EXERCISES

Form small groups to discuss the following topics, as assigned by your instructor:

1. Identify artifacts of culture in your current or previous workplace. From these artifacts, would you conclude that the organization has a strong or weak culture?
2. Have you or someone you know worked somewhere where the culture was strong? What was your reaction to that strong culture? Did you like that environment, or would you prefer to work where there is a weaker culture? Why?
3. Reflect on either the culture of one of your classes or the culture of the organization where you work, and identify characteristics of that culture that could be changed. How might these changes be made?

WORKING WITH OTHERS EXERCISE

The Beacon Aircraft Company

Objectives

1. To illustrate how forces for change and stability must be managed in organizational change programs.
2. To illustrate the effects of alternative change techniques on the relative strength of forces for change and forces for stability.

The Situation

The marketing division of the Beacon Aircraft Company has undergone two reorganizations in the past two years. Initially, its structure changed from a functional one, in which employees were organized within departments, to a matrix form, in which employees from several different functions reported both to their own manager and to a project manager. But the matrix structure did not satisfy some functional managers. They complained that the structure confused the authority and responsibility relationships.

In reaction to these complaints, the marketing manager revised Beacon's structure back to the functional form. This new structure had a marketing group and several project groups. The project groups were managed by project managers with a few general staff members, but no functional specialists, such as people from marketing, were assigned to these groups.

After the change, some problems began to surface. Project managers complained that they could not obtain adequate assistance from functional staff members. It not only took more time to obtain necessary assistance, but it also created problems in establishing stable relationships with functional staff members. Since these problems affected their services to customers, project managers demanded a change in the organizational structure—

probably again toward a matrix structure. Faced with these complaints and demands from project managers, the vice-president is pondering another reorganization. He has requested an outside consultant to help him in the reorganization plan.

The Procedure

1. Divide yourselves into groups of 5 to 7 and take the role of consultants.
2. Each group identifies the driving and restraining forces found in the firm. List these forces.

The Driving Forces

The Restraining Forces

3. Each group develops a set of strategies for increasing the driving forces and another set for reducing the restraining forces.
4. Each group prepares a list of changes it wants to introduce.
5. The class reassembles and hears each group's recommendations.

Source: Adapted from K. H. Chung and L. C. Megginson, *Organizational Behavior*, Copyright © 1981 by K. H. Chung and L. C. Megginson. Reprinted by permission of HarperCollins Publishers, Inc.

ETHICAL DILEMMA EXERCISE

Cultural Characteristics and Unethical Behaviour

An organization's culture socializes people. It subtly conveys to members that certain actions are acceptable, even though they may be illegal. For instance, when executives

at General Electric (GE), Westinghouse, and other manufacturers of heavy electrical equipment illegally conspired to set prices in the early 1960s, the defendants invariably

testified that they came new to their jobs, found price-fixing as an established way of life, and simply entered into it as they did into other aspects of their jobs. One GE manager noted that every one of his bosses had directed him to meet with the competition: “It had become so common and gone on for so many years that I think we lost sight of the fact that it was illegal.”

The strength of an organization's culture has an influence on the ethical behaviour of its managers. A strong culture will exert more influence on managers than a weak one. If the culture is strong and supports high ethical standards, it should have a very powerful positive influence on a manager's ethical behaviour. However, in a weak culture, managers are more likely to rely on subculture norms to guide their behaviour. Work groups and departmental stan-

dards will more strongly influence ethical behaviour in organizations that have weak overall cultures.

It is also generally acknowledged that the characteristics of a culture affect ethical behaviour. Assuming this is true, what would a culture look like that would shape high ethical standards? What could top management do to strengthen that culture? Do you think it's possible for a manager with high ethical standards to uphold those standards in an organizational culture that tolerates, or even encourages, unethical practices?

Source: P. C. Yeager, “Analyzing Corporate Offenses: Progress and Prospects,” in *Business Ethics: Research Issues and Empirical Studies*, ed. W. C. Frederick and L. E. Preston (Greenwich, CT: JAI Press, 1990), p. 174.

CASE INCIDENT

GreyStar Art & Greetings Makes Technological Changes

Tammy Reinhold didn't believe the rumours. Now that the rumours were confirmed, she was in denial. “I can't believe it,” she said. “I've worked as a greeting-card artist here for over 15 years. I love what I do. Now they tell me that I'm going to have to do all my work on a computer.”

Tammy was not alone in her fear. The company's other two artists, Mike Tomaski and Maggie Lyall, were just as concerned. Each had graduated from art school near the top of his or her class. They came to work for GreyStar Art & Greetings right out of school—Mike in 1985, Tammy in 1991, and Maggie in 1997. They chose the company, which had been around for more than 50 years, because of its reputation as a good place to work. The company also had never had a layoff.

GreyStar Art & Greetings is a small maker of greeting cards and specialty wrapping paper. It has modest resources and modest ambitions. Management has always pursued progress slowly. Artists do much of their work by hand. Today, however, the company installed three high-powered Mac computers equipped with the latest graphics and photo-manipulation software, including Photoshop, Quark, and Illustrator.

Courtland Grey, the company's owner, called Tammy, Mike, and Maggie into his office this morning. He told them about the changes that were going to be made. Grey

acknowledged that the three were going to have a lot to learn to be able to do all their work on computers. But he stressed that the changes would dramatically speed up the art-production and photo-layout processes and eventually result in significant cost savings. He offered to send the three to a one-week course specifically designed to train artists in the new technology and software. He also said he expected all of the company's art and photo operations to be completely digitalized within three months.

Tammy is not stupid. She has been following the trends in graphic art. More and more work is being done on computers. She just thought, as did Mike and Maggie, that she might escape having to learn these programs. After all, GreyStar Art & Greetings is not Hallmark. But Tammy was wrong. Technology is coming to GreyStar Art & Greetings and there isn't much she can do about it. Other than complain or look for another job!

Questions

1. Explain Tammy's resistance.
2. Evaluate the way Courtland Grey handled this change.
3. What, if anything, would you have done differently if you had been Grey?



Corporate Culture Meets G.A.P Adventures

Bruce Poon Tip, owner of G.A.P Adventures, is one of Canada's most successful entrepreneurs. G.A.P Adventures is a travel company that offers eco-friendly tours with a difference—adventure and adrenaline.

Poon Tip has managed to take G.A.P Adventures from a business with 2 employees to one with more than 70 employees and over \$12 million in annual sales—in 10 years.

Since the company's beginnings, Poon Tip has run G.A.P Adventures as more of a family business than a corporation. He considers himself better at building than maintaining businesses and wants to move on to new challenges in expanding and diversifying G.A.P Adventures' operations. Poon Tip believes it's time to take G.A.P Adventures to a new corporate level.

It's the 1990s. G.A.P Adventures' staff is at the annual spring retreat in Ontario's cottage country. To the surprise of all, Poon Tip announces a new division and the development of a travel TV show, and introduces a new “hired gun.” Poon Tip has hired Dave Bowen, an aggressive marketing director with a corporate background, from one of G.A.P Adventures' biggest competitors. He wants Bowen to shake up the company, which he is concerned is not putting enough emphasis on the customer.

Bowen's challenge is to bring corporate discipline to the company without losing employee enthusiasm. Bowen uses his New York savvy and southern charm to transform G.A.P Adventures' corporate culture. The inefficient, handwritten reservation system is organized and converted to a high-tech reservation system, and reservation policies are formalized. The company's annual brochure will include more large, glossy pictures, more exciting titles, and only brief tour descriptions. Bowen insists that it's important to gain the interest of the customer first with the positive aspects of the tour, and then give the details (such as long bus rides) later.

How has G.A.P Adventures fared since the change to a corporate culture? Although some G.A.P employees have left the company, others have adjusted to a work environment that is more serious, more controlled, and less relaxed

and open. G.A.P Adventures' 1999 sales were \$12.9 million, up from just \$500,000 five years earlier. The events of September 11 made 2001 a financially challenging year for many travel companies, yet it was a profitable year for G.A.P Adventures.

This year's annual spring retreat is a bit different—the staff is staying in the executive suites of the upscale Blue Mountain resort in Ontario. Poon Tip announces another surprise: The company will be split into two divisions: the G.A.P division and the Real Tours division. The G.A.P division will market the company's own brand: G.A.P tours. The new Real Tours division will market other contracted-out tours. G.A.P Adventures has also partnered with Signature Vacations to market G.A.P tours. The reservation system is also changing, with a new IT company supporting it. Where will G.A.P Adventures' journey in the world of corporate culture take it next?

Questions

1. What benefits can come from bringing an “outsider,” such as Dave Bowen, into a growing company like G.A.P Adventures? In your opinion, was Bowen a good fit for G.A.P, or should someone more suited to the company's existing organizational culture have been brought in?
2. Did G.A.P Adventures have a strong or weak culture before Bowen was hired? Justify your answer.
3. The impact of Bowen's changes around the workplace quickly caused two key employees to quit G.A.P Adventures. Why do you think these employees were so resistant to the new changes to G.A.P's culture?

Sources: Based on “Corporate Culture Meets G.A.P Adventures,” *CBC Venture*, June 23, 2002, 833; G.A.P Adventures: World Wide Adventure Travel and Eco Tour website, <http://www.gap.ca> (accessed January 13, 2006); <http://www.profitguide.com/magazine/article.jsp?content=261> (accessed January 13, 2006).

From Concepts to Skills

How to “Read” an Organization’s Culture

The ability to read and assess an organization’s culture can be a valuable skill.⁶² If you are looking for a job, you will want to choose an employer whose culture is compatible with your values and in which you will feel comfortable. If you can accurately assess a prospective employer’s culture before you make your decision, you may be able to save yourself a lot of grief and reduce the likelihood of making a poor choice. Similarly, you will undoubtedly have business transactions with numerous organizations during your professional career. You will be trying to sell a product or service, negotiate a contract, arrange a joint venture, or you may merely be seeking out which individual in an organization controls certain decisions. The ability to assess another organization’s culture can be a definite plus in successfully completing these pursuits.

For the sake of simplicity, we will approach the problem of reading an organization’s culture from that of a job applicant. We will assume you are interviewing for a job. Here is a list of things you can do to help learn about a potential employer’s culture:

- Observe the physical surroundings. Pay attention to signs, pictures, style of dress, length of hair, degree of openness between offices, and office furnishings and arrangements.
- With whom are you meeting? Just the person who would be your immediate manager? Or potential colleagues, managers from other departments, or senior executives? Afterwards, based on what they revealed, to what degree do people other than the immediate manager have input into hiring decisions?
- How would you characterize the style of the people you met? Formal? Casual? Serious? Jovial?
- Does the organization have formal rules and regulations printed in a human resource policy manual? If so, how detailed are these policies?
- Ask questions of the people you meet. The most valid and reliable information tends to come from asking the same questions of many people (to see how closely their responses align) and by talking with boundary spanners. *Boundary spanners* are employees whose

work links them to the external environment. This includes jobs such as human resource interviewer, salesperson, purchasing agent, labour negotiator, public relations specialist, and company lawyer.

Questions that will give you insights into organizational processes and practices might include the following:

- What is the background of the founders?
- What is the background of current senior managers? What are their functional specializations? Were they promoted from within or hired from outside?
- How does the organization integrate new employees? Is there an orientation program? Training? If so, could you describe these features?
- How does your manager define his or her job success? (Amount of profit? Serving customers? Meeting deadlines? Acquiring budget increases?)
- How would you define fairness in terms of reward allocations?
- Can you identify some people here who are on the “fast track”? What do you think has put them on the fast track?
- Can you identify someone who seems to be considered a deviant in the organization? How has the organization responded to this person?
- Can you describe a decision that someone made here that was well received?
- Can you describe a decision that did not work out well? What were the consequences for the decision maker?
- Could you describe a crisis or critical event that has occurred recently in the organization? How did top management respond? What was learned from this experience?

Assessing Skills

After you’ve read this chapter, take the following Self-Assessments on your enclosed CD-ROM:

OB AT WORK

4. How Well Do I Handle Ambiguity?
49. How Well Do I Respond to Turbulent Change?
50. How Stressful Is My Life?
51. Am I Burned Out?

Practising Skills

You are the nursing supervisor at a community hospital employing both emergency-room and floor nurses. Each of these teams of nurses tends to work almost exclusively with others doing the same job. In your professional reading, you have come across the concept of cross-training nursing teams and giving them more varied responsibilities, which in turn has been shown to both improve patient care and lower costs. You call the two team leaders, Sue and Scott, into your office to explain that you want the nursing teams to move to this approach. To your surprise, they are both opposed to the idea. Sue says she and the other emergency-room nurses feel they are needed in the ER, where they fill the most vital role in the hospital. They work special hours when needed, do whatever tasks are required, and often work in difficult and stressful circumstances. They think the floor nurses have relatively easy jobs for the pay they receive. Scott, the leader of the floor nurse team, tells you that his group believes the ER nurses lack the special training and extra experience that the floor nurses bring to the hospital. The floor nurses claim they have the heaviest responsibilities and do the most exacting work. Because they have ongoing contact with patients and families, they believe they should not be called away from vital floor

duties to help the ER nurses complete their tasks. Now that you are faced with this resistance, how can you most effectively introduce the cross-training model?

Reinforcing Skills

1. Choose two courses that you are taking this term, ideally in different faculties, and describe the culture of the classroom in each. What are the similarities and differences? What values about learning might you infer from your observations of culture?
2. Compare the atmosphere or feeling you get from various organizations. Because of the number and wide variety that you will find, it will probably be easiest for you to do this exercise using restaurants, retail stores, or banks. Based on the atmosphere that you observe, what type of organizational culture do you think these organizations might have? If you can, interview three employees at each organization for their descriptions of their organization's culture.
3. Think about changes (major and minor) that you have dealt with over the past year. Perhaps these changes involved other people and perhaps they were personal. Did you resist the change? Did others resist the change? How did you overcome your resistance or the resistance of others to the change?
4. Interview a manager at three different organizations about a change he or she has introduced. What was the manager's experience in bringing in the change? How did the manager manage resistance to the change?

